Registered number: 00203663

Mondelez UK Limited

Financial statements

For the year ended 31 December 2016

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Strategic report
For the year ended 31 December 2016

The directors have pleasure in presenting their Strategic report for the year ended 31 December 2016.

Principal activity and business review

The company operates as a sales and distribution company of Mondelez products into the existing United Kingdom markets and customers. These markets include the retail, food service and vending beverage sectors. The company operates within the Mondelez group of companies with the aim of facilitating the group delivering its strategic goals and achieving sustainable and profitable growth.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is Cadbury House, Sanderson Road, Uxbridge, Middlesex, UB8 1DH.

The business performance for the financial year reflects the operating environment across the company's sales categories of chocolate, gum and candy, cheese, biscuits and other foods. The directors are satisfied with the performance of the business.

During the year ended 31 December 2015 Mondelez International entered into a joint venture with DE Master Blenders 1753 of Amsterdam and created a new coffee company is called Jacobs Douwe Egberts. As a result of the joint venture the coffee brands were sold at market value to Jacobs Douwe Egberts. The transactions included within the financial statements that relate to coffee activities were disclosed as 'discontinued operations' in 2015.

Results and dividends

The profit for the financial year, after taxation, amounted to £21,916,000 (2015 - £187,233,000), and at year end the company had net assets of £2,542,087,000 (2015 - £2,453,350,000).

The directors do not recommend the payment of a dividend (2015 - £Nil).

The 2015 profit includes a one-off gain on the sale of the coffee business.

On 29 April 2016 the assets and liabilities of the Mondelez UK Retirement Benefits Plan, whose sponsoring entity was Mondelez UK Limited, were merged into the Cadbury Pension Fund which was renamed following the merger to the Cadbury Mondelez Pension Fund ("CMPF"). Mondelez UK Holdings & Services Limited is the sponsoring entity of the CMPF and accordingly the impact of the transfer has been reported in these financial statements. This has resulted in a gain within equity of £101.6m as shown in the Statement of changes in equity (refer to note 18 for further details).

Key performance indicators

The key performance indicators during the year relating to continuing operations are set out in the table below:

	2016	2015
Growth in sales	3.58%	0.86%
Gross margin	6.97%	7.64%

Gross margin is the ratio of gross profit to sales expressed as a percentage.

Strategic report
For the year ended 31 December 2016

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include price risk, the effects of foreign currency exchange rates, credit risks, liquidity, interest rates and cash flow. The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The risk management procedures are implemented by the company's finance department and approved by the parent company. The department has specific guidelines to manage financial risk. The company does not use financial instruments speculatively.

Price risk and foreign currency exchange risk
Following the group re-organisation the company has limited exposure to price risk and foreign currency exchange risk due to the operating model in place that governs charges between group companies.

Credit risk
The company has implemented policies that require appropriate credit checks on potential and existing customers, before sales are made. The amount of any exposure to any individual counterparty is subject to a limit which is reassessed regularly.

Liquidity risk
The company manages liquidity risk by monitoring the balance sheet position, net intercompany balance and funding requirements from group to ensure that the company has access to sufficient available funds for operations and planned expansions.

Interest rate and cash flow risk
The company has interest bearing assets and interest bearing liabilities. The interest bearing assets are cash balances and inter-company loans. Interest is earned at variable rates. The interest bearing liabilities are inter-company loans. Interest is charged at variable rates. Interest rate risk is managed by the group treasury team who monitor all risk bearing funds.

As a subsidiary of Mondelez International Inc. the directors also consider the business risk and uncertainties to be minimal and are further detailed in the financial statements of ultimate parent company, which are publicly available.

This report was approved by the board of directors on 3/10/2017 and signed on behalf of the board by:

M Taylor
Director

Directors' report
For the year ended 31 December 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Directors

The directors who served during the year and to the date of the financial statements being approved unless otherwise stated were as follows:

J Briscoe (appointed 1 April 2017)
P A Greenhalgh (resigned 15 April 2016)
A M Jennings (resigned 1 September 2016)
S J Mitchell (appointed 1 September 2016, resigned 31 March 2017)
J Pipe (resigned 31 March 2017)
M Stananought (appointed 2 May 2016)
M D Taylor (appointed 15 April 2016
P Watson (appointed 15 April 2016)

Dividends

Particulars of dividends are detailed in the strategic report.

Future developments

The outlook for 2017 remains challenging, however, the external economic environment is showing positive signs of recovery. Mondelez International has a strong track record of delivering results and continues to strive for sustainable growth. The key elements to the company's strategy for growth are its brands, people, values and vision. The company aims to achieve this by:

1. Continuing the further development of its brand portfolio and focusing on its core power brands where a competitive advantage can be achieved.
2. Recruiting talented and dedicated employees who are focused and passionate about their work.
3. Maintaining specific values of innovation, quality, safety, respect for communities and the environment, integrity and openness.
4. Sharing the global vision of its ultimate parent company, Mondelez International Inc., to help people around the world eat and live better.

On 28 April 2017 the French investment company Eurazeo acquired the Terry's chocolate brands in the UK. There is no impact of this transaction on the financial statements for the year ended 31 December 2016.

Going concern

On the basis of the current financial projections and facilities available to the company, and with due regard to the company's principal activities during 2016 and its position within the group, the directors, after making enquiries, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

It is the company's policy to ensure that no employee or job applicant is treated less favourably than another on the grounds of religion, sexual orientation, disability, race, creed, colour, nationality, ethnic or national origins, sex or marital status.

The company recognises the need to create and support a flexible working environment incorporating, where possible, family friendly policies.

The company believes in and supports the development of a working environment which encourages employee involvement in the business. Information about the company and its business is provided to all employees on matters likely to be of concern to them in team briefings, a company newsletter, an annual report and by other communications. Consultative committees and other employee groups regularly receive information about the business.

Joint consultative committees discuss safety and pension matters. Particular issues are considered and dealt with by elected consultative working parties.

Employee involvement in the company's performance is encouraged through an employee bonus scheme.

Financial risk management

Particulars of risk are detailed in the Strategic report.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 24 to the financial statements.

Qualifying indemnity provision

Qualifying third party indemnity provisions and pension scheme indemnity provisions are in force for the company's directors as of the date of this report and were in force for the duration of 2016.

Donations

The Mondelez group of companies makes charitable contributions but these are facilitated by a fellow subsidiary entity of the Mondelez Europe group and not directly by Mondelez UK Limited.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the audited 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). 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 the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 audited financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board of directors on 3/10/2017 and signed on behalf of the board by:

M Taylor
Director

Independent Auditors' Report to the members of Mondelez UK Limited

Report on financial statements

Our opinion

In our opinion Mondelez UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the Statement of financial position as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

Independent Auditors' Report to the members of Mondelez UK Limited (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

In addition, we read all the financial and non-financial information in the Financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Nicholas Stevenson

Nicholas Stevenson (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Birmingham
30 October 2017

Statement of comprehensive income
For the year ended 31 December 2016

	Note	Continuing operations 2016 £000	Discontinued operations 2016 £000	Total 2016 £000	Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000
Turnover	4	1,647,581	-	1,647,581	1,590,687	142,518	1,733,205
Cost of sales		(1,532,738)	-	(1,532,738)	(1,469,088)	(133,620)	(1,602,708)
Gross profit		114,843	-	114,843	121,599	8,898	130,497
Administrative expenses		(92,842)	-	(92,842)	(87,655)	(12,162)	(99,817)
Gain on disposal of operations		-	-	-	-	147,848	147,848
Operating profit	5	22,001	-	22,001	33,944	144,584	178,528
Interest receivable and similar income	8	900	-	900	672	-	672
Interest payable and similar charges	9	(863)	-	(863)	(1,898)	-	(1,898)
Profit on ordinary activities before taxation		22,038	-	22,038	32,718	144,584	177,302
Tax on profit on ordinary activities	10	(122)	-	(122)	2,446	7,485	9,931
Profit for the year		21,916	-	21,916	35,164	152,069	187,233
Remeasurement of the net defined benefit plan	18			(33,577)			(9,665)
Other comprehensive expense for the year				(33,577)			(9,665)
Total comprehensive (expense)/income for the year				(11,661)			177,568

The notes on pages 12 to 33 form part of these financial statements.

Mondelez UK Limited
Registered number:00203663

Statement of financial position
As at 31 December 2016

	Note		2016 £000		2015 £000
Fixed assets					
Intangible assets	11		141,959		151,749
Tangible assets	12		1,252		1,252
Investments in subsidiary undertakings	13		2,263,049		2,263,049
			2,406,260		2,416,050
Current assets					
Debtors	14	661,606		681,857	
Cash at bank and in hand		5,330		6,395	
		666,936		688,252	
Creditors: amounts falling due within one year	15	(529,503)		(574,119)	
Net current assets			137,433		114,133
Total assets less current liabilities			2,543,693		2,530,183
Provisions					
Provisions for liabilities	17	(1,606)		(5,150)	
			(1,606)		(5,150)
Defined benefit pension plan liability	18		-		(71,683)
Net assets			2,542,087		2,453,350
Capital and reserves					
Called up share capital	20		1,581		1,581
Share premium account	21		2,221,288		2,221,288
Profit and loss account	21		319,218		230,481
Total shareholders' funds			2,542,087		2,453,350

These financial statements were approved by the board of directors and authorised for issue on 3/10/2017 and are signed on its behalf of the board by:

M Taylor
Director

The notes on pages 12 to 33 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2015	1,581	2,221,288	54,465	2,277,334
Comprehensive income for the year				
Profit for the financial year	-	-	187,233	187,233
Remeasurement of the net defined benefit plan (note 18)	-	-	(9,665)	(9,665)
Other comprehensive expense for the year	-	-	(9,665)	(9,665)
Total comprehensive income for the year	-	-	177,568	177,568
Charge from parent for equity-settled share based payments	-	-	(2,104)	(2,104)
Credit relating to equity-settled share based payments	-	-	552	552
Total investments by and distributions to owners	-	-	(1,552)	(1,552)
At 1 January 2016	1,581	2,221,288	230,481	2,453,350
Comprehensive income for the year				
Profit for the financial year	-	-	21,916	21,916
Remeasurement of the net defined benefit pension plan (note 18)	-	-	(33,577)	(33,577)
Other comprehensive expense for the year	-	-	(33,577)	(33,577)
Total comprehensive expense for the year	-	-	(11,661)	(11,661)
Charge from parent for equity-settled share based payments	-	-	(1,793)	(1,793)
Credit relating to equity-settled share based payments	-	-	591	591
Gain on transfer of the pension liability (note 18)	-	-	101,600	101,600
Total investments by and distributions to owners	-	-	100,398	100,398
At 31 December 2016	1,581	2,221,288	319,218	2,542,087

The notes on pages 12 to 33 form part of these financial statements.

1. Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards including FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) The requirement to prepare a statement of cash flows (Section 7 of FRS 102 and para 3.17(d)).
(b) Reduced financial instrument disclosure (FRS 102 paras 11.39-11.48A, 12.26 - 12.29).
(c) Disclosure requirements of Section 26 in respect of share based payments (FRS 102 paras 26.18b, 26.19-26.21, 26.23)
(d) The non disclosure of key management personnel compensation in total (FRS 102 para 33.7).

This information is included in the consolidated financial statements of Mondelez International Inc. as at 31 December 2016.

2.3 Consolidation

The company is a wholly-owned subsidiary of Mondelez International Inc., and is included in the financial statements of Mondelez International Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 401 of the Companies Act 2006.

2.4 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned (FRS 102 paragraph 33.1A).

2. Accounting policies (continued)

2.5 Revenue recognition

Sales of goods are recognised on delivery to the customer, when the customer has full discretion over the channel and price to sell the product and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Delivery occurs when the goods have been shipped to the location specified by the customer, the risks of obsolescence or loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

Goods sold to customers are often sold with volume rebates and also with the provision for the customer's to return faulty goods. Sales are measured at the prices specified in the sale contract, net of estimated volume rebates and returns. Volume rebates are assessed based on anticipated annual purchases. Accumulated experience is used to estimate and provide for the discounts and returns.

2.6 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.7 Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. Accounting policies (continued)

2.8 Intangible assets

Purchased goodwill arises where the purchase consideration exceeds the value of the underlying net assets.

Purchased goodwill is capitalised in the year in which it arises and amortised over its useful economic life.

Amortisation

For the goodwill created on acquisition of the Cadbury business in 2011, the directors considered the useful life to be 20 years at that time. This calculation reflected the importance of the Cadbury brand in terms of the overall group business, taking into account the book value of the net assets at that point in time, and the expected value to the business of the reliance on and use of the brand for the foreseeable future.

There have been no significant business changes in the intervening period to conclude that this useful life has materially changed. it is expected that the goodwill generated as a result of the purchase of the Cadbury brand will remain in use and of value for at least the remaining useful economic life. The Cadbury brand and associated revenue streams remain core to the overall business, and this is not expected to change before June 2031 when the current useful economic life expires.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

2.9 Tangible assets

Tangible fixed assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Buildings	-	40 years
Plant and Machinery	-	3 - 20 years

Capital work in progress, freehold land and assets held for sale are not depreciated.

2.10 Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

2.11 Provisions for liabilities

Provisions are recognised where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. The effect of the time value of money on the provisions are not discounted unless material.

2. Accounting policies (continued)

2.12 Foreign currencies

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling.

(ii) 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 Statement of comprehensive income.

2.13 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in the Statement of comprehensive income in the period it arises.

(iii) Multi-employer pension plan

Up to 29 April 2016, the company was a member of a multi-employer pension plan, the Cadbury Pension Fund. On that date the Cadbury Pension Fund was merged with the Mondelez UK Retirement Benefits Plan and renamed as the Cadbury Mondelez Pension Fund. As the company is not able to separately identify its share of the assets and liabilities of the group plan, it accounts for contributions as if they were to a defined contribution pension scheme. Under FRS 102, the Cadbury Mondelez Pension Fund is being reported in the financial statements of Mondelez UK Holdings & Services Limited. Contributions to the plan are charged to the Statement of comprehensive income in the financial year to which they relate.

2. Accounting policies (continued)

(iv) Defined benefit pension plan

Up to 29 April 2016, when it was merged into the Cadbury Mondelez Pension Fund, the company operated a defined benefit plan for certain employees called the Mondelez UK Retirement Benefits Plan.

The Mondelez UK Retirement Benefits Plan was previously reported within the financial statements of Mondelez UK Limited, with the Cadbury Pension Fund being reported within the financial statements of Mondelez UK Holdings & Services Limited. Following the merger on 29 April 2016 of these two schemes, the renamed defined benefit scheme, the Cadbury Mondelez Pension Fund, is being accounted for within the financial statements of Mondelez UK Holdings & Services Limited. As a result of this, the liability of the Mondelez UK Retirement Benefits Plan has been transferred to the financial statements of Mondelez UK Holdings & Services Limited for no matching consideration. As this was the result of a group decision, rather than based on any commercial substance, the gain to Mondelez UK Limited of £101.6m on transfer is reflected within equity, and is shown in the Statement of changes in equity.

A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

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 reporting date less the fair value of the plan assets at the reporting date.

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 the estimated period of the future payments ("discount rate").

The fair value of plan assets is measured in accordance with the FRS 102 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 Statement of comprehensive income as employee costs, except where included in the cost of an asset, comprises: (a) the increase in 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 the Statement of comprehensive income as 'Finance expense'.

(v) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the Statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

2. Accounting policies (continued)

(vi) Share based payments

The company has chosen to adopt Section 26 of FRS 102 in respect of share based payments.

Equity-settled share based payment transactions for employee services received are measured at fair value and recognised as an expense spread over the service periods for share awards expected to vest. The fair value is measured by reference to the number and market value of the equity instruments at the date of the grant. At each balance sheet date the company revises its estimates of the number of awards that are expected to vest and recognises the impact in the Statement of comprehensive income with a corresponding adjustment to equity. Recharges made to the company when the share awards have vested are recognised when paid and accounted for as a decrease in equity.

2.14 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2. Accounting policies (continued)

2.15 Interest Income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

3. Critical accounting judgements and estimation uncertainty

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

(a) Critical judgements in applying the group's accounting policies

(i) Multi-employer defined benefit pension scheme

Certain employees participate in a multi-employer defined benefit pension scheme with other companies in the group. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme. See note 18 for further details.

During the year, a gain has arisen on the transfer of the pension scheme between two group entities for less than the fair value of the scheme. This is reflected within equity on that basis that it reflects a group decision rather than commercial substance.

(b) Key accounting estimates and assumptions

(i) Provisions for liabilities

The reorganisation provision relates to the costs of the company's on-going focus on establishing and maintaining operating efficiency through both structural and organisational reorganisation. The provision is recognised as there is a legal or constructive obligation to transfer economic benefits as a result of a previous event.

(ii) Goodwill

For the goodwill created on acquisition of the Cadbury business in 2011, the directors considered the useful life to be 20 years at that time. This calculation reflected the importance of the Cadbury brand in terms of the overall group business, taking into account the book value of the net assets at that point in time, and the expected value to the business of the reliance on and use of the brand for the foreseeable future.

There have been no significant business changes in the intervening period to conclude that this useful life has materially changed. it is expected that the goodwill generated as a result of the purchase of the Cadbury brand will remain in use and of value for at least the remaining useful economic life. The Cadbury brand and associated revenue streams remain core to the overall business, and this is not expected to change before June 2031 when the current useful economic life expires.

(iii) Employee benefits

Up to 29 April 2016 the company had an obligation to pay pension benefits to certain employees under the Mondelez UK Retirement Benefits Plan. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

On 29 April 2016 the Mondelez UK Retirement Benefits Plan was merged with the Cadbury Pension Fund, which is sponsored by Mondelez UK Holdings & Services Limited. Accordingly the renamed merged plan is reported in the financial statements of the sponsoring entity Mondelez UK Holdings & Services Limited. Please refer to note 18 for the disclosures relating to the defined benefit pension plan.

4. Turnover

Turnover arises from:

	2016 £000	2015 £000
Sale of goods	1,647,581	1,733,205

The company operates as a sales and distribution company of Mondelez products into the existing United Kingdom markets and customers. The turnover and profit before tax are attributable to the principal activity of the company. There is no material difference between the origin and destination of turnover.

5. Operating profit

Operating profit is stated after (crediting)/charging:

	2016 £000	2015 £000
Amortisation of intangible assets	9,790	9,790
Depreciation of tangible assets	-	492
Loss on disposal of tangible assets	-	16,643
Equity-settled share-based payments expense	591	552
Operating lease rentals	1,249	2,308
Impairment of trade debtors	465	-
Gain on disposal of operations	-	(147,848)

Audit fees for the company are borne on behalf of the UK group by a fellow subsidiary undertaking and not separately recharged to the company. An estimated allocation of the audit fee for the year is £245,000 (2015 - £305,750) and includes audit related services in relation to reporting to the entity's ultimate parent company.

The company's auditor acted as auditor to the Mondelez UK Retirement Benefits Plan. The appointment of auditors to the pension scheme and the fees paid in respect of this audit are agreed by the trustees of the scheme who act independently of the company. Pension scheme audit fees are borne by a fellow subsidiary undertaking and not separately recharged to the company.

On 2 July 2015 the company entered into a joint venture with DE Master Blenders 1753 of Amsterdam, as a result of which coffee activities were transferred to Jacobs Douwe Egberts. At the point of disposal the net assets relating to the coffee business were £32,039,000. The company received cash consideration of £179,887,000 on disposal, leading to a profit on disposal of £147,848,000 being recognised in the Statement of comprehensive income in 2015.

6. Staff Costs

The average monthly number of staff employed by the company during the year, including the directors, amounted to:

	2016 No	2015 No
Sales and marketing	629	713
Administration	5	6
	634	719

6. Staff costs (continued)

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £000	2015 £000
Wages and salaries	28,025	34,336
Social security costs	3,607	3,884
Other pension costs	3,305	4,383
	34,937	42,603

Included within the figures for wages and salaries is a charge of £591,000 (2015 - £552,000) in respect of share based payments.

7. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016 £000	2015 £000
Remuneration	1,715	1,068
	1,715	1,068

Remuneration of the highest paid director in respect of qualifying services:

	2016 £000	2015 £000
Aggregate remuneration	364	296
	364	296

The number of directors who accrued benefits under company pension schemes was as follows:

	2016 No	2015 No
Defined benefit schemes	6	4

Benefits are accruing under the defined benefits pension scheme and, at the year end accrued pension amounted to £215,000 (2015: £163,000)

7. Directors' remuneration (continued)

The number of directors who exercised share options and received shares under a long term incentive scheme during the year were as follows:

	2016 No	2015 No
Directors who exercised share options	3	4
Directors who received shares under a long term incentive scheme	7	5

8. Interest receivable and similar income

	2016 £000	2015 £000
Interest on loans to group undertakings	900	672

9. Interest payable and similar charges

	2016 £000	2015 £000
Net finance costs in respect of defined benefit pension plans	837	1,871
Other interest payable and similar charges	26	27
	863	1,898

10. Tax on profit on ordinary activities

Tax expense included in profit or loss

	2016 £000	2015 £000
Current tax:		
Overseas tax	-	11
Deferred tax:		
Origination and reversal of timing differences	972	(9,843)
Impact of change in tax rate	(139)	(259)
Adjustments in respect of prior periods	(711)	160
Total deferred tax (note 16)	122	(9,942)
Tax on profit on ordinary activities	122	(9,931)

Reconciliation of tax (income)/expense

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	22,038	177,302
Profit multiplied by the standard rate of tax in the UK	4,408	35,903
Adjustment to tax charge in respect of prior periods	(711)	160
Effect of expenses not deductible for tax purposes	2,382	2,104
Effect of revenue exempt from tax	-	(42,048)
Effect of different UK tax rates on some earnings	(345)	(262)
Pension contribution relief in excess of pension cost charge	-	1,318
Group relief not paid for	6,335	5,407
Compensating interest deductions	(11,947)	(12,524)
Overseas tax	-	11
Tax on profit on ordinary activities	122	(9,931)

10. Tax on profit on ordinary activities (continued)

Factors that may affect future tax income/charges

The company has unrecognised deferred taxation (assets) as follows:

	2016 £000	2015 £000
Not provided for in financial statements:		
Other short term timing differences	-	12,903

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015, which received royal assent on 18 November 2015, reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020, whilst the Finance Act 2016, which received royal asset on 15 September 2016, included further reduction of the rate of 18% to 17% from 1 April 2020.

At 31 December 2015 deferred tax assets (measured at the enacted rates at the balance sheet date of 18%) were not recognized as there was no expectation of reversal in the foreseeable future due to the availability of group tax losses.

11. Intangible assets

	Goodwill £000
Cost	
At 1 January 2016 and 31 December 2016	350,012
Amortisation	
At 1 January 2016	198,263
Charge for the year	9,790
At 31 December 2016	208,053
Net book value	
At 31 December 2016	141,959
At 31 December 2015	151,749

Goodwill is being amortised on a straight-line basis over twenty years, being the period over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

12. Tangible assets

	Land & buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2016	3,371	798	4,169
At 31 December 2016	3,371	798	4,169
Depreciation			
At 1 January 2016	2,297	620	2,917
At 31 December 2016	2,297	620	2,917
Net book value			
At 31 December 2016	1,074	178	1,252
At 31 December 2015	1,074	178	1,252

13. Investments in subsidiary undertakings

	Shares in group undertakings £000
Cost	
At 1 January 2016	2,263,049
At 31 December 2016	2,263,049
Impairment	
At 1 January and 31 December 2016	-
Net book value	
At 31 December 2016	2,263,049
At 31 December 2015	2,263,049

13. Investments in subsidiary undertakings (continued)

Subsidiary undertakings

The company's investment represents its interest in the following entities:

Name	Registered office	Holding	Principal activity
Kraft Foods UK Intellectual Property Limited	PO Box 12, Bournville Lane, Bournville, BIRMINGHAM, B30 2LU, United Kingdom	100 %	Trademark owner
Mondelez International Services Limited	PO Box 12, Bournville Lane, Bournville, BIRMINGHAM, B30 2LU, United Kingdom	100 %	HR services
Mondelez UK Biscuit Financing Limited	Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH, United Kingdom	100 %	Financing
Mondelez UK R&D Limited	PO Box 12, Bournville Lane, Bournville, BIRMINGHAM, B30 2LU, United Kingdom	100 %	Research and development

The directors believe that the carrying value of the investments in Mondelez International Services Limited, Mondelez UK Biscuit Financing Limited and Mondelez UK R&D Limited are supported by their underlying net assets. The carrying value of the remaining investments is £Nil (2015 - £Nil).

14. Debtors

	2016 £000	2015 £000
Trade debtors	149,785	161,133
Amounts owed by group undertakings	511,524	519,825
Other debtors	58	104
Prepayments and accrued income	239	795
	661,606	681,857

Amounts owed by group undertakings include non-trading balances which are unsecured and repayable on demand. Deposits earn interest at the London Interbank Offered Rate less 0.375% with a floor at 0%.

Trade debtors are stated after provisions for impairment of £1,235,000 (2015 - £770,000).

15. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	7,091	7,433
Amounts owed to group undertakings	293,686	341,176
Other creditors	50,979	29,777
Accruals and deferred income	177,747	195,733
	529,503	574,119

Amounts owed to group undertakings include non-trading balances which are unsecured and repayable on demand. Loans are charged interest at the London Interbank Offered Rate plus 0.125%.

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

Included in provisions for liabilities (see note 17)	717	595

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £000	2015 £000
Accelerated capital allowances	(17)	(18)
Other short term timing differences	495	360
Chargeable gains	239	253
	717	595

17. Provisions for liabilities

	Restructuring or reorganisation £000	Deferred tax £000	Total £000
At 1 January 2016	4,555	595	5,150
Additions	2,887	122	3,009
Utilised during the year	(6,553)	-	(6,553)
At 31 December 2016	889	717	1,606

Restructuring provisions relate to a number of organisational and structural reorganisations.

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £675,000 (2015: £554,000).

In addition to these contributions, the company contributed additional amounts totalling £2,500,000 (2015: £2,500,000) in respect of discretionary pension payments.

Multi-employer plan

The amount recognised in the Statement of comprehensive income as an expense in relation to multi-employer defined benefit plans was £2,630,000 (2015 - £3,829,000).

18. Employee benefits (continued)

Cadbury Mondelez Pension Fund defined benefit plan

On 29 April 2016, the Cadbury Pension Fund was merged with the Mondelez UK Retirement Benefit Plan and renamed as the Cadbury Mondelez Pension Fund.

The latest full actuarial valuation of the Cadbury Mondelez Pension Fund was carried out as at 5 April 2016 using the projected unit credit method, as part of the merger.

At 31 December 2016 the company actuary estimated the Cadbury Mondelez Pension Fund to have a deficit of £574,100,000 (2015 - £341,700,000) under the projected unit credit method. The Cadbury Mondelez Pension Fund is accounted for within the group within the accounts of Mondelez UK Holdings & Services Limited.

Mondelez Retirement Benefits Plan defined benefit plan

Up to the 29 April 2016, the company was the sponsoring employer to the Mondelez UK Retirement Benefits Plan ("the Plan"), a UK contributory pension plan. During 2016, the transfer of assets and liabilities to the new Cadbury Mondelez Pension Fund has resulted in a settlement gain of £101,600,000 which has been recognised as a capital contribution in equity. As a result of the transfer the company has no liability as at the year end date. Movements in the Plan up to the date of transfer are shown in this note.

The statement of financial position net defined benefit liability is determined as follows:

	2016 £000	2015 £000
Present value of defined benefit obligations	-	(700,831)
Fair value of plan assets	-	629,148
Defined benefit pension plan liability	-	(71,683)

18. Employee benefits (continued)

Changes in the present value of the defined benefit obligations are as follows:

	2016 £000
At 1 January 2016	700,831
Current service cost	1,409
Interest expense	8,920
Contributions by plan participants	129
Actuarial loss on remeasurement of obligations	44,776
Benefits paid	(10,967)
Transfer of liability to new pension plan	(745,098)
At 31 December 2016	-

Changes in the fair value of plan assets are as follows:

	2016 £000
At 1 January 2016	629,148
Interest income	8,083
Benefits paid	(10,967)
Contributions by employer	6,411
Contributions by plan participants	129
Return on plan assets excluding interest income	11,199
Administration costs	(505)
Transfer of assets to new pension plan	(643,498)
At 31 December 2016	-

18. Employee benefits (continued)

The total (gains)/costs for the year in relation to defined benefit plans are as follows:

	2016 £000	2015 £000
Recognised in Statement of comprehensive income:		
Current period employee service costs	1,409	7,081
Net interest on net defined benefit liability	837	1,871
Plan introductions and changes	-	(9,722)
Administration costs	505	2,346
	2,751	1,576

	2016 £000	2015 £000
Recognised in Statement of changes in equity:		
Gain on transfer of the pension liability to fellow subsidiary	101,600	-

The fair value of the major categories of plan assets are as follows:

	2016 £000	2015 £000
Equity instruments	-	239,076
Bonds	-	371,197
Other assets	-	18,875
	-	629,148

The Plan assets do not include any of Mondelez UK Limited's own financial instruments, or any property occupied by Mondelez UK Limited.

Actuarial assumptions

The last full actuarial valuation of the Plan was carried out as at 5 April 2016 by Willis Towers Watson, actuarial consultants to the Plan.

The mortality assumptions used are S1NA year of birth tables weighted 85% for males and 105% for females to reflect the membership profile of the Plan. Future improvements are based on CMI2013 mortality improvements subject to long-term projection rates of 1.5% pa for both males and females.

18. Employee benefits (continued)

	2016	2015
Discount rate	2.7%	3.8%
Expected rate of salary increase	3.75%	3.5%
Inflation assumption	3.25%	3%
Rate of increase in pensions in payment - LPI 5%	3.25%	3%
Rate of increase in pensions in payment - LPI 2.5%	2.25%	2%
Expected rate of increase in pensions	2.25%	2%

Actuarial valuation

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected returns on equity investments reflect a 10 year median return. For bonds the expected yield has been calculated based on the redemption yield.

19. Share-based payments

Mondelez International Inc. have issued equity share-based payments to certain company employees and as such full disclosure is provided within the group financial statements of Mondelez International Inc.

The total expense recognised in profit or loss for the year is as follows:

	2016 £000	2015 £000
Equity-settled share-based payments	591	552
	591	552

Recharges of £1,793,000 (2015 - £2,104,000) made to the company were recognised directly in equity.

20. Called up share capital

	2016 £000	2015 £000
Authorised		
10,000,000 Ordinary shares of £1 each	10,000	10,000

	2016 £000	2015 £000
Allotted, called up and fully paid		
1,581,334 Ordinary shares of £1 each	1,581	1,581

21. Reserves

A full list of reserves balances is provided on page 11 in the Statement of changes in equity.

22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Not later than 1 year	1,030	1,447
Later than 1 year and not later than 5 years	2,631	1,707
	3,661	3,154

23. Guarantees

The company has provided guarantees of £3,000,000 (2015 - £3,000,000) to HM Revenue & Customs in respect of the import of goods. There are no other guarantees in place as at 31 December 2016 (2015 - £Nil).

24. Events after the end of the reporting period

On 28 April 2017 the French investment company Eurazeo acquired the Terry's chocolate brands in the UK. There is no impact of this transaction on the financial statements for the year ended 31 December 2016.

25. Controlling party

At 31 December 2016 the immediate parent company was Kraft Foods Schweiz Holdings GmbH, a company incorporated in Switzerland.

At 31 December 2016 the company's ultimate parent company and controlling party was Mondelez International Inc., incorporated in the United States of America. This is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Mondelez International Inc. are available on application from the Company Secretary, Cadbury House, Sanderson Road, Uxbridge, UB8 1DH.