Registered number: 00203663

Mondelez UK Limited

Annual report and Financial statements

For the year ended 31 December 2018

Contents

Strategic report
For the year ended 31 December 2018

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

Principal activities and business review

The company operates as a sales company of Mondelez products to 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 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.

On 28 April 2017 the French investment company Eurazeo acquired the Terry's chocolate brands in the UK. Mondelez UK Limited acted as a distributor of these brands until 31 July 2019, when the distribution agreement ended.

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

Results and dividends

The profit for the financial year, after taxation, amounted to £34,824,000 (2017 - £185,012,000), and at year end the company had net assets of £2,314,284,000 (2017 - £2,479,773,000).

During the year dividends of £200,000,000 were paid (2017 - £247,000,000).

Key performance indicators

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

	2018	2017
Growth in sales	1.27%	0.79%
Gross margin	8.66%	7.57%

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

Strategic report (continued)
For the year ended 31 December 2018

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
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 the ultimate parent company, which are publicly available.

This report was approved by the board of directors on 16 September 2019 and signed on behalf of the board by:

L Stigant

L A Stigant
Director

Directors' report
For the year ended 31 December 2018

The directors present their Annual report and the audited Financial statements of the company for the year ended 31 December 2018.

Directors

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

J Briscoe
A M Jennings (appointed 1 March 2018 and resigned 13 December 2018)
C Parkes (appointed 14 December 2018)
M H Stananought
L A Stigant (appointed 6 June 2018)
M D Taylor (resigned 9 February 2018)
P Watson (resigned 16 March 2018)

Results and dividends

Particulars of results and dividends are detailed in the Strategic report.

Future developments

The outlook for 2019 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.

Going concern

The company meets its day-to-day working capital requirements through the group's treasury arrangements. The current economic conditions continue to create uncertainty over the company's ongoing business and the availability of finance for the foreseeable future. Whilst the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of available facilities, as at 31 December 2018 the company had net current liabilities of £69,869,000 (2017 - net current assets of £86,378,000). Hence the directors have obtained a letter of support from Kraft Foods Schweiz Holdings GmbH and therefore have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this Annual report and Financial statements. The company therefore continues to adopt the going concern basis in preparing the Annual report and Financial statements.

Whilst the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the company's business and the wider economy, the directors consider that they have taken all reasonable steps necessary to mitigate the risks associated with the withdrawal and have confirmed that in the event of any financial ramifications the company would continue to be supported by the Mondelez International Inc. group.

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 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 26 to the financial statements.

Qualifying indemnity provisions

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 2018.

Charitable donations

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and Financial statements in accordance with applicable law and regulation.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors 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.

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.

Director confirmations

In the case of each director in office at the date the Directors' report is approved:

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

Independent auditors

The board of directors have chosen to reappoint PricewaterhouseCoopers LLP as auditors for the coming financial year.

This report was approved by the board of directors on 16 September 2019 and signed on behalf of the board by:

L Stigant

L A Stigant
Director

Independent auditors' report to the members of Mondelez UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Mondelez UK Limited's 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual report"), which comprise: the Statement of financial position as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
Date: 26 SEPTEMBER 2019

Statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	4	1,681,806	1,660,642
Cost of sales		(1,536,205)	(1,534,883)
Gross profit		145,601	125,759
Administrative expenses		(111,760)	(87,997)
Operating profit	5	33,841	37,762
Income from shares in group undertakings	8	-	146,500
Gain on disposal of operations	9	-	170
Interest receivable and similar income	10	1,280	289
Interest payable and similar expenses	11	(26)	(29)
Profit before taxation		35,095	184,692
Tax on profit	12	(271)	320
Profit for the financial year		34,824	185,012
Other comprehensive income for the year		-	-
Total comprehensive income for the year		34,824	185,012

All activities of the company are from continuing operations.

The notes on pages 12 to 28 form an integral part of these financial statements.

Statement of financial position
As at 31 December 2018

	Note		2018 £000		2017 £000
Fixed assets					
Intangible assets	14		122,378		132,169
Investments	15		2,263,049		2,263,049
			2,385,427		2,395,218
Current assets					
Debtors	16	380,741		532,979	
Cash at bank and in hand		-		354	
		380,741		533,333	
Creditors: amounts falling due within one year	17	(450,610)		(446,955)	
Net current (liabilities)/assets			(69,869)		86,378
Total assets less current liabilities			2,315,558		2,481,596
Provisions for liabilities	19	(1,274)		(1,823)	
			(1,274)		(1,823)
Net assets			2,314,284		2,479,773
Capital and reserves					
Called up share capital	22		1,581		1,581
Share premium account			2,221,288		2,221,288
Profit and loss account			91,415		256,904
Total equity			2,314,284		2,479,773

These financial statements on pages 9 to 28 were approved by the board of directors and authorised for issue on 16 September 2019 and were signed on behalf of the board by:

L Stigant.

L A Stigant
Director

The notes on pages 12 to 28 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2017	1,581	2,221,288	319,218	2,542,087
Profit for the financial year	-	-	185,012	185,012
Total comprehensive income for the year	-	-	185,012	185,012
Dividends paid (note 13)	-	-	(247,000)	(247,000)
Charge from parent for equity-settled share based payments	-	-	(994)	(994)
Credit relating to equity-settled share based payments	-	-	668	668
Total transactions with owners recognised directly in equity	-	-	(247,326)	(247,326)
At 31 December 2017 and 1 January 2018	1,581	2,221,288	256,904	2,479,773
Profit for the financial year	-	-	34,824	34,824
Total comprehensive income for the year	-	-	34,824	34,824
Dividends paid (note 13)	-	-	(200,000)	(200,000)
Charge from parent for equity-settled share based payments	-	-	(873)	(873)
Credit relating to equity-settled share based payments	-	-	560	560
Total transactions with owners recognised directly in equity	-	-	(200,313)	(200,313)
At 31 December 2018	1,581	2,221,288	91,415	2,314,284

The notes on pages 12 to 28 form an integral 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 disclosures (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 2018.

2.3 Going concern

The company meets its day-to-day working capital requirements through the group's treasury arrangements. The current economic conditions continue to create uncertainty over the company's ongoing business and the availability of finance for the foreseeable future. Whilst the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of available facilities, as at 31 December 2018 the company had net current liabilities of £69,869,000 (2017 - net current assets of £86,378,000). Hence the directors have obtained a letter of support from Kraft Foods Schweiz Holdings GmbH and therefore have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this Annual report and Financial statements. The company therefore continues to adopt the going concern basis in preparing the Annual report and Financial statements.

2.4 Consolidated financial statements

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.

These financial statements are the company's separate financial statements (FRS 102, 9.27(a)).

2. Accounting policies (continued)

2.5 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).

2.6 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 compared to prior agreements. Accumulated experience is used to estimate and provide for the discounts and returns.

2.7 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.

2.8 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 Statement of comprehensive income on a straight line basis over the period of the lease.

2. Accounting policies (continued)

2.9 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.

2.10 Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment.

Impairment

At each balance sheet date assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of comprehensive income.

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 currency translation

(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

The company is a member of a multi-employer pension plan, the Cadbury Mondelez Pension Fund. As it is not possible for the participating companies to obtain sufficient information to enable them to account for the plan as a defined benefit plan, they account for the plan as a defined contribution plan. Mondelez UK Holdings & Services Limited, as the sponsoring employer, accounts for the whole plan within its financial statements as a defined benefit plan.

Contributions to the plan are charged to the Statement of comprehensive income in the financial year to which they relate.

2. Accounting policies (continued)

2.13 Employee benefits (continued)

(iv) 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.

(v) 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. The corresponding credit is recognised in retained earnings as a component of 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 the Statement of comprehensive income.

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.

2. Accounting policies (continued)

2.14 Financial instruments (continued)

(ii) Financial liabilities (continued)

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 using the effective interest rate method.

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

2.15 Dividends

Dividend income received in the form of in specie assets other than cash is recognised in reserves. Dividend income received in the form of cash is recognised in the Statement of comprehensive income. All dividend expense is recognised in reserves.

2.16 Interest income

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

2.17 Finance costs

Finance costs are charged to the Statement of comprehensive income 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 associated capital instruments. Bank charges are recognised in the period in which they are incurred.

2.18 Cash pooling

The company meets its day-to-day working capital requirements through a combination of loans and through access to funds as part of the Mondelez International group's cash pooling arrangement, of which Mondelez International Finance AG (MIF), a related company based in Switzerland, is the pool leader. Under the cash pooling arrangements, there is no cash held by the company - all balances are deposited in the cash pool at the end of business on each day. The company therefore has a £NIL cash balance.

The value of the current facility is £288,318,000 and this balance is presented within amounts owed by group undertakings within debtors as at the year end (2017 - £398,505,000, presented within amounts owed by group undertakings within debtors). There are not considered to be limits to the available facility within the normal course of business. This is agreed as a rolling facility which is an integrated part of the Mondelez International Inc. group operations.

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 20 for further details.

(b) Key accounting estimates and assumptions

(i) Goodwill (note 14)

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.

(ii) Deferred tax (note 18)

The recognition of deferred tax assets involves making an assessment as to whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition therefore involves an estimate as to the future financial performance of the legal entity or tax group in which the deferred tax asset has been recognised. Deferred tax assets have been recognised during 2018 and 2017 due to changes in the tax loss utilisation legislation. Previously those were not recognised as management had no expectation of reversal in the foreseeable future due to the availability of group tax losses

(iii) Investments (note 15)

The directors believe that the carrying value of investments are supported by the subsidiaries' underlying net assets.

4. Turnover

Turnover arises from:

	2018 £000	2017 £000
Sale of goods	1,681,806	1,660,642
	1,681,806	1,660,642

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

The operating profit is stated after charging:

	2018 £000	2017 £000
Amortisation of intangible assets	9,791	9,790
Equity-settled share-based payments expense	560	668
Operating lease rentals	1,031	1,995
Impairment of trade debtors	319	539
Staff costs (note 6)	35,909	36,491

All administrative costs of 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 £238,000 (2017 - £241,000) and includes audit related services in relation to reporting to the entity's ultimate parent company. There were no non-audit fees paid to the company's auditors in either year.

6. Staff costs

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

	2018 No.	2017 No.
Sales and marketing	589	580
Administration	3	5
	592	585

6. Staff costs (continued)

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

	2018 £000	2017 £000
Wages and salaries	28,001	29,255
Social security costs	4,363	3,357
Other pension costs	3,545	3,879
	35,909	36,491

Included within the figures for wages and salaries is a charge of £560,000 (2017 - £668,000) in respect of share based payments (see note 21 for further information).

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2018 £000	2017 £000
Directors' emoluments	961	1,088
	961	1,088

During the year retirement benefits were accruing to 5 directors (2017 - 4) in respect of defined benefit pension plans.

Benefits are accruing under the defined benefits pension scheme and, at the year end accrued pension amounted to £185,000 (2017 - £119,000).

The number of directors who exercised share options is 2 (2017 - 3) and received shares under a long term incentive scheme during the year is 6 (2017 - 6).

The highest paid director received remuneration of £289,000 (2017 - £326,000).

The value of the benefits accruing under a defined benefit pension plan in respect of the highest paid director amount to £NIL (2017 - £NIL), and the director exercised no share options during the year (2017 - £NIL).

8. Income from shares in group undertakings

	2018 £000	2017 £000
Dividends received from group undertakings	-	146,500
	-	146,500

9. Gain on disposal of operations

	2018 £000	2017 £000
Gain on disposal of operations	-	170
	-	170

The gain on disposal relates to the UK's allocation of the proceeds of the sale of the Vegemite brand by Mondelez Australia Foods Limited on 4 July 2017. No operating results were disclosed as discontinued in the financial statements.

10. Interest receivable and similar income

	2018 £000	2017 £000
Interest on loans to group undertakings	1,280	289

11. Interest payable and similar expenses

	2018 £000	2017 £000
Bank charges and fees	26	29
	26	29

12. Tax on profit

	2018 £000	2017 £000
Total UK current tax	-	-
Deferred tax		
Origination and reversal of timing differences	303	(331)
Tax rate differences	(32)	39
Adjustments in respect of prior periods	-	(28)
Total deferred tax (note 19)	271	(320)
Tax on profit	271	(320)

12. Tax on profit (continued)

Factors affecting tax charge/(credit) 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 £000	2017 £000
Profit before tax	35,095	184,692
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	6,668	35,553
Effects of:		
Adjustments in respect of prior periods	-	(28)
Expenses not deductible for tax purposes	1,867	1,879
Tax rate differences	(32)	39
Non-taxable income	(3)	(29,523)
Group relief not paid for	(8,229)	(8,240)
Total tax charge/(credit) for the year	271	(320)

Factors that may affect future tax charges

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 20% to 19% from 1 April 2017.

The Finance Act 2016 which received royal assent on 15 September 2016 further reduced the main rate of corporation tax to 17% from 1 April 2020.

13. Dividends

Dividends paid during the year:

	2018 £000	2017 £000
Dividends paid to immediate parent company	200,000	247,000
	200,000	247,000

Dividends of £126.48 per ordinary share were paid during the year (2017 - £156.20).

14. Intangible assets

	Goodwill £000
Cost	
At 1 January 2018 and 31 December 2018	350,012
Accumulated amortisation	
At 1 January 2018	217,843
Charge for the year	9,791
At 31 December 2018	227,634
Net book value	
At 31 December 2018	122,378
At 31 December 2017	132,169

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.

15. Investments

	Shares in group undertakings £000
Cost and net book value	
At 1 January 2018	2,263,049
At 31 December 2018	2,263,049

The following are the principal subsidiary undertakings:

	2018 £000	2017 £000
Mondelez International Services Limited	72,547	72,547
Mondelez UK Biscuit Financing Limited	2,178,978	2,178,978
Mondelez UK R&D Limited	11,524	11,524
	2,263,049	2,263,049

The carrying value of the investment in Kraft Foods UK Intellectual Property Limited is £NIL (2017 - £NIL).

Subsidiary and group investments

A full list of investments is contained in Appendix A.

16. Debtors

	2018 £000	2017 £000
Trade debtors	79,528	116,888
Amounts owed by group companies	300,687	415,707
Other debtors	198	269
Prepayments and accrued income	328	115
	380,741	532,979

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 £927,000 (2017 - £1,820,000).

17. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts	523	-
Trade creditors	6,002	6,497
Amounts owed to group undertakings	265,356	268,498
Other creditors	30,094	17,370
Accruals and deferred income	148,635	154,590
	450,610	446,955

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%.

18. Deferred tax

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

	2018 £000	2017 £000
Included in provisions for liabilities (note 19)	668	397
	668	397

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

	2018 £000	2017 £000
Fixed asset timing differences	(37)	(37)
Short term timing differences:		
share based payments	966	912
provisions	(261)	(478)
	668	397

19. Provisions for liabilities

	Restructuring £000	Deferred tax £000	Total £000
At 1 January 2018	1,426	397	1,823
Charged to profit & loss	864	-	864
Utilised during the year	-	271	271
Released during the year	(1,684)	-	(1,684)
At 31 December 2018	606	668	1,274

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

20. Employee benefits

Defined contribution plans

The amount recognised in the Statement of comprehensive income as an expense in relation to defined contribution plans was £913,000 (2017 - £700,000).

Multi-employer plan

The amount recognised in the Statement of comprehensive income as an expense in relation to multi-employer defined benefit plans was £2,632,000 (2017 - £3,179,000).

Cadbury Mondelez Pension Fund defined benefit plan

At 31 December 2018 the company actuary estimated the Cadbury Mondelez Pension Fund to have a deficit of £35,298,000 (2017 - £381,900,000) under the projected unit credit method. The latest full actuarial valuation was carried out as at 5 April 2016 and a new recovery plan was put in place.

21. 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 the Statement of comprehensive income for the year is as follows:

	2018 £000	2017 £000
Equity-settled share based payments	560	668
	560	668

In addition, recharges of £873,000 (2017 - £994,000) made to the company were recognised directly in equity.

22. Called up share capital

	2018 £000	2017 £000
Authorised		
10,000,000 (2017 - 10,000,000) Ordinary shares of £1 each	10,000	10,000
Issued, called up and fully paid		
1,581,334 (2017 - 1,581,334) Ordinary shares of £1 each	1,581	1,581

23. Reserves

For the full list of reserves balances please go to page 11 Statement of changes in equity for further details.

24. Operating leases

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

	2018 £000	2017 £000
Not later than 1 year	1,263	1,190
Later than 1 year and not later than 5 years	1,056	1,979
	2,319	3,169

25. Guarantees

The company has provided guarantees of £3,000,000 (2017 - £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 2018 (2017 - £NIL).

26. Controlling party

At 31 December 2018 the immediate parent company was Kraft Foods Schweiz Holdings GmbH, a company incorporated in Switzerland.

At 31 December 2018 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.

Appendix A

Company Name	Registered Address	Principal Activity	Holding
Kraft Foods UK Intellectual Property Limited	PO Box 12, Bournville Lane, Bournville, BIRMINGHAM, B30 2LU, United Kingdom	Trademark owner	100.00%
Mondelez International Services Limited	PO Box 12, Bournville Lane, Bournville, BIRMINGHAM, B30 2LU, United Kingdom	HR services	100.00%
Mondelez UK Biscuit Financing Limited	Uxbridge Business Park, Sanderson Road, Uxbridge, Middlesex, UB8 1DH, United Kingdom	Financing	100.00%
Mondelez UK R&D Limited	PO Box 12, Bournville Lane, Bournville, BIRMINGHAM, B30 2LU, United Kingdom	Research and development	100.00%