Registration number: 00275552

Nutricia Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Nutricia Limited

Contents

Nutricia Limited

Company Information

Directors	A J Cuadra G A A Hildenbrand S L Roach
Registered office	Newmarket Avenue White Horse Business Park Trowbridge Wiltshire BA14 0XQ
Independent Auditors	PricewaterhouseCoopers LLP 2 Glass Wharf Avon Street Bristol BS2 0FR

Nutricia Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activities
The principal activity of the company is the distribution, sale and marketing of specialist nutritional products for babies, young children and people with specific nutritional needs.

Nutricia Limited is a specialist nutrition company which has built success through the understanding of nutrition and focus on the special nutritional needs of consumers; babies, young children and those who are sick or elderly. We grow our business through customer-led innovations backed by strict quality controls. For all our consumers, product safety is our first concern. Within these specialised areas the company has developed market leading positions.

• Globally Danone Nutricia – Early Life Nutrition is a leading innovator in high-quality milks and weaning foods for babies and young children, across the 0-3 age range.

• Advanced Medical Nutrition delivers products to combat medical malnutrition to help sick people manage their condition in specific disease areas and to support others with special nutritional needs.

Fair review of the business
Revenue for the year amounted to £526,808,000 (2019: £559,274,000). Sales reduced in 2020 due to the impact of COVID-19 as discussed further below.

The profit for the financial year amounted to £11,200,000 (2019: £11,833,000).

The net asset position of the company at year end was £49,489,000 (2019: £49,679,000).

Dividends totalling £11,233,000 (2019: £11,785,000) were paid during the year.

On 11 March 2020 the World Health Organisation declared coronavirus disease (COVID-19) a global pandemic. Danone's priority in dealing with the exceptional challenges posed by COVID-19 is to ensure the safety of its employees as well as that of its trading partners, in order to maintain the availability of food supply and ensuring our brands serve people's needs despite changes to the normal way of doing business.

• The business has experienced volatile sales throughout the year as a result of the COVID-19 impact. Sales over the year have declined driven by the following key factors;

• Lockdown restrictions leading to a reduction in out-of-home formats and a shift towards longer breast-feeding;

• A drop in cross border trade into China due to travel restrictions and a change in purchasing trends in China;

• Within the medical side of the business strong sales through hospital channels have been offset by disrupted prescription services.

In the longer term we are unable to predict how COVID-19 may affect both supply and demand, with significant differences depending on food habits and lifestyles and people's income, all in a context of diverse local and national government lockdown strategies and exits. Despite this uncertainty, the financial position of the company and the wider Danone group remains strong and hence the directors believe that in all reasonably possible scenarios, the company is able to continue to operate as a going concern.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2020	2019
Sales growth	%	-6	-1
Operating profit	£000s	20,085	21,507
Average number of employees	FTE's	642	660

Future developments

• Danone Nutricia - Early Life Nutrition

Our focus remains to use the strong foundations we have created in every category. We continue to transform our product portfolio with a number of innovations and introductions, fulfilling our commitment to provide consumers with an ever broader range of convenient, attractive and nutritionally superior products. Healthy, safe nutrition is the foundation of all our baby nutrition products, whatever the category, and we understand the importance of addressing our consumers with simplicity and clarity when communicating these benefits.

• Advanced Medical Nutrition

Our focus remains on improving the quality of life and health of the elderly and other vulnerable groups through the use of Advanced Medical Nutrition. We continue to build our growth by raising awareness of the benefits of Advanced Medical Nutrition and continuing to bring innovation across both our core products and those focused on specific diseases.

• Restructuring

In October 2020 Danone group announced a move to reshape its organization onto a geographic structure with the aim to create efficiencies. "Local First" is a plan by which local business units will regain autonomy. Business entities in countries will no longer be dependent on a specific global category organisation but will be unified in one single local business unit. Organisational changes are expected to commence during 2021 and are planned to complete by 2023.

Giving power back to countries will shorten the decision-making processes: for instance by having only two decision-making levels on capital expenditure where there are five today.

This simplification will translate in reductions of around 1,500 to 2,000 positions in local and global headquarters. The impact for Nutricia Limited has not yet been determined.

By reshaping its organization, Danone targets to deliver €1 billion cost savings globally by 2023, including €300 million from reduced cost of goods and €700 million related to general and administrative costs (representing around 20% reduction in overheads costs). Expected savings will be partly reinvested to fuel growth opportunities and contribute to progress the profitable growth agenda of the company. Total one-off costs related to the new organization initiatives are expected to be around €1.4 billion for the 2021-2023 period. The cost savings and one-off costs for Nutricia Limited have not yet been determined.

Principal risks and uncertainties
The principal business risk areas inherent to our business are summarised below.

• Product quality
Product quality and food safety play a critical role in the company's ability to serve our customers. Imperfect or non-performing products may also be the cause of customer complaints, warranty claims, returns, product liability claims and litigation, with a consequent loss of revenues, market share and business reputation. To minimise our exposure to product quality and food safety risks Danone SA has defined and implemented stringent policies and procedures at all of its supply points.

• Production concentrated in limited specialist facilities
Production is concentrated at a limited number of specialist facilities in order for the company to ensure product quality. However in the event of extreme situations such as stoppages caused by acts of sabotage or terror, labour disputes or natural catastrophes, there is a risk of limited product supply. Should these extreme circumstances arise the company would be able to ensure that alternative supply of product is obtained from other specialist facilities within the group.

• Legal and regulatory risk
The business of the company is subject to regulation by international, national and local governmental agencies. Changes to current legislation may impact our business or our strategy, or the claims that we are permitted to make about the health benefits of our products. The company relies on the willingness of retailers, wholesalers and other distributors to carry our products and on the inclusion of our Advanced Medical Nutrition products on lists of reimbursable products. Danone SA and Nutricia Limited addresses the regulatory, marketing and distribution issues through sound, professional business practice – observance of appropriate legislation and the policies of health authorities and insurers, acute awareness of the competitive environment and strong relationships with customers and suppliers.

• Potential stock shortages
A small proportion of the Early Life Nutrition sales to its customers are being re-sold to China. The source of this demand is unpredictable and difficult to forecast and presents risks of potential stock shortages. This risk is being actively managed to ensure continuing product availability for UK consumers.

• Foreign exchange risk
The company is exposed to foreign exchange risk principally in respect of the euro. Foreign exchange risk arises from future commercial transactions, recognised trading assets and liabilities and amounts due to or from fellow group undertakings. The exposure to foreign exchange risk is primarily mitigated through the use of forward purchase contracts entered into on the company's behalf by a fellow group undertaking.

Duty to promote the success of the company
Each director of the company has taken steps to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of members as a whole, and in doing so have regard (amongst other matters) to the below factors:

- The likely consequences of any decision in the long term. The board has made principal decisions impacting the future of the company in line with the long term strategic objectives of the ultimate parent company Danone. This includes decisions on capital allocation and dividend payments. Dividends are declared based on prior year profits to ensure the company retains a comfortable level of liquidity / reserves.
- The interests of the company's employees. Directors have considered employee interests when making principal decisions. For further details refer to the directors report.
- The need to foster the company's business relationships with suppliers, customers and others. For further details refer to the directors report.
- The impact of the company's operations on the community and the environment. On behalf of the company, the board participates in local and global sustainability initiatives coordinated by Danone. Danone have announced a €2 billion global climate acceleration plan, which in the next three years will further transform the agriculture, energy and operations, packaging, and digital capabilities. As part of its pledge towards carbon neutrality on its full value chain by 2050, Danone set intermediate greenhouse gas (GHG) reduction targets for 2030 which were officially approved by the Science-Based Targets initiative in 2017.
- The desirability of the company maintaining a reputation for high standards of business conduct.
- The need to act fairly as between members of the company.

Respect for human rights
Nutricia Limited's operations are office and sales based, with a high importance placed on ensuring a safe working environment. A health and safety committee meet regularly to ensure safety remains high on the agenda and any issues are quickly identified and rectified.

Approved by the Board on 14 May 2021 and signed on its behalf by:

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A J Cuadra
Director

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020. The performance of the business, future developments and business risk management are discussed in the strategic report.

Directors' of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

A J Cuadra

G A A Hildenbrand

S L Roach

Directors' indemnity

Third party indemnity insurance is provided by the ultimate parent company and was in place for all directors during 2020 and continues to be in place at the date of signing the financial statements.

Dividends

The directors recommend a dividend of £10,908,000 in respect of the financial year ended 31 December 2020 which was declared subsequent to the year end and will be recognised in the 2021 financial statements. Please refer to note 19 for dividends declared during the year.

Employee engagement

When determining the principal decisions to be taken by the company during the financial year the directors have had regard to employee interests especially in the context of the COVID-19 pandemic as discussed in the Strategic Report. The company is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Financial and economic factors affecting the performance of the company and the ultimate parent undertaking Danone are disclosed to and discussed with employees, feedback requested as part of these communications. Employees are also given the opportunity to feedback through surveys on company strategy and employee morale.

Employment of disabled persons

The company follows a standard practice towards all applications for employment in the light of its requirements and the qualifications, aptitudes and abilities of each individual. It makes no distinction in considering applications from disabled people. Where people are unfortunate enough to become disabled during the course of their employment, every practical effort is made to retain their services and provide retraining if necessary. All employees are eligible for consideration for appropriate training, career development and promotional opportunities and disabled people are not treated any differently in this respect.

Business relationships
When determining the principal decisions to be taken by the company during the financial year the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others. This includes considerations regarding sustainability, responsible sourcing, payment terms and anti-bribery and corruption.

Corporate social responsibility
As part of the wider Danone group, the company aims to inspire healthy eating through two Danone programs:
- Eat Like a Champ, which is a healthy eating education programme, designed for Year 5 primary school
children, aiming to tackle the growing issue of poor nutrition and obesity amongst children.
- Healthy Eating for Young Children - HEY! - which engages parents in healthy eating and 'skills for life'
learning.
Additionally, the company has selected local charities where volunteer activities by employees take place. Each staff member is entitled to one day volunteering per year.
There is also match funding available for individual employee charity fund-raising activities.

Energy and carbon reporting
During 2020 an Energy Savings and Opportunities Scheme (ESOS) assessment was completed. Our Streamlined Energy and Carbon Reporting (SECR) disclosure presents our Greenhouse Gas (GHG) emissions, energy usage and appropriate intensity metrics for our total energy use, as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The following figures make up the baseline reporting, as 2020 is the first year that the Nutricia Limited are required to report this information. The Gas & Fuel and Electricity usage relates to an office building owned by Nutricia limited. Nutricia Limited employees represent 220 of the 290 FTEs utilising this office space.

The company also sub leases an office building from another group company, Danone Limited, who have primary responsibility for managing the energy usage within that building. The total energy usage and emissions data for that building are therefore reported in the directors report of Danone Limited.

	Gas & Fuel	Electricity	Transport
kwH	389,183	488,116	3,757,234
kgCO2e	71,560	113,800	890,010
kgCO2e per FTE	247	392	1,386

The group purchases 100% renewable energy.

Methodology
CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. Electricity and gas invoices have been entered into a fully managed energy database up to 31st December 2020, and data quality checks have been carried out for data completeness and accuracy. All transport information has also been entered into the energy database up to 31st December 2020.

In order to achieve 100% data coverage, 79% has been obtained from invoiced data with 21% calculated based on estimated consumption.

Intensity metrics have been calculated using 2020 FTE (full time equivalent) employee numbers based on the number of FTEs using the office building or total FTEs for the transport intensity metric (refer to note 7 to the financial statements for further details).
Transport use is direct cost of transport and does not include third party logistic providers acting on the company's behalf.

Energy efficiency improvements
The UK group of companies are committed to year on year improvements in their operational energy efficiency. As such, a register of energy efficiency measures has been compiled, with a view to implementing these measures in the next 5 years.

The group have found it difficult during 2020 to undertake and complete energy efficiency projects due to site restrictions caused by the COVID-19 global pandemic and the activities that occur across the group. The Group hope to pick up energy efficiency projects again once the current COVID-19 restriction set by the UK government have been eased.

Financial instruments

In both the current and comparative accounting years the company did not use derivative financial instruments to manage interest rate costs or currency exposure and as such, no hedge accounting is applied. Hedging arrangements were entered into by a fellow group undertaking during the year in respect of the subsequent accounting year. The company, as a wholly owned subsidiary of Danone SA, follows the Danone SA corporate treasury policies in respect of financial risk management.

Price risk, credit risk, liquidity risk and cash flow risk

Price risk
The company is exposed to general price risks as a result of its operations. However, for certain supplies of goods and services, short-term purchase contracts are in place.

The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk
The company has implemented procedures that require appropriate credit checks on potential customers before sales commence. The level of exposure to any individual counterparty is subject to a limit, which is reassessed on an ongoing basis.

Liquidity risk
The company has no external loans or borrowing facilities. Cash balances are managed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate and cash flow risk
The company has interest bearing assets and liabilities. Interest bearing assets and liabilities include cash balances and balances with fellow group undertakings.

Future developments
Please refer to the strategic report for future developments.

Going concern
The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors
Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 14 May 2021 and signed on its behalf by:

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A J Cuadra
Director

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the 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 are elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101') and applicable law. Under company law the 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 year. In preparing these financial statements, the required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 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.

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.

Independent Auditors' Report to the Members of Nutricia Limited

Report on the audit of the financial statements

Opinion

In our opinion, Nutricia Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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 101 "Reduced Disclosure Framework", 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 2020; the statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Members of Nutricia Limited (continued)

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.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to food standards and food product regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue, and management bias in accounting estimates, in particular the estimation of rebate accruals and pension liabilities. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Consideration of whether management have properly assessed any exposures to food standards regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular testing rebate accruals and pension liabilities;
- Identifying and testing journal entries posted with unusual account combinations, in particular any such journal entries posted to revenue;
- Reviewing minutes of meetings of those charged with governance.

Independent Auditors' Report to the Members of Nutricia Limited (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Paul Nott

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Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Bristol

Date:26 May 2021

Nutricia Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	526,808	559,274
Cost of sales		(382,461)	(407,551)
Gross profit		144,347	151,723
Distribution costs		(82,404)	(90,776)
Administrative expenses		(41,858)	(39,440)
Operating profit	5	20,085	21,507
Other financial income		94	331
Other financial expense	6	(6,852)	(7,430)
Profit before taxation		13,327	14,408
Tax on profit	9	(2,419)	(2,575)
Profit for the financial year		10,908	11,833
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/loss on defined benefit pension schemes before tax	17	115	(1,600)
Movement on deferred tax relating to pension deficit	9	20	272
		135	(1,328)
Total comprehensive income		11,043	10,505

The above results were derived from continuing operations.

Nutricia Limited

Statement of financial position as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Non-current assets			
Intangible assets	10	434	931
Property, plant and equipment	11	13,078	13,049
		13,512	13,980
Current assets			
Inventories	12	54,288	55,842
Trade and other receivables	13	90,823	103,922
		145,111	159,764
Trade and other payables: Amounts falling due within one year	14	(103,325)	(115,022)
Net current assets		41,786	44,742
Total assets less current liabilities		55,298	58,722
Loans and borrowings: Amounts falling due after more than one year	15	(4,074)	(4,340)
Provisions for liabilities	16	(1,028)	(1,955)
Net assets excluding pension liability		50,196	52,427
Post-employment benefit provision	17	(707)	(2,748)
Net assets		49,489	49,679
Capital and reserves			
Called up share capital	18	9,705	9,705
Share premium		1	1
Other reserves		2,806	2,806
Retained earnings		36,977	37,167
Total Shareholders' funds		49,489	49,679

The financial statements were approved by the Board of Directors on 14 May 2021 and signed on its behalf by:

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A J Cuadra
Director

Nutricia Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	9,705	1	2,806	38,447	50,959
Profit for the financial year	-	-	-	11,833	11,833
Actuarial gain/loss on defined benefit pension schemes before tax	-	-	-	(1,600)	(1,600)
Movement on deferred tax relating to pension deficit	-	-	-	272	272
Total comprehensive income	-	-	-	10,505	10,505
Dividends	-	-	-	(11,785)	(11,785)
At 31 December 2019	9,705	1	2,806	37,167	49,679

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	9,705	1	2,806	37,167	49,679
Profit for the financial year	-	-	-	10,908	10,908
Actuarial gain/loss on defined benefit pension schemes before tax	-	-	-	115	115
Movement on deferred tax relating to pension deficit	-	-	-	20	20
Total comprehensive income	-	-	-	11,043	11,043
Dividends	-	-	-	(11,233)	(11,233)
At 31 December 2020	9,705	1	2,806	36,977	49,489

1 General information

The company is a private company limited by share capital, incorporated and domiciled in UK.

The address of its registered office is:
Newmarket Avenue
White Horse Business Park
Trowbridge
Wiltshire
BA14 0XQ

The principal activity is described in the Strategic Report.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
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.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements have been prepared under the historical cost convention, and comply with the Companies Act 2006 as applicable to companies using FRS 101.

The following exemptions from the requirement of IFRS have been applied in preparation of these financial statements, in accordance with FRS 101;

- Paragraphs 45 (b) and 46 to 52 of IFRS 2, 'Share Based Payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined.
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
(iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and the end of the period)

2 Accounting policies (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
(i) 10(d) (statement of cash flows),
(ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
(iii) 16 (statement of compliance with all IFRS),
(iv) 38A (requirement for minimum of two primary statements, including cash flow statements),
(v) 38B-D (additional comparative information),
(vi) 40A-D (requirements for a third statement of financial position),
(vii) 111 (cash flow statement information),
(viii) 134-136 (capital management disclosures).
- IAS 7, 'Statement of Cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17of IAS 24, 'Related party disclosures' (key management compensation).
- The requirement in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets' (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).
- The following paragraphs of 'IFRS 15 'Revenue from contracts with customers': 113(a), 114, 115, 118, 119(a) to 119(c), 120 to 127 and 129.

Going concern

The financial statements have been prepared on a going concern basis.

Consolidation

The company is a wholly owned subsidiary of Nutricia (Cow & Gate, Milupa) Holdings Limited and of its ultimate parent, Danone SA. It is included in the consolidated financial statements of Danone SA which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

2 Accounting policies (continued)

Revenue recognition
Revenue represents the net invoiced value of goods supplied after the deduction of fixed and variable trade rebates and value added tax. Revenue is recognised at the point of delivery to the customer when the customer takes title of the product and the corresponding risk and rewards have been substantially transferred. Invoiced sales represent gross sales less standard price discounting. Trade rebates are negotiated for fixed trade spend and variable trade spend. Variable trade rebates are recorded in accordance with the sales volumes delivered in the year, where sales volumes are uncertain, estimates are made based on historical performance of similar rebate arrangements. Fixed trade spend is recognised when the benefit arises from the trade activity.

Foreign currency transactions and balances
(a) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency
(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Freehold buildings	33 to 40 years
Computer equipment	3 to 5 years
Fixtures, fittings and equipment	8 to 10 years
Assets in the course of construction	Not depreciated

Intangible assets

Intangible assets which comprise compute software assets are stated at historical costs less amortisation. Amortisation is calculated to write off the assets over their estimated useful lives of 3-5 years. Software assets in the course of development are not amortised.

2 Accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories comprises finished goods held for resale that are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Trade payables

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the statement of comprehensive income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

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

2 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan.

The company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the year in which they arise.
The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset. Past-service costs are recognised immediately in the income statement.

2 Accounting policies (continued)

Leases

The company leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;

• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

• Amounts expected to be payable by the company under residual value guarantees;

• The exercise price of a purchase option if the company is reasonably certain to exercise that option; and

• Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

• The amount of the initial measurement of lease liability;

• Any lease payments made at or before the commencement date less any lease incentives received;

• Any initial direct costs; and

• Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Payments associated leases of low-value assets are recognised in line with lease repayment schedules usually on a straight-line basis as an expense in profit or loss.

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Dividend income is recognised when the right to receive payment is established.

Financial assets and liabilities

Classification

The company classifies all of its financial assets as loans and receivables.

The company classifies all of its financial liabilities as liabilities at amortised cost.

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities at amortised cost including intercompany borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the statement of financial position.

Impairment

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

3 Critical accounting judgements and key sources of 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.

The company makes estimations and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed as follows.

Recognition of trade rebates
Trade rebates are negotiated for fixed trade spend and variable trade spend. Variable trade rebates are recorded in accordance with the sales volume delivered in the year, where sales volumes are uncertain, estimates are made based on historical performance of similar rebate arrangements. Fixed trade spend is recognised when the benefit arises from the trade activity

The level of accruals for rebates is £28,007,000 (2019: £21,479,000) included in accrued expenses within note 14.

Defined benefit pension scheme
The company has an obligation to pay pension benefits to certain employees. 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, which are reflected in note 17, reflect historical experience and current trends.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Sale of goods	526,808	559,274

The analysis of the company's turnover for the year by market is as follows:

	2020 £ 000	2019 £ 000
United Kingdom and Ireland	526,808	559,274

5 Operating profit

Arrived at after charging:

	2020 £ 000	2019 £ 000
Depreciation	3,754	3,235
Amortisation	533	968
Auditors' remuneration	125	117
Operating lease expense	254	254
Loss/(profit) on disposal of property, plant and equipment	325	364

There were no non-audit related services provided by the company's auditors in 2020 (2019: nil).

Depreciation includes £1,289,000 depreciation (2019: £1,746,000) relating to right-of-use assets recognised under IFRS 16.

Operating lease expense relates to low value leases.

6 Other financial expense

	2020 £ 000	2019 £ 000
Interest on bank overdrafts and borrowings	43	91
Interest on obligations under finance leases and hire purchase contracts	15	30
Recharged hedging costs from group companies	6,794	7,250
Other finance costs	-	59
	6,852	7,430

7 Employee information

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	30,847	31,540
Social security costs	4,125	3,893
Other pension costs, defined contribution scheme	2,994	2,572
Other pension costs, defined benefit scheme	114	223
	38,080	38,228

7 Employee information (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Administration and support	44	86
Sales, marketing and distribution	598	574
	642	660

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	1,660	1,810
Benefits under long-term incentive schemes (excluding shares)	58	93
Company contributions to money purchase pension schemes	73	-
	1,791	1,903

Retirement benefits are accruing to 2 (2019 - nil) directors under a defined contribution pension scheme.

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	929	650
Benefits under long-term incentive schemes (excluding shares)	33	21
Company contributions to money purchase pension schemes	52	-
	1,014	671

There were no key management other than the directors.

9 Tax on profit

Tax charged in the statement of comprehensive income

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	2,356	2,517
Arising from adjustments in respect to prior periods	(135)	(224)
	2,221	2,293
Deferred taxation		
Arising from origination and reversal of temporary differences	253	361
Arising from changes in tax rates and laws	(160)	(38)
Arising from adjustments in respect to prior periods	105	(41)
Total deferred taxation	198	282
Tax charge on profit for the year	2,419	2,575

The tax on profit before taxation for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before taxation	13,327	14,408
Corporation tax at standard rate	2,532	2,738
Arising from adjustments in respect to prior periods	(30)	(265)
Increase from effect of expenses not deductible in determining taxable profit	77	140
Deferred tax expense (credit) relating to changes in tax rates or laws	(160)	(38)
Total tax charge	2,419	2,575

Amounts recognised in other comprehensive income

	2020 Before tax £ 000	2020 Tax benefit £ 000	2020 Net of tax £ 000	2019 Before tax £ 000	2019 Tax benefit £ 000	2019 Net of tax £ 000
Remeasurements of post employment benefit obligations	115	20	135	(1,600)	272	(1,328)

9 Tax on profit (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2020 £ 000
Other items	148	5	-	153
Accelerated tax depreciation	1,207	176	-	1,383
Pension benefit obligations	467	(379)	20	108
Net tax assets/(liabilities)	1,822	(198)	20	1,644

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2019 £ 000
Other items	269	(121)	-	148
Accelerated tax depreciation	1,058	149	-	1,207
Pension benefit obligations	505	(310)	272	467
Net tax assets/(liabilities)	1,832	(282)	272	1,822

10 Intangible assets

	Internally generated software development costs £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	9,934	9,934
Additions	35	35
Disposals	(2,109)	(2,109)
At 31 December 2020	7,860	7,860
Accumulated amortisation		
At 1 January 2020	9,003	9,003
Amortisation charge	533	533
Amortisation eliminated on disposals	(2,110)	(2,110)
At 31 December 2020	7,426	7,426
Carrying amount		
At 31 December 2020	434	434
At 31 December 2019	931	931

11 Property, Plant and Equipment

	Freehold land and buildings £ 000	Fixtures, fittings and equipment £ 000	Computer equipment £ 000	Total £ 000
Cost or valuation				
At 1 January 2020	8,509	21,023	6,197	35,729
Additions	67	3,741	270	4,078
Disposals	(534)	(1,953)	(3,516)	(6,003)
Transfers	951	(951)	-	-
At 31 December 2020	8,993	21,860	2,951	33,804
Accumulated depreciation				
At 1 January 2020	4,755	12,680	5,245	22,680
Charge for the year	717	2,593	444	3,754
Eliminated on disposal	(521)	(1,671)	(3,516)	(5,708)
Transfers	339	(339)	-	-
At 31 December 2020	5,290	13,263	2,173	20,726
Carrying amount				
At 31 December 2020	3,703	8,597	778	13,078
At 31 December 2019	3,754	8,343	952	13,049

Lease arrangements

The net carrying amount of property, plant and equipment includes the following amounts in respect of right-of-use assets held under lease agreements. Additions to right-of-use assets in the year were £1,289,000 (2019: £2,233,000).

	31 December 2020 £ 000	31 December 2019 £ 000
Office buildings	1,212	1,212
Motor vehicles	4,586	5,156
	5,798	6,368

12 Inventories

	31 December 2020 £ 000	31 December 2019 £ 000
Finished goods and goods for resale	54,288	55,842

12 Inventories (continued)

The cost of Inventories recognised as an expense in the year amounted to £382,461,416 (2019 - £407,550,616). This is included within cost of sales.

The amount of write-down of Inventories recognised as an expense in the year is £1,251,785 (2019 - £969,750).

13 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade receivables	50,928	50,242
Receivables from related parties	35,203	48,883
Deferred tax	1,644	1,822
Other receivables	1,835	2,975
Income tax asset	1,213	-
	90,823	103,922

Included within receivables from related parties are amounts receivable within an intercompany cash pooling arrangement with Danone Finance International, a group company based in France which bears interest at 0.38% (2019: 0.38%).

All amounts, other than the deferred tax asset, are due within one year.

14 Trade and other payables

	31 December 2020 £ 000	31 December 2019 £ 000
Trade payables	2,592	8,221
Accrued expenses	58,190	52,213
Amounts due to related parties	36,482	49,406
Social security and other taxes	3,662	3,052
Income tax liability	-	471
Lease liabilities	976	1,659
Other borrowings	1,423	-
	103,325	115,022

The amounts due to related parties relates to stock purchases and therefore are unsecured with no fixed date of repayment and bear no interest.

15 Loans and borrowings

	31 December 2020 £ 000	31 December 2019 £ 000
Non-current loans and borrowings		
Lease liabilities	4,074	4,340

Borrowings include lease liabilities relating to office buildings and vehicles. IFRS 16 is effective from the period beginning 1 January 2019 further details on transition to the new standard are disclosed in Note 2.

The maturity analysis for lease liabilities as at 31 December 2020 is as follows; £976,000 due within 1 year, £4,074,000 in 2-5 year and £nil over 5 years.

The discount rate applied is 2.83% and the cash cost during the year was £1,684,000. Depreciation charged is disclosed in Note 5 and additions to right-of-use assets are disclosed in Note 11.

16 Provisions for liabilities

	Group performance units £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	(389)	(1,566)	(1,955)
Provisions used	41	886	927
At 31 December 2020	(348)	(680)	(1,028)

GPU provision
During 2020 Danone Group Performance Units (GPU's) were granted to directors. GPU's are paid in cash by the company, with their value being linked to Danone's growth and operating margin performance across a 3 year period. The value of any GPU payment is fixed in Euro. This is then converted into GBP based on the prevailing exchange rate on the first day of any month where a GPU payment is due to be made.

Restructuring provision
The opening balance position relates to the one-off restructuring costs associated with the global merge of the Danone Early Life Nutricia division and the Advance Medical Nutrition division into the Specialised Nutrition division. The remaining provision is expected to be utilised in the next 12 months.

17 Pension and other schemes

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £2,994,000 (2019: £2,572,000). There is £391,671 outstanding in respect of pension contributions at 31 December 2020 (2019: £362,487).

Defined benefit scheme
Nutricia Limited Staff Pension Scheme

The Company is a participating employer in the plan which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 430 members as at 5 April 2016. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of the trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 5 April 2018 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the participating employers and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £12,500,000. The participating employers have agreed with the trustees that they will aim to target full funding on a solvency type basis by September 2024 by annual employer contributions of £2,580,000 over the period to March 2022. In addition and in accordance with the actuarial valuation, the participating employers have agreed with the trustees that it will pay 27.0% (18.0% for non Salary Exchange members) of pensionable earnings in respect of the cost of accruing benefits plus £72,000 per annum. Non Salary Exchange Members contribute 9% of Pensionable Earnings per annum. In respect of management/administration expenses the participating employers pay contributions of £350,000 per annum. In addition, the participating employers will meet the cost of death-in-service insurance premiums and levies payable to the Pension Protection Fund. The contributions above represent those paid in total by all participating employers, not just Nutricia Limited.

For the purposes of IAS19 the results of the actuarial valuation as at 5 April 2018, which was carried out by a qualified independent actuary, have been updated on an approximate basis to 31 December 2019. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

17 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2020 £ 000	31 December 2019 £ 000
Fair value of scheme assets	35,426	32,653
Present value of scheme liabilities	(36,133)	(35,401)
Defined benefit pension scheme deficit	(707)	(2,748)

Scheme assets

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

	31 December 2020 £ 000	31 December 2019 £ 000
Fair value at start of year	32,653	31,956
Expected return of the year	679	902
Other administration costs	(77)	(161)
Increase/(Decrease) related to (gains) and losses on plan assets	2,708	1,490
Employer contributions	2,040	2,043
Contributions by scheme participants	-	2
Benefits paid	(2,577)	(3,579)
Fair value at end of year	35,426	32,653

17 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2020 £ 000	31 December 2019 £ 000
Debt securities	2,298	2,066
Stock equity	3,282	2,553
Real estate - property	152	101
Insurance solution	19,567	19,173
Commodities	190	174
Cash	442	651
LDI	6,781	5,656
Other	66	64
Hedge fund	2,648	2,215
	35,426	32,653

None of the fair values of the assets shown above include any direct investments in the company's own financial instruments or any property occupied by, or other assets used by, the company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

It is the policy of the trustees and the Company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles.

Actual return on scheme's assets

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

17 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 December 2020 £ 000	31 December 2019 £ 000
Present value at start of year	35,401	34,924
Current service cost	-	3
Interest costs	716	961
Actuarial gains and losses arising from changes in demographic assumptions	257	(819)
Actuarial gains and losses arising from changes in financial assumptions	2,336	3,525
Actuarial gains and losses arising from experience adjustments	-	384
Benefits paid	(2,577)	(3,579)
Contributions by scheme participants	-	2
Present value at end of year	36,133	35,401

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2020 %	31 December 2019 %
Discount rate	1.60	2.10
Future salary increases	3.00	3.00
Inflation (RPI)	2.95	3.00

Post retirement mortality assumptions

The mortality assumptions adopted at 31 December 2020 are 100% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2015 converging to 1.25% p.a. These imply the following life expectancies:

	31 December 2020 Years	31 December 2019 Years
Current UK pensioners at retirement age - male	21.80	21.80
Current UK pensioners at retirement age - female	23.70	23.70
Future UK pensioners at retirement age - male	23.10	23.10
Future UK pensioners at retirement age - female	25.20	25.20

17 Pension and other schemes (continued)

Amounts recognised in the income statement

	31 December 2020 £ 000	31 December 2019 £ 000
Amounts recognised in operating profit		
Current service cost	-	3
Net interest costs	37	59
Administrative expenses paid	77	161
Recognised in arriving at operating profit	114	223

Amounts taken to the Statement of Comprehensive Income

	31 December 2020 £ 000	31 December 2019 £ 000
Actuarial losses arising from changes in demographic assumptions	257	819
Actuarial gains and losses arising from changes in financial assumptions	2,336	(3,525)
Actuarial losses arising from experience adjustments	-	(384)
Return on plan assets, excluding amounts included in interest income/(expense)	(2,708)	1,490
Amounts recognised in the Statement of Comprehensive Income	(115)	(1,600)

18 Called up share capital

Allotted, called up and fully paid shares

	31 December 2020 No. 000	31 December 2020 £ 000	31 December 2019 No. 000	31 December 2019 £ 000
Ordinary Shares of 1 each	9,705	9,705	9,705	9,705

19 Dividends

	2020 £ 000	2019 £ 000
Dividend of £1.16 (2019 - £1.21) per ordinary share	11,233	11,785

The directors are proposing a final dividend of £1.12 (2019 - £1.16) per share totalling £10,908,000.00 (2019 - £11,233,000.00). This dividend has not been accrued in the statement of financial position.

Recommended dividends paid and not recognised in the financial statements

The directors are proposing the following dividends:

£1.12 (2019 - £1.16) per each Ordinary Shares totalling £10,908,000 (2019 - £11,233,000)

These dividends have not been accrued in the Statement of Financial Position.

20 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	31 December 2020 £ 000	31 December 2019 £ 000
Within one year	254	254
In two to five years	191	445
	445	699

IFRS 16 was effective from the period beginning 1 January 2019, from this date the majority of leases are recognised as a liability and are not shown in the table above that is for low value leases only.

21 Parent and ultimate parent undertaking

The smallest and largest group on which the results of the company are consolidated is that headed by Danone SA, which is the ultimate parent undertaking incorporated in France. The directors regard Danone SA as the ultimate company and controlling party.

The company's immediate parent is Nutricia (Cow & Gate, Milupa) Holdings Limited.

The ultimate parent is Danone SA.

The most senior parent entity producing publicly available financial statements is Danone SA. These financial statements are available upon request from Danone SA
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