

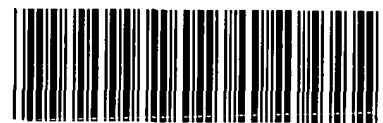
Company registered no: 2506007

UNITED BISCUITS (UK) LIMITED

Report and Financial Statements

For the year ended 31 December 2019

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United Biscuits (UK) Limited

Strategic report

The directors present their strategic report and accounts for the year ended 31 December 2019.

Principal activity, review of the business and future developments

The principal activity of the Company is the manufacture and sale of a range of food products, principally biscuits and savoury snacks.

The Company is the leading manufacturer and marketer of biscuits in the United Kingdom ("UK"). In 2019, the Company's branded biscuit sales accounted for approximately 23.2% of the overall UK biscuit market, with market shares showing an increasing trend towards the last quarter, continuing into the early part of 2020. Sales of Godiva branded products continued to perform well in 2019, following its successful launch into UK supermarkets in 2017. A new product, Flipz, was successfully launched in the UK market in 2019. Among the Company's popular core brands are: *McVitie's Digestives*, *Jacob's Cream Crackers*, *Penguin, go ahead!* and *McVitie's Jaffa Cakes*.

Revenue comprises sales of our iconic brands and private label products as well as royalty payments received for the use of the Company's brands. McVities and Jacob's are the Company's most strategic and popular brands which receive priority marketing and innovation support.

The Company exports its branded products to approximately 100 countries around the world and its key export brands are *McVitie's* and *Carr's*.

The Company's key financial and other performance indicators from operations during the period were as follows:

	2019 £m	2018 £m
Revenue	833.4	827.7
Adjusted EBITDA	133.9	128.4
Operating profit before interest and tax	73.2	73.2
Profit before tax	63.0	58.1
Net current assets	1,314.6	1,348.1
Total Shareholders' equity	1,693.6	1,651.7

	Number	Number
Average number of employees	4,240	4,256

Revenue in 2019 was £833.4 million compared to £827.7 million in 2018, an increase of £5.7 million or circa 1.0%. The Company's core McVitie's products (Rich tea, Hobnobs and Digestives), new products (including Flipz) and Regional Brands all contributed positively performed well and there were also contract wins in retailer brands.

Adjusted EBITDA is the primary measure by which management measures business performance and is used by management for the purpose of business decision-making and resource allocation. Adjusted EBITDA represents the operating profit or loss from operations before taxes, financing, restructuring items (such as redundancy costs and major system implementations), pension administration costs, depreciation and amortisation expense, acquisition and disposal related costs and other significant items which the directors assess not to relate to the underlying performance of the business due to their nature or frequency of occurrence. Adjusted EBITDA is an alternative performance measure which is not defined or specified under the requirements of IFRS. Adjusted EBITDA is not a substitute for or superior to IFRS measures, but management believes it does provide stakeholders with additional helpful information on the performance of the business. Adjusted EBITDA for 2019 was £133.9 million, an increase of £5.5 million from the prior year (2018: £128.4 million).

Operating profit before interest and tax in 2019 was £73.2 (2018: £73.2 million).

United Biscuits (UK) Limited

Strategic report (continued)

Movements in financial position

Significant changes in the Company's financial position include:

- A decrease in amounts owed by group undertakings of £48.5m. This decrease relates to a balance owed by the Company's (indirect) parent company, UMV Global Foods Company Limited ("UMV"). The companies have agreed to offset the amount owed by the Company (previously within creditors: amounts falling due after one year) against this debtor balance. The offset is partially reduced by interest payments made by the Company on behalf of UMV.
- An increase of £7.7 million and £18.8 million in finance lease liabilities in short term and long term creditors respectively. This is due to the adoption of IFRS 16 which requires operating leases to be reflected on the Company's Balance sheet.

Future developments

The Company's strategic objectives are aligned with those of pladis, of which the Company is part, pladis promises happiness to the world with every bite and the Company is fully committed to supporting this central idea and the new strategy launched in 2020.

The four strategic pillars of the strategy to unlock the potential of our people and our brands are:

1. Consumer

Leveraging its wide portfolio of brands and consumer insights, pladis seeks to deliver products to meet key consumption moments with industry-leading cross-category innovations.

The Company continues to make brand investment, including in respect of new product development, brand innovation and packaging innovation, while building brand and product platforms that are aligned and provide scale.

2. Customer

pladis is focussed on making its brands the first choice for consumers. It is committed to exceptional sales and distribution service levels and being the supplier of choice to the trade with the right product range at the right price.

The Company has long-standing relationships with key customers and its priority is to deliver impeccable in-store execution by building on shopper insights.

3. Cost and Cash

pladis is committed to growing gross and operating margins by streamlining supply chain costs to generate cash to invest in its business, brands and people.

The Company is committed to maintaining its focus on efficiency improvements, waste reduction, cost reduction and capital efficiency to enable investment in its brands and people.

4. Culture

pladis is a unique, differentiated and vibrant organisation with a culture that energises and motivates its people.

United Biscuits (UK) Limited

Strategic report (continued)

Principal risks and uncertainties

The Board of Pladis Foods Limited assume overall accountability for the evaluation and management of risks to the Pladis Foods Group, of which the Company is a part.

The Group is exposed to strategic, operational and financial risk. Its financial risks are summarised, together with the actions taken to mitigate any significant exposures, in Note 18 to the Consolidated Financial Statements of UMV Global Foods Holding Company. In addition, the Group is subject to a number of significant business risks, which it takes all possible actions to mitigate.

These risks include the following:

Substantial leverage and ability to service debt

The Group's high level of debt requires it to dedicate a substantial portion of its cash flow from operations to its debt service obligations. Its leveraged status could increase its vulnerability to adverse general economic and industry conditions or to a significant business continuity issue, limit its ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes, place it at a disadvantage relative to its competitors that have less debt and limit its flexibility in planning for or reacting to changes in its business or industry. The Group closely monitors market performance and country information in the markets it operates in and carries out extensive due diligence prior to entering a new market. The Group's largest business unit is in the UK where it has a long-established business presence. The Company is a guarantor to bank borrowings that are subject to a financial covenant; should the financial covenant not be complied with, the borrowings may become due for immediate repayment, calling into question the Company's ability to continue as a going concern, unless cured by parental support, the Company securing alternative funding or otherwise waived or reset by the current lenders.

Business strategy implementation

The Group's strategy is to increase its cash flow and profitability by implementing initiatives aimed at generating profitable branded growth, achieving cost savings and driving working capital efficiency initiatives. If it is unsuccessful at implementing its strategy it may be unable to comply with the financial covenants under its senior facilities agreement. The Group manages and monitors, by reference to key performance indicators, resources allocated to the development of new products and to the research, development and technology process functions of its business.

Significant competition

The Group operates in highly competitive markets, and its failure to compete effectively might adversely affect the results of its operations. It competes primarily on the strength of its brands, the quality of its products, product innovation and price. The Group's ability to compete effectively requires continuous efforts in sales and marketing of its existing products, developing new products and cost rationalisation. The Group's marketing teams focus on its brands through investment in new product development, brand re-launches and frequently refreshes its consumer marketing campaigns and promotions to maintain consumer engagement.

Dependence on raw materials

The Group's ability to pass increases in raw materials and energy costs on to its customers could adversely affect the results of its operations. Many of its raw materials and energy costs are volatile and supplies are affected by government policies, the actions of its suppliers, currency movements, political upheavals and acts of God. Consequently, unexpected increases in raw material and energy costs or a material or prolonged supply disruption could adversely affect the results of its operations. The Group operates a commodity risk management framework to seek to manage supply and cost in a specified time-frame through forward purchases and the use of derivative instruments for certain key raw materials.

Continual evolution of landscape

The ongoing evolution of the retail food industry in the UK, Turkey and Northern Europe could adversely affect the Group's operating results. Such evolution involves the consolidation of sales channels, strong bargaining power of the major grocery retailers, intensified price competition among these retailers and the rapid growth of the discount retail channel. The Group's top customers are primarily major grocery retailers, discounters, independent grocers and convenience stores in the UK, Turkey and Northern Europe. It has long standing arrangements with many of its customers and agrees annual joint business plans with its top customers to support its position.

United Biscuits (UK) Limited

Strategic report (continued)

Supply and manufacturing processes

Product quality and safety issues may result in damage to the reputation of the Group's brands and the termination of agreements or licences to operate one or more of its brands and may affect its relationship with the company's customers. Additionally, the failure of any aspect of the Group's operational infrastructure could cause significant disruption to the Group's ability to supply products to its customers. The Group has product quality and safety control measures and processes in place to maintain the high quality of our products supplied. In addition, it runs a programme of investment in its production and distribution facilities to develop its infrastructure and support its growth and operational flexibility. The Group also carries general insurance cover and cover in relation to product liability.

Challenges to brands and intellectual property rights

Some of the Group's intellectual property rights could be challenged or lapse. As approximately 86% of its sales are from branded products this could adversely affect the Group's results. The Group protects its intellectual property rights by taking advantage of a combination of patent, trademark, copyright and trade secret laws in various countries, as well as licensing agreements, third party non-disclosure and assignment agreements and policing of third party misuses of its intellectual property.

Restrictions on operations

The Group's debt agreements contain significant restrictions limiting its flexibility in operating its business including, among other things, to: borrow money; pay dividends or make other distributions and make asset dispositions. As the Company is a guarantor to the loan, these covenants could materially and adversely affect the Company's ability to finance its future operations or capital needs or to engage in other business activities that may be in the Company's best interest. Such restrictions will reduce if the Group's leverage falls.

Funding defined benefit pension schemes

The Group operates defined benefit pension arrangements in the UK that have significant liabilities to current, previous and retired employees. In order to take advantage of the higher returns that equities and certain other investments have historically generated, a proportion of the pension plan funds are invested in such assets. This investment strategy carries the risk that a decline in values could increase the Group's funding deficit, which may require it to increase its contributions. The Group works with Trustees of the pension fund to agree future investment and funding strategies. United Biscuits (UK) Limited is the sponsoring employer of the schemes.

Changes to taxation or other government regulation

Changes in fiscal legislation and regulation in the various jurisdictions in which the Group operates may affect the taxes that it pays. In addition, government bodies in the Company's markets have been pursuing various initiatives aimed at increasing health and reducing the incidence of diseases that are seen to be linked to diet. The actions that government bodies may take could have an adverse effect on consumer demand for the Group's products.

Brexit

The UK's decision to leave the European Union ("Brexit") could cause disruption and create uncertainty in the Group's business. The uncertainty includes the future legal and regulatory environment, terms of cross-border trade with supplier and customers in the EU and the impact on foreign currency markets. As with all businesses operating in the UK, there is a potential that these disruptions could have an adverse effect on business, financial results and operations.

Covid-19

The Covid-19 pandemic has emerged as a new risk. Since the end of 2019, there has been significant economic and social disruption on a global basis arising from the pandemic and there is uncertainty as to how long this could continue.

The Company's business has experienced an initial uplift in demand from its customers in several geographies. In order to service this, and to manage risk arising from the pandemic, the Company has purchased some additional supplies of ingredients and packaging, used overtime and agency staff to backfill employees required to self-isolate and implemented additional hygiene and social distancing practices across our sites in line with local guidance. All of our manufacturing and distribution sites are operational and working to meet customer orders in line with normal service levels.

United Biscuits (UK) Limited

Strategic report (continued)

In the immediate-term, the Company has invoked its business continuity plans, as it seeks to serve and support its customers and protect liquidity while maintaining the safety and well-being of its employees. The Group is engaging with suppliers to ensure that supply can be maintained and has undertaken a review to ensure it is able to operate through a plausible range of near-term economic outcomes.

In the longer-term, the outlook is uncertain. A potential impact of the pandemic is economic recession in some parts of the global economy. While this could have negative implications for overall economic growth and consumer spend, previous experiences indicate that consumer goods companies with strong brands, efficient and agile supply chain, and engaged human capital, can minimise the negative impact, and emerge stronger.

The Company also faces significant risks and uncertainties that are common to many companies operating in global markets – including financial and treasury risks, information security and cyber risks, reputational and business continuity risks.

The Group's regulatory and legal teams monitor and ensure compliance with all relevant legislation and regulations and where appropriate work closely with external advisors and the regulators, government bodies and relevant trade associations regarding current and future legislation which would impact upon the business.

Additional risks not presently known to the Group, or that management currently deem immaterial, may also impair future business operations.

Financial risk management objectives and policies

In the ordinary course of business, the Company is exposed to a variety of financial risks arising from fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage these risks effectively, the Company enters into hedging transactions and uses derivative financial instruments, under established internal guidelines and policies, to mitigate the adverse effects of these risks. The Company does not enter into financial instruments for trading or speculative purposes.

For more details please refer to Note 18 to the Consolidated Financial Statements of UMV Global Foods Holding Company Limited which includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, commodity risk and liquidity risk.

Restructuring programs

During 2019, the Company continued to implement cost-reduction initiatives in its manufacturing sites and all areas of overheads. In carrying out such initiatives it ensures that it does not jeopardise health and safety protocols.

Research and development

Research and development expenditure plays an essential part in the Company's commitment to product innovation, health and nutrition, and the development of more effective production and packaging technology.

Suppliers

The Company requires management responsible for procurement to negotiate appropriate terms and conditions of trade as competitively as it negotiates prices and other commercial matters.

Employees are bound by the terms of the Company's Code of Business Behaviour and Ethics which sets out expectations regarding trading relationships with suppliers.

United Biscuits (UK) Limited

Strategic report (continued)

Section 172 Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our shareholders, other group companies, pension scheme members and other relevant stakeholders. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with

its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large, private companies, we delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies. Monitoring of this is conducted through regular business review meetings which are attended by a sub-set of the Board of Directors. Board meetings are held periodically and activities reviewed through the consideration and discussion of information, which is sent in advance of each Board meeting and through presentations to the Board, and the consideration of the impact of the relevant decisions on stakeholders.

During the forthcoming year we plan to formally review financial and operational performance, health and safety, and legal and regulatory compliance at each Board meeting using standard reporting formats. We shall also review other areas over the course of the financial year including the Company's business strategy; key risks; stakeholder-related matters; diversity and inclusivity; environmental matters; and governance, compliance and legal matters.

The Board are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Company was operating in line with good corporate practice, the Chair met with the company's legal advisors to consider the new requirements, we received information by email and an update on the scope and application of section 172 from the Company Secretary in [May] 2019. This focused activity allowed the Board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future.

Employee engagement

The Company has over 4,000 employees and the Board is committed to promoting a diverse and inclusive workplace, reflective of the communities in which it does business. We approach diversity in the broadest sense, recognising that successful businesses flourish through embracing diversity into their business strategy and developing talent at every level in the organisation.

The Board and Senior Management are responsible for ensuring that the Company's purpose, vision and values are effectively communicated to employees and that the Company's activities reflect the culture we wish to instil in employees and drive appropriate behaviours. Examples of how this is achieved include: formal and informal meetings, a mandatory code of conduct, an annual pulse survey, town hall meetings, dedicated training sessions and our @Workplace social media platform. Employees are actively encouraged to provide feedback and report any concerns with a confidential hotline available to them if required. There is close collaboration between employees and Directors during the Quarterly Business Review sessions and Directors are encouraged, and expected, to visit operations and to engage with the employees during these site visits.

United Biscuits (UK) Limited

Strategic report (continued)

Fostering business relationships

The Company's key stakeholders are its employees, customers, consumers, suppliers, shareholder, pension schemes and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for Directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of our stakeholders means that generally our stakeholder engagement best takes place at an operational level.

We bring the stakeholder voice into the boardroom through information provided by senior management and by direct engagement with stakeholders themselves, where appropriate. During Quarterly Business Reviews, which are attended by certain Directors, senior management provide feedback on matters including: the priorities of our customers in order to build strategic relationships with them; analysis of consumer feedback to help us establish our consumers views on our products as well as the ways in which they would like us to improve our offering; conferences and/or one-on-one meetings with our suppliers, pension trustees and investor banks and to improve our understanding of their requirements. During 2019 Company management specifically engaged with trade associations in relation to Brexit to ensure they understood the impact on business operations following the exit of the UK from the EU.

The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

Corporate Governance

The Board aspires to have high standards of corporate governance.

We have not adopted the revised 2018 UK Corporate Governance Code, which is designed for premium listed companies and, whilst we fully support the introduction of the Wates Corporate Governance Principles for Large Private Companies (in particular the focus on purpose, culture and employee and stakeholder engagement). We expect to adopt our own corporate governance principles in due course which we believe will be most appropriate for the Company and will be designed to ensure effective decision-making to promote the Company's success for the long term.

Our primary aim is that our governance is:

- effective in providing challenge, advice and support to management;
- provides checks and balances and encourages constructive challenge;
- drives informed, collaborative and accountable decision-making; and
- creates long-term sustainable value for our shareholder, the ultimate shareholders of the pladis group and our wider stakeholders.

In the absence of an express corporate governance code, we continue to comply with relevant law and regulations in relation to governance arrangements and have processes in place to ensure decisions are made at the appropriate level.

This report was approved by the board of directors on 7 May 2020 and signed on its behalf by:



Ahmed Salman Amlin - Chairman

7 May 2020

Registered Office: Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.

United Biscuits (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year is shown in the Income Statement on page 10. No dividend was paid or proposed during the year ended 31 December 2019 (2018: £nil).

Directors

The directors who served during the year and subsequently were:

Name

Jim Zaza (*chairman*)(*resigned 12 February 2020*)
Nick Bunker (*resigned 25 July 2019*)
Mustafa Tercan (*resigned 12 February 2020*)
David Murray (*appointed 12 February 2020*)
Murat Ulker
Sridhar Ramamurthy (*appointed 12 February 2020*)
Helen Pitcher
Ali Ulker
Richard Handscombe
Ahmed Salman Amin (*appointed 1 February 2019*)(*Chairman*)

Qualifying third party indemnity provision

During the year and till the time of signing of this report, the company continues to maintain Directors and Officers Liability Insurance to indemnify the company's directors against any liability incurred in the course of their office to the extent permitted by law.

Research & development

The goal is for the technical teams to support our branded growth goals by driving value creation through optimised product delivery aligned to and supporting the Company's strategic objectives.

Future developments

The Company intends to continue manufacturing and selling its biscuit and savoury snacks products with a principal focus on its key financial performance indicators and strategy as detailed in the Strategic Report.

Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

Employment policies

The Company has a comprehensive framework of employment policies. The rights and opportunities of all people to seek, obtain and hold employment with dignity and without any form of discrimination remains of great importance to the Company. It is the policy that employees at all levels shall not in their dealings harass or discriminate against other individuals on grounds of gender, race, nationality, religion, marital status, sexual orientation, disability, age or for any other reason whatsoever. This policy applies in respect of all conditions of employment.

Equal opportunity is offered to disabled persons, whether registered or not, applying for vacancies having regard to their aptitudes and abilities. Arrangements are made to continue the employment, wherever possible, of those employees who have become disabled. Consideration is also given to arranging appropriate training facilities or providing special aids where necessary. Disabled persons are also provided with the same opportunities for training, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

United Biscuits (UK) Limited

Directors' report (continued)

The Company not only complies with the health and safety measures required by law, but acts positively to ensure that its premises are healthy and safe places in which to work. It recognises that the health and safety of all its employees whether on Company premises or carrying out Company business elsewhere, and of persons visiting Company premises, is primarily the responsibility of management.

Going concern

The financial statements have been prepared on a going concern basis as the directors are satisfied that, with the financial support of its parent company, Yildiz Holding A.S., the Company has adequate financial resources to continue its operations for the foreseeable future. In making this statement, the Company's directors have reviewed the Company's budget and available facilities, including the financial support from Yildiz Holding A.S., and have made such other enquiries as they considered appropriate.

Stakeholder Reporting

For information on stakeholder reporting, please refer to the Section 172 (1) statement in the strategic Report.

Directors' statement as to disclosure of information to auditors

The directors confirm that, in the case of each person who is a director at the time when the directors' report is approved, as far as each director is aware, there is no relevant audit information of which the auditors are unaware and that directors have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

This report was approved by the board of directors on 7 May 2020 and signed on its behalf by:



Ahmed Salman Amin - Chairman

7 May 2020

Registered Office: Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.

United Biscuits (UK) Limited

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 have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 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 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.

Independent Auditor's Report to the Members of United Biscuits (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, United Biscuits (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 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.

Independent Auditor's Report to the Members of United Biscuits (UK) Limited (continued)

Report on the audit of the financial statements (Continued)

Reporting on other information (Continued)

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 2019 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 set out on page 7, 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.

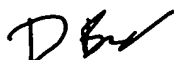
Other required reporting

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.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

7 May 2020

United Biscuits (UK) Limited

Income Statement

For the year ended 31 December 2019

	Note	2019 £m	2018 £m
Revenue	3	833.4	827.7
Cost of sales		(560.8)	(570.7)
Gross profit		272.6	257.0
Distribution, selling and marketing costs		(125.1)	(116.7)
Administrative expenses		(61.5)	(49.9)
Operating profit before restructuring and non-underlying operating items		86.0	90.4
Operating profit before restructuring and non-underlying operating items is comprised as follows:			
Adjusted EBITDA		133.9	128.4
Pension administration expenses		(5.5)	(6.8)
Depreciation and amortisation expense		(42.4)	(31.2)
Restructuring and non-underlying operating items	6	(12.8)	(17.2)
Operating profit before interest and tax	4	73.2	73.2
Interest payable and other financial charges	7	(6.6)	(11.0)
Other finance cost – pensions	20	(3.6)	(4.1)
Profit before tax		63.0	58.1
Tax on profit	8	(8.4)	(4.9)
Profit for the financial year		54.6	53.2

All amounts relate to continuing activities in both the current and prior period unless otherwise stated.

The notes on pages 17 to 47 form an integral part of these financial statements.

United Biscuits (UK) Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £m	2018 £m
Profit for the financial year		54.6	53.2
Other comprehensive (loss)/ income			
Items not to be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit pension plan liability	20	(13.6)	32.2
Revaluation of property, plant and equipment	10	-	-
Tax on items not to be reclassified subsequently to profit or loss	8	2.3	(5.5)
Items that may be reclassified subsequently to profit or loss:			
(Loss)/gain on cash flow hedges arising during the year		(0.7)	9.3
Gain on cash flow hedges transferred to income statement		(0.7)	(3.5)
Other comprehensive (loss)/income for the year		<u>(12.7)</u>	<u>32.5</u>
Total comprehensive income for the year		<u>41.9</u>	<u>85.7</u>

The notes on pages 17 to 47 form an integral part of these financial statements.

United Biscuits (UK) Limited

Balance Sheet

As at 31 December 2019

	Note	2019 £m	2018 £m
Non-current assets			
Intangible assets	9	31.9	37.5
Tangible assets	10	283.3	275.1
Investments	11	181.5	181.5
Deferred tax	8	57.4	63.4
		<u>554.1</u>	<u>557.5</u>
Current assets			
Inventories	12	48.3	47.5
Debtors	13	131.7	105.2
Amounts owed by Group undertakings	14	2,695.9	2,744.4
Derivative financial instruments		0.3	0.2
Cash and cash equivalents	16	111.6	111.8
		<u>2,987.8</u>	<u>3,009.1</u>
Creditors: amounts falling due within one year			
Creditors	19	280.6	274.0
Amounts owed to Group undertakings	14	1,376.9	1,380.3
Finance lease liability	15	10.5	2.8
Derivative financial instruments		1.6	0.9
Provisions	18	3.6	3.0
		<u>1,673.2</u>	<u>1,661.0</u>
Net current assets		1,314.6	1,348.1
Total assets less current liabilities		1,868.7	1,905.6
Creditors: amounts falling due after more than one year			
Amount due to parent companies	14	6.4	95.1
Finance lease liability	15	34.2	15.4
Retirement benefit liability	20	134.5	143.4
		<u>175.1</u>	<u>253.9</u>
Net assets		1,693.6	1,651.7
Capital and reserves			
Share capital	17	10.0	10.0
Share premium		321.6	321.6
Hedging reserves		-	1.4
Property revaluation reserve		22.3	22.3
Retained earnings		1,339.7	1,296.4
Total equity		1,693.6	1,651.7

The notes on pages 17 to 47 form an integral part of these financial statements.

The financial statements of United Biscuits (UK) Limited (registered number 2506007) on pages 13 to 47 were approved by the Board and signed on its behalf on 7 May 2020.


Ahmed Salman Amin- Chairman

United Biscuits (UK) Limited

Statement of Changes in Equity

	Share Capital & Share Premium £m	Hedging Reserve £m	Properties Revaluation Reserve £m	Retained Earnings £m	Total Equity £m
At 31 December 2017	331.6	(4.4)	22.3	1,216.5	1,566.0
Profit for the financial year	-	-	-	53.2	53.2
<i>Other comprehensive income:</i>					
Net gain on cash flow hedges	-	5.8	-	-	5.8
Re-measurement loss on defined benefit pension plans net of tax	-	-	-	26.7	26.7
Total comprehensive income in the year	-	5.8	-	79.9	85.7
At 31 December 2018	331.6	1.4	22.3	1,296.4	1,651.7
Profit for the financial year	-	-	-	54.6	54.6
<i>Other comprehensive income:</i>					
Net loss on cash flow hedges	-	(1.4)	-	-	(1.4)
Re-measurement loss on defined benefit pension plans net of tax	-	-	-	(11.3)	(11.3)
Total comprehensive income in the year	-	(1.4)	-	43.3	41.9
At 31 December 2019	331.6	-	22.3	1,339.7	1,693.6

The notes on pages 17 to 47 form an integral part of these financial statements.

1 Authorisation of Financial Statements and statement of compliance with FRS 101

The financial statements of United Biscuits (UK) Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on May 2020 and the balance sheet was signed on the board's behalf by Ahmed Salman Amin. The Company is a private company limited by shares and is registered in England and Wales. Its registered address is on page 4.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and are rounded to the nearest £0.1m.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Pladis Foods Limited and Pladis Foods Limited has produced group financial statements for the period from 1 January 2019 to 31 December 2019. These financial statements solely relate to United Biscuits (UK) Limited and not its group.

The results of United Biscuits (UK) Limited are included in the consolidated financial statements of Pladis Foods Limited which are available from Pladis Foods Limited, Hayes End Road, Hayes, UB4 8EE.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting, modified to include revaluation to fair value of certain financial instruments and certain properties that are measured at revalued amounts as outlined below, and in accordance with applicable accounting standards.

Accounting policies have been applied consistently, other than where new policies have been adopted.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and in accordance with the Companies Act 2006.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis. Fair value for measurement purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2 Accounting policies (continued)

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirement to disclose new accounting standards not yet effective;
- b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information 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;
 - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - (v) paragraph 50 of IAS 41 Agriculture.
- e) the requirements of paragraphs 10(d), 10(f) 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- f) the requirements of IAS 7 Statement of Cash Flows;
- g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- h) the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- j) the requirements of paragraphs 130 (f) (ii)-(iii), 134(d)-134(f) and 135(c) to (e) of IAS 36 Impairment of Assets.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In 2019, the Company applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that were mandatorily effective for accounting periods that began on or after 1 January 2019:

a) Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) which replaces IAS 17 Leases.

The adoption of this new Standard resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach in accordance with specific transaction provisions contained in IFRS 16.C10, para C7 – C13, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. The Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group relied on its historic assessment of whether leases were onerous immediately before the date of initial application of IFRS 16.

United Biscuits (UK) Limited

Notes to the financial statements

2 Accounting policies (continued)

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group applied the optional exemptions not to recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.9%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Carrying amount at 31 December 2018 £m	Reclassification £m	Remeasurement £m	IFRS 16 carrying amount at 1 January 2019 £m
Property, plant and equipment	275.1	-	31.3	306.4
Lease liabilities	(18.2)	-	(31.3)	(49.5)
Deferred tax asset	63.4	-	(5.3)	58.1
Total	320.3	-	(5.3)	315.0

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	£m	£m
Total operating lease commitments disclosed at 31 December 2018		36.8
Recognition exemptions:		
- Leases of low value assets	-	
- Leases with remaining lease term of less than 12 months	(0.7)	
Variable lease payments not recognised	-	
Other minor adjustments relating to commitment disclosures	0.2	
		(0.5)
Operating lease liabilities before discounting		36.3
Discounted using incremental borrowing rate		(5.0)
Operating lease liabilities		31.3
Reasonably certain extension options		-
Finance lease obligations		18.2
Total lease liabilities recognised under IFRS 16 at 1 January 2019		49.5

Significant accounting judgements, estimates, and assumptions

The preparation of the Company's financial statements in conformity with FRS 101 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, ultimately actual results may differ from those estimates.

The only critical accounting judgement within these financial statements relates to the minimum funding requirement under IFRIC 14, which stems from the interpretation of the terms and conditions of the UB plan and results in an additional liability of £87.3 million.

2 Accounting policies (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year arise in connection with the measurement of defined benefit pension obligations, and promotional accruals.

Defined benefit pension obligations – The cost of pension benefit plans and post-retirement healthcare benefits is determined using actuarial valuations. This involves making assumptions about future changes in salaries, future pension increases, mortality rates and discount rates. Due to the long-term nature of these plans, considerable management judgement is necessary and estimates are subject to significant uncertainty. Further details about the assumptions used are given in Note 20.

Promotional accruals – The Company accrues for trade discounts and other allowances against agreed promotional activity. Such accruals are subject to a number of variables, e.g. redemption rates and anticipated volumes, and are sensitive to small changes in these variables. These costs are accrued on best estimates using cumulative experience to estimate the provision for discounts, using the most likely amount method; revenue is only recognised to the extent that it is highly probable a significant reversal will not occur. The actual costs may not be known until subsequent years when negotiations with customers are concluded and actual data is available. Changes in accrual estimates are recorded through the income statement. Management considers this to be an area of judgement that is significant due to the volume of such transactions. A promotional accrual of £41.1 million (2018: £38.3 million) is included within trade payables.

Revenue recognition

Revenue consists principally of sales to third parties after trade discounts and excluding value added tax. Trade discounts include sales incentives, up-front payments and other non-discretionary payments. Display and feature costs are deducted from revenue in the financial statements. Revenue is recognised when control of the products being sold has transferred to our customer and when there are no longer any unfulfilled obligations to the customer. This is generally on delivery to the customer but depending on individual customer terms, this can be at the time of dispatch, delivery or upon formal customer acceptance. This is considered the appropriate point where the performance obligations in our contracts are satisfied as the Company no longer has control over the inventories. Typically, once the Company issues an invoice to the Customer, cash is collected within a period of 30 days. At each balance sheet date, any expenditure incurred, but not yet invoiced in relation to trade discounts and other allowances, is estimated and accrued and deducted from revenue.

Royalties are earned from the use of the Company's brands by third parties. Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a non-usage basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are usage based such as on production, sales and other measures are recognised on the later of:

- a) the Subsequent sale or usage occurs; and
- b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied)

Revenue also includes income from a distribution contract. Such revenue is recognised on a monthly accruals basis and is based on the volume of deliveries.

2 Accounting policies (continued)

Restructuring and non-underlying operating items

The Company presents as non-underlying and restructuring operating items those items of income and expense which, in the opinion of the Directors, because of their nature merit separate presentation to enable users of the financial statements to better understand the elements of financial performance in the period, to facilitate comparison with prior periods and to assess trends in financial performance more easily. Non-underlying expenses include charges/credits arising from curtailment events and other projects affecting the Company's pension schemes, uninsured costs arising from natural disasters, charges for impairment of plant, equipment, intangible assets, profits and losses on the disposal of property, plant and equipment, costs associated with acquisitions and disposals (both completed and aborted) and costs associated with major ERP upgrades which do not qualify for capitalisation.

Restructuring costs are costs that are incremental to costs the Company would otherwise incur in relation to its normal operations. Principally, they are costs associated with projects implemented to improve efficiency of the Company's operations, integrate acquisitions, restructure departments or reduce the cost base of the business. For example, redundancy costs resulting from the closure or integration of a business or part of a business; costs directly associated with implementing improved ways of working and costs of product recalls. Costs associated with an activity that meets the definition of restructuring and other non-underlying expenses are charged to the income statement at the point the Company is committed to incurring those costs.

Intangible assets

Purchased brands are stated at cost less any provision for impairment. Purchased intangible assets are capitalised and amortised over their estimated useful economic lives on a straight-line basis. Where purchased, brand intangible assets are considered by the Board of Directors to have an indefinite life, given the proven longevity of the brand and the continued level of marketing support, they are not amortised but are subject to annual impairment reviews or more frequently when events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment is charged to the income statement in the period it arises.

The Company capitalises computer software at cost and also capitalises internally generated software based on costs incurred where certain specific criteria are met. Computer software is amortised on a straight-line basis over its estimated useful life, up to 5 years.

Tangible assets

Property, plant and equipment excluding freehold land and buildings is stated at cost, net of depreciation and any provision for impairment.

Freehold land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

2 Accounting policies (continued)

Depreciation is calculated to write off the cost less residual value of property, plant and equipment, other than freehold land, over their expected useful lives by equal annual instalments, principally at the following rates:

Freehold land and buildings	1.5%-2.0%
Leasehold improvements	1.5%-2.0% or over the life of the lease
Plant, machinery and vehicles	3%-20%
Fixtures and fittings	10%-33%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are capitalised but are not depreciated until such time as they are available for use. Material borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Technical stores consist of spare parts and other items for the repair and maintenance of plant and equipment. Major spare parts are recorded as assets under construction until such time as they are brought into use. All other purchases are expensed.

Investments

Investments are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement.

Leases

As explained above, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17.

Accounting policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

2 Accounting policies (continued)

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Initial measurement of the right-of-use asset:

The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company as lessee (considering the materiality level); and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or because of having used the underlying asset during a particular period.

Initial measurement of lease liability:

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates),
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group as lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement of the right-of-use asset:

The Company as a lessee shall measure the right-of-use asset at cost by subtracting any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

2 Accounting policies (continued)

Subsequent measurement and reassessment of the lease liability:

After the commencement date, the Company shall remeasure the lease liability to reflect changes to the lease payments. The Company shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognise any remaining amount of the remeasurement in profit or loss. The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- interest on the lease liability; and
- variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.
- any material amendment within the scope of lease contract.

The Company shall remeasure the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee. The Company shall determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including for example a change to reflect changes in market rental rates following a market rent review. The Company shall remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The Company shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment. Finance lease liabilities have been disclosed separately.

Accounting policy applicable before 1 January 2019

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Provision is made for all onerous contracts where unavoidable costs exceed anticipated income.

2 Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost in the case of raw materials and goods for resale is determined on a first-in, first-out basis. Cost, in the case of products manufactured by the Company, comprises direct material and labour cost together with appropriate factory overheads. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution.

Inventories held as consignment stock is recognised in the balance sheet at cost together with the liability associated with it in order to recognise that the risks and rewards have been transferred to the Company.

Taxation

Current tax is based on the results for the period as adjusted for non-assessable or disallowed items. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Pensions and other post-retirement benefits

The Company's main post-retirement arrangements are of the defined benefit type, which require contributions to be made to separately administered funds. The Company's plans are closed to new members and membership of a defined contribution plan is now offered for new employees. The Company also provides additional unfunded post-retirement benefits to certain senior management.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit

2 Accounting policies (continued)

liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Company expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement except for exchange differences on transactions arising from the hedging of certain foreign currency risks where the hedge relationship is determined to be effective, in which case they are recorded in other comprehensive income.

Derivative financial instruments

The Company uses certain derivative financial instruments for the purpose of hedging foreign exchange and commodity price risks.

All derivative financial instruments are carried at fair value. The fair value of foreign exchange forward contracts is calculated using forward exchange market rates at the balance sheet date. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of commodity hedges is determined by reference to the market values of the commodities traded on the London International Financial Futures Exchange ('LIFFE') at balance sheet date.

For those derivative financial instruments designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how effectiveness will be measured throughout the instruments' duration. Such hedges are expected at inception to be highly effective.

The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

Hedge accounting is applied where derivative financial instruments are measured to have been highly effective in offsetting the changes in fair value or cash flows of the hedged items. Derivatives outside a hedging relationship are recorded at fair value at the balance sheet date with any gains or losses being recognised in the income statement.

Cash flow hedges

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of highly probable forecast transactions or firm commitments in foreign currency are recognised in other comprehensive income and included in the hedging reserve. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged forecast transaction or firm commitment is recognised in the income statement in the same line item of the income statement as the recognised hedged item. Any ineffective portion of the changes in the fair value of designated cash flow hedges is recognised immediately in the income statement.

2 Accounting policies (continued)

The Company discontinues cash flow hedges when a forecast transaction is no longer expected to occur and amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement as above. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Financial assets - initial recognition and measurement

The Company classifies its financial assets into the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

This classification depends on our business model for managing the financial asset and the contractual terms of the cash flows. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. All of the Company's financial assets (except cash) are debt instruments that provide the Company with a contractual right to receive cash or another asset.

Financial assets - subsequent measurement

The subsequent measurement of the Company's financial assets (except cash) depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories that debt instruments are classified as:

- amortised cost;
 - financial assets at fair value through other comprehensive income; or
 - financial assets at fair value through profit or loss.
- i. **Amortised cost** - assets measured at amortised cost are those which are held to collect cash flows on the repayment of principal or interest. A gain or loss on a financial asset recognised at amortised cost on de-recognition or impairment is recognised in profit or loss. Any interest income is recognised within finance income using the effective interest rate method.
 - ii. **Fair value through other comprehensive income** - assets that are held at fair value through other comprehensive income are those that are held to collect cash flows on the repayment of principal and interest or which are held to recognise a capital gain through the sale of the asset. Movements in the carrying amount are recognised in other comprehensive income except for the recognition of impairment, interest income and foreign exchange gains or losses which are recognised in profit or loss. On de-recognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income is included in finance income using the effective interest rate method.
 - iii. **Fair value through profit or loss** - assets that do not meet the criteria for either amortised cost or fair value through other comprehensive income are measured as fair value through profit or loss. Related transaction costs are expensed as incurred. Unless they form part of a hedging relationship, these assets are held at fair value, with changes being recognised in the income statement. Interest income from these assets is included within finance income.

Financial assets - impairment

The Company recognises a loss allowance for expected credit losses ("ECLs") on trade and other debtors. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2 Accounting policies (continued)

The Company always recognises ECLs for trade and other debtors. The ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Research and development

Expenditure on research is recognised as an expense when it is incurred. An intangible asset arising from development is recognised if, and only if, it can be demonstrated that all of the following conditions have been met:

- a) its technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b) its intention to complete the intangible asset and use or sell it.
- c) its ability to use or sell the intangible asset.
- d) how the intangible asset will generate probable future economic benefits.
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

After initial recognition, an intangible asset (arising as a result of development expenditure) shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

United Biscuits (UK) Limited

Notes to the financial statements

3 Revenue

The Company has one significant revenue stream, being the sale of sweet and savoury biscuits and baked snacks, all of which arises under customer contracts.

Revenue from customer contracts by geographical area

	2019 £m	2018 £m
United Kingdom	763.7	735.7
Rest of World	69.7	92.0
	<u>833.4</u>	<u>827.7</u>

Timing of revenue recognition

	2019 £m	2018 £m
Point in time (primarily sales of goods)	802.6	804.5
Over time (distribution income)	30.8	23.2
	<u>833.4</u>	<u>827.7</u>

The aggregate amount of the transaction price allocated to performance obligations that are (partially) unsatisfied at the balance sheet date is nil.

4 Operating profit before interest and tax

Profit before interest and tax is stated after charging:

	2019 £m	2018 £m
Restructuring and non-underlying operating expenses		
Restructuring and associated costs (note 6)	12.8	17.2
Operating lease rentals: ⁽¹⁾		
Land and buildings	-	4.9
Plant and machinery	0.6	3.6
The depreciation and amortisation expense by function was as follows:		
Cost of sales	28.8	24.7
Distribution, selling and marketing costs	6.1	1.8
Administrative expenses	7.5	4.7
	<u>42.4</u>	<u>31.2</u>
Research and development	7.9	4.0
Directors' emoluments (Note 5)	5.0	4.6

⁽¹⁾: In 2019, operating lease rentals only include leases that are exempt under IFRS 16 as they are short term. (2018: all leases). (See Leases in Accounting policies for a further explanation)

4 Operating profit before interest and tax (continued)

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company:

	2019 £'000	2018 £'000
Fee for the audit of the company	178	183

Additional fees paid to the Company's auditor for services other than those listed above are not disclosed in United Biscuits (UK) Limited's financial statements since the consolidated financial statements of United Biscuits (UK) Limited's parent, Pladis Foods Limited, are required to disclose non-audit fees on a consolidated basis.

5 Directors' emoluments and staff costs

Six directors are remunerated by the Yildiz Group for their services, which includes their directorships of the Company. £2.0 million (2018: £2.0 million) is charged by Yildiz to UMV Global Foods Holding Company Ltd, a parent of the Company, in respect of the provision of corporate governance services, including associated directors' fees. One director is included in the long-term incentive plan for the group. It is not practical to separately identify the directors' remuneration element of this charge including any amount that relates to their services as directors of the Company.

The remaining directors of the Company are also directors of fellow subsidiary companies. These directors received total remuneration for the period of £5.0 million (2018: £4.6 million) including pension contributions of £nil (2018: £nil) paid by the Company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of other group companies. The highest paid director received remuneration for the year of £3.0 million (2018: £2.2 million).

The number of directors to whom retirement benefits are accruing in respect of defined benefit schemes was 1 in 2019 (2018: 1). Compensation for loss of office amounted to £389,000 (2018: £378,000).

Staff costs

	2019 £m	2018 £m
Wages and salaries	136.6	111.7
Social security costs	11.7	9.5
Other pension costs (Note 20)	18.7	30.4
	<u>167.0</u>	<u>151.6</u>

The average monthly number of employees during the year was made up as follows:

	2019 No.	2018 No.
Manufacturing and production	3,444	3,431
Logistics and site service	390	344
Sales, marketing and administration	406	481
	<u>4,240</u>	<u>4,256</u>

United Biscuits (UK) Limited

Notes to the financial statements

6 Restructuring and non-underlying operating items

	Total £m
2019	
Restructuring costs ⁽¹⁾	5.8
Other non-underlying costs ⁽²⁾	7.0
Total	12.8
	Total £m
2018	
Restructuring costs ⁽¹⁾	6.2
Other non-underlying costs ⁽³⁾	11.0
Total	17.2

The Company continues to undertake a programme of cost management to reduce costs to reflect its current strategic plan.

- (1) Represents amounts due to or paid to employees for severance costs and other associated costs of general restructuring. The Company expects to utilise the provisions associated with these expenses within the next 12 months.
- (2) Other non-underlying costs in 2019 comprise costs related to abortive sale of a business, consultancy fees associated with cost reduction and dilapidations provision.
- (3) Other non-underlying costs in 2018 comprised a guaranteed minimum pension ("GMP") equalisation expense of £8.7 million which relates to the Company's defined benefit retirement scheme and other non-underlying professional fees of £2.3 million.

7 Financial income and expenses

	2019 £m	2018 £m
Interest payable and other financial charges:		
Interest payable to fellow subsidiary undertakings	(5.3)	(10.4)
Finance lease costs	(1.3)	(0.6)
	<u>(6.6)</u>	<u>(11.0)</u>

8 Tax on profit

Tax is charged/(credited) in the income statement as follows:

	2019 £m	2018 £m
Current income tax		
UK corporation tax	-	-
Current income tax charge	-	-
Deferred tax		
Origination and reversal of temporary differences	2.5	3.1
Defined benefit pension plans	3.8	2.2
Adjustments relating to prior years	2.1	(0.4)
Total deferred tax	8.4	4.9
Tax charge/(credit) in the income statement	8.4	4.9

Tax relating to items charged or credited to other comprehensive income is as follows:

	2019 £m	2018 £m
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Tax on actuarial gain on defined benefit pension plans	2.3	(5.5)
Tax credit/(debit) in the statement of comprehensive income	2.3	(5.5)

Reconciliation of the total tax charged/(credited)

The tax charged/(credited) on the profit for the year is reconciled below:

	2019 £m	2018 £m
Profit before taxation	63.0	58.1
Tax charge at the statutory rate of 19.00% (2018 – 19.0%)	11.9	11.0
Expenses not deductible for tax purposes	1.0	1.0
Adjustments relating to prior years	2.1	(0.4)
Use of brought forward losses	-	-
Group relief claimed at no charge	(5.8)	(6.3)
Differences in current tax and deferred tax rate	(0.8)	(0.4)
Tax charge in the income statement	8.4	4.9

8 Taxation (continued)

Unrecognised tax losses

At 31 December 2019, the Company had capital losses carried forward of approximately £5.3 million (2017: £5.3 million) on which deferred tax has not been recognised.

Deferred tax	2019 £m	2018 £m
Deferred tax assets		
Decelerated capital allowances	33.7	38.2
Pensions and retirement healthcare benefits	23.0	24.5
Other short-term temporary differences	0.7	0.7
Deferred tax asset	<u>57.4</u>	<u>63.4</u>
Reflected in the balance sheet as follows:		
Deferred tax asset	57.4	63.4
Deferred tax liability	<u>-</u>	<u>-</u>
	<u>57.4</u>	<u>63.4</u>

The Finance (No.2) Act 2016 received Royal Assent on 15 September 2016 as a result of which the UK corporation tax rate was meant to be reduced to 17% effective from 1 April 2020. In the recent budget 2020 it was announced that this was no longer going to be the case and the corporation tax rate would remain at 19%. This was not enacted at the balance sheet date, hence, the numbers above are calculated at 17%. At a 19% rate the deferred tax asset would be £64.1m.

Factors that may affect future tax charges

The key factors which may affect future tax charges include the availability of accelerated tax depreciation, losses surrendered from other UK companies without charge and changes in tax legislation.

9 Intangible assets

	Purchased Brands £m	Computer Software £m	Total £m
Cost			
At 1 January 2019	42.3	95.0	137.3
Additions	-	1.6	1.6
Disposals	-	(1.1)	(1.1)
Transfers to property, plant & equipment	-	(2.9)	(2.9)
At 31 December 2019	<u>42.3</u>	<u>92.6</u>	<u>134.9</u>
Accumulated amortisation			
At 1 January 2019	24.5	75.3	99.8
Charge for the year in administrative expenses	-	4.3	4.3
Disposals	-	(1.1)	(1.1)
At 31 December 2019	<u>24.5</u>	<u>78.5</u>	<u>103.0</u>
Net Book Value at 31 December 2019	<u>17.8</u>	<u>14.1</u>	<u>31.9</u>
Net Book Value at 31 December 2018	<u>17.8</u>	<u>19.7</u>	<u>37.5</u>

9 Intangible assets (continued)

All purchased brands have been deemed to have indefinite useful lives as the Company believes that the value of these brands is maintained indefinitely. The factors that result in the indefinite useful lives of brands capitalised are:

- The Company expects to hold and support these brands for an indefinite period.
- The Company supports these brands through spending on consumer marketing and makes significant investment in promotional support.
- The brands operate in stable, large and profitable market sectors in which they have established market shares.

There are also no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles.

Purchased brands are therefore not subject to amortisation but are tested at least annually for impairment.

Purchased brands are allocated to the Company's one operating segment, which is the lowest level at which management review brand performance.

Impairment review

The recoverable amount of the U.K. business unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections was 5.9%. Short-term EBITDA growth rate was 3.2% (2018: 1.7%) for each year modelled. A long-term EBITDA growth rate assumption of 1.7% (2018: 1.7%) was applied in perpetuity.

Key assumptions applied to value in use calculations

Assumptions regarding future cash flows are based upon actual results in prior periods, adjusted to reflect management's view of expected developments based upon market conditions. In particular, the 2020 budgeted cash flows, which form the basis for future year forecasts, were developed assuming a sustained profitability in the UK market. The cash flows used are post-tax cash flows and include all income and costs as well as an estimate of maintenance capital expenditure required to support these cash flows.

The calculation of value is most sensitive to the following assumptions:

- Discount rate – this reflects management's assessment of the time value of money and the risks specific to the unit's assets, based on an appropriate Weighted Average Cost of Capital (WACC) anticipated for a market participant investing in the Company and determined using the Capital Asset Pricing Model, reflecting management's estimate of the specific risk profile associated with the cash flow projections.
- EBITDA growth rates – estimates are based on industry expectations of growth in the market and the Company's own estimates based on its 2020 budget. The business operates in stable, large and profitable market sectors where the Company's brands have proven longevity.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to be less than the carrying value for the purchased brands.

10 Property, plant and equipment

	Freehold Land & Buildings £m	Leasehold Improvement £m	Plant, Machinery & Vehicles – owned assets £m	Plant and machinery – leased assets £m	Fixtures & Fittings £m	Assets Under Construction £m	Total £m
Cost or valuation							
At 1 January 2019	191.0	15.3	603.2	18.6	51.9	23.6	903.6
Adjustment on transition to IFRS 16	-	22.5	8.8	-	-	-	31.3
Additions	0.9	-	11.6	0.1	0.3	(0.8)	12.1
Government grant	-	-	-	-	-	-	-
Sale and leaseback	-	-	-	-	-	-	-
Disposals	-	(0.3)	(6.8)	-	(0.2)	-	(7.3)
Transfers	0.7	-	7.4	-	-	(5.2)	2.9
At 31 December 2019	192.6	37.5	624.2	18.7	52.0	17.6	942.6
Depreciation							
At 1 January 2019	108.7	13.0	454.4	1.5	50.9	-	628.5
Disposals	-	(0.4)	(6.7)	-	(0.2)	-	(7.3)
Charge for the year	3.6	4.3	28.0	2.0	0.2	-	38.1
At 31 December 2019	112.3	16.9	475.7	3.5	50.9	-	659.3
Net book value at 31 December 2019	80.3	20.6	148.5	15.2	1.1	17.6	283.3
31 December 2018	82.3	2.3	148.8	17.1	1.0	23.6	275.1

The net book value of leasehold properties includes £2.3 million (2018: £2.3 million) in respect of leases with less than fifty years to run at 31 December 2019.

With effect from 1 January 2017, the Company's freehold land and buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses. The fair value measurement of the Company's freehold land and buildings as at 31 December 2017 was performed by an independent valuer not related to the Company. The directors have assessed that there has not been a material change in fair value since this date.

At 31 December 2018 and 2019, had the freehold land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been £58.9 million. The revaluation surplus as at 31 December 2018 and 2019 is £22.3 million.

During 2018 the year the company entered into a sale and leaseback transaction for certain plant and machinery at its Harlesden factory. The net book value of that plant and machinery now held under finance leases at 31 December 2019 is £15.2 million. (2018: £17.1 million).

Included in additions above are additions relating to right-of-use assets as follows:

	2019 £m
Leasehold improvements	-
Plant, machinery and vehicles	4.5
	<u>4.5</u>

Cashflow relating to right-of-use assets in 2019 was £7.9m (2018: £8.5m)

United Biscuits (UK) Limited
Notes to the financial statements

10 Property, plant and equipment (continued)

Included in the depreciation charge is a charge relating to right-of-use assets as follows:

	2019 £m
Leasehold improvements	4.3
Plant, machinery and vehicles	3.1
	<u>7.4</u>

Included in the net carrying value are right-of-use assets as follows:

	2019 £m
Leasehold improvements	18.2
Plant, machinery and vehicles	10.3
	<u>28.5</u>

Cashflows relating to leases, including the sale and leaseback are as follows:

	2019 £m
Cash outflow relating to interest payments	1.3
Cash outflow pertaining to principal repayments	6.5
Total cash outflow	<u>7.8</u>

11 Investments

Investments in subsidiary undertakings:

	£m
Cost and Net Book Value as at 31 December 2019 and 31 December 2018	<u>181.5</u>

Details of Group undertakings

At 31 December 2019 all the subsidiaries of United Biscuits (UK) Limited listed below were wholly owned, via ordinary shares.

Subsidiary	Country of incorporation and Operation	Registered address	Activity
UB Snackfoods Ireland Ltd***	Ireland	9 Exchange Place International Financial Services Centre, Dublin 1, D01 X8H2	Trading Company
United Biscuits Italy SRL***	Italy	Viale Andrea Doria 48/A, Cap 20124, Milan	Trading Company
United Biscuits Germany GmbH***	Germany	c/o BDO AG Wirtschaftsprüfungsgesellschaft, Landaubogen 10, 81373 München	Trading Company
UB York Ltd	Scotland	(*)	Holding Company
Meredith & Drew Ltd	England	(**)	Dormant Company
W&R Jacob & Co (Northern Ireland) Limited	Northern Ireland	Culcavey, Hillsborough, County Down BT26 6JU	Dormant Company
Irish Biscuits (NI) Ltd	Northern Ireland	Culcavey, Hillsborough, County Down BT26 6JU	Holding Company
The Jacob's Bakery Ltd***	England	(**)	Dormant Company
Pladis (UK) Limited (formerly UB Snacks Ltd)	England	(**)	Dormant Company
UB (Biscuits) Ltd	England	(**)	Dormant Company

United Biscuits (UK) Limited

Notes to the financial statements

11 Investments (continued)

Subsidiary	Country of incorporation and Operation	Registered address	Activity
Young's Chilled Foods Ltd	England	(**)	Dormant Company
UB Bridgend Three Ltd	England	(**)	Dormant Company
UB Bridgend Four Ltd	England	(**)	Dormant Company
Chiltonian Ltd	England	(**)	Dormant Company
Hills Road 5 Ltd	England	(**)	Dormant Company
McVitie's Ltd	England	(**)	Dormant company
Pladis Australia Pty Ltd	Australia	RSM Australia, Level 13, 60 Castlereagh Street, Sydney, NSW 2000	Trading company

(*) The registered address of all companies incorporated in Scotland is 50 Lothian Road, Festival Square, Edinburgh EH4 9BY.

(**) The registered address of all companies incorporated in England and Wales is Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.

(***) Denotes directly held.

12 Inventories

	2019 £m	2018 £m
Raw materials and consumables	12.2	11.9
Work in progress	2.4	3.4
Finished goods	33.7	32.2
	<u>48.3</u>	<u>47.5</u>

There is no material difference between the replacement cost and historical cost of inventories.

Raw materials and consumables at 31 December 2019 included £nil (2018: £nil) in respect of consignment stocks.

Inventories recognised as an expense during the period amounted to £444.6 million (2018: £463.9 million). The amount of inventories written down and recognised as an expense within operating profit during the period was £5.5 million (2018 £3.8 million).

13 Trade and other debtors

	2019 £m	2018 £m
Trade debtors	106.9	85.0
Other debtors	10.7	8.1
Prepayments and accrued income	14.1	12.1
	<u>131.7</u>	<u>105.2</u>

Transfer of financial assets

In 2017, the Company entered into a facility with a third party bank in which the Company may sell qualifying trade debtors to the bank. At year-end, the total trade debtors sold amounted to £95.7 million (2018: £82.7 million) for immediate cash proceeds of £86.1 million (2018: £72.5 million), received on a non-recourse basis, with a further £9.6 million (2018: £10.2 million) to be received on collection from the customer. The Company retained credit risk on 5% of the balance transferred. Accordingly, the Company continued to recognise the full carrying amount of the debtors on which credit risk was retained and recognised a corresponding liability

13 Trade and other debtors (continued)

to the third party bank for amounts payable in the event of non-collection together with the fair value of the guarantee provided.

At the end of the reporting period, the carrying amount of the trade debtors that had been transferred but not derecognised amounted to £4.7million (2018: £4.1 million), and the carrying amount of the associated liabilities was £4.7 million (2018: £4.1 million).

£10.6 million (2018: £9.1 million) of qualifying trade debtors remain on the balance sheet as only circa 90% are eligible for de-recognition and are measured at fair value through profit and loss.

14 Amounts owed by/to group companies

Amounts owed by/to group companies

Amounts owed by/to Group entities arise as part of ongoing financing of the Company's trade and as a result of sales and purchases made to/by other Group entities. As at 31 December 2018, £2,695.9, million was owed by Group undertakings (2018: £2,744.4, million) and £1,376.9, million was owed to Group undertakings (2018: £1,380.3 million). The amounts are repayable on demand.

With the exception of the loans between the Company and UMV Global Foods Company Ltd and the Company and Yildiz Holding A.S as shown below, intercompany balances (both receivable and payable) are non-interest bearing and are receivable/payable on demand.

Amounts due to parent companies

	2019 £m	2018 £m
Amounts due to UMV Global Foods Company Limited	-	93.4
Amounts due to Yildiz Holding A.S.	6.4	1.7
	<u>6.4</u>	<u>95.1</u>

Both loans carry interest at 8% and have a fixed repayment date in 2023.

The amount due to UMV Global Foods Company Limited was offset against a corresponding debtor at the beginning of the year.

Details of transactions with fellow subsidiaries within the Yildiz group of companies are provided in Note 25.

15 Finance leases

	Interest rate	Maturity	2019 £m	2018 £m
Current				
Lease liabilities			7.7	-
Finance lease – Harlesden	LIBOR + 2.20%	2019	<u>2.8</u>	<u>2.8</u>
			<u>10.5</u>	<u>2.8</u>
Non-current				
Lease liabilities			21.6	-
Finance lease – Harlesden	LIBOR + 2.20%	2020 - 2025	<u>12.6</u>	<u>15.4</u>
			<u>34.2</u>	<u>15.4</u>

15 Finance leases (continued)

Lease liabilities

The Company has leases for the offices, a factory, a warehouse and various cars, forklifts and trailers. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 10).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments due						Total £m
	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	After 5 years £m	
31 December 2019							
Lease payments	8.8	6.7	4.8	3.9	3.4	5.2	32.8
Finance charges	(1.1)	(0.8)	(0.6)	(0.5)	(0.3)	(0.2)	(3.5)
Net present values	7.7	5.9	4.2	3.4	3.1	5.0	29.3

Lease payments not recognised as a liability

The company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2019 £m
Short-term leases	0.6
Leases of low value assets	-
	<u>0.6</u>

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset and excess use charges on office equipment. Variable payment terms are used for a variety of reasons, including minimising costs for IT equipment with infrequent use. Variable lease payments are expensed in the period they are incurred.

During 2018 the Group entered into a sale and leaseback transaction for certain plant and machinery at its Harlesden factory. The resulting finance lease creditor of £15.4 million (2018: £18.2 million), is included within the balance stated above.

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16 Cash and cash equivalents

	2019 £m	2018 £m
Cash in bank	111.6	111.8
	<u>111.6</u>	<u>111.8</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash is materially equivalent to the carrying value.

17 Share capital

	Number	Ordinary Shares (1) £m
Ordinary share capital		
Authorised		
As at 31 December 2019 and 31 December 2018:	<u>12,000,000</u>	<u>12.0</u>
Issued, called up and fully paid		
As at 31 December 2019 and 31 December 2018	<u>10,000,000</u>	<u>10.0</u>

(1) ordinary shares of £1 each.

The Company has one class of ordinary shares which carry no right to fixed income.

18 Provisions

	Rationalisation Provisions £m	Dilapidations provision £m	Total £m
At 1 January 2019			
Current	3.0		3.0
Charged during the year	11.1	1.8	12.9
Utilised	<u>(12.3)</u>	<u>-</u>	<u>(12.3)</u>
At 31 December 2019	<u>1.8</u>	<u>1.8</u>	<u>3.6</u>
Analysed as:			
Current	<u>1.8</u>	<u>1.8</u>	<u>3.6</u>
At 31 December 2019	<u>1.8</u>	<u>1.8</u>	<u>3.6</u>

Rationalisation provisions are recorded only when a legal or constructive obligation arises. Rationalisation provisions principally comprise employee-related obligations in relation to overhead-reduction and manufacturing-efficiency programs, all of which are expected to be utilised in the next year. See note 6 for the nature of the provisions held.

19 Trade and other payables: amounts falling due within one year

	2019	2018
	£m	£m
Trade payables	246.2	241.1
Other payables	(4.7)	4.3
Other taxes and social security costs	4.0	4.5
Accruals and deferred income	35.1	24.1
	<u>280.6</u>	<u>274.0</u>

20 Retirement benefit liability

Pension Schemes

The Company operates defined benefit pension plans in the UK. The plans were originally final salary schemes and were converted to career average revalued earnings (CARE) in the mid-2000's. The plans provide members with benefits in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their earnings. Pensions in payment are increased annually in line with the retail price index (RPI).

The majority of benefit payments are from trustee-administered funds, however, there is also an unfunded pension plan where the Company meets the benefit payment obligation as it falls due.

Trustees are appointed to operate the funded plans in accordance with their respective governing documents and pensions law. The plans meet the legal requirement for member nominated trustee representation on the trustee boards. The members of the trustee boards undertake regular training and development to ensure that they are equipped appropriately to fulfil their function as trustees. In addition, each trustee board has appointed professional advisers to provide the specialist expertise they need to support them in the areas of investment, funding, legal, covenant and administration. The trustee boards meet at least four times a year to conduct their business. The plans invest through investment managers appointed by the trustees in a broad range of assets to support the security and funding of their pension obligations.

The Company's retirement benefit liabilities, at 31 December 2019 and 31 December 2018 were as follows:

	2019	2018
	£m	£m
Funded		
UBUK	(12.2)	21.9
Jacob's Bakery	(9.5)	(5.9)
Unfunded	<u>(25.5)</u>	<u>(22.5)</u>
	(47.2)	(6.5)
IFRIC 14 adjustment for minimum funding requirement	<u>(87.3)</u>	<u>(136.9)</u>
	<u>134.5</u>	<u>143.4</u>

The total amount relating to pensions recognised in adjusted EBITDA for the period from 1 January 2019 to 31 December 2019 was £18.6 million (2018: £30.4 million), including £8.6 million (2018: £8.8 million) related to defined contribution plans.

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Notes to the financial statements

20 Retirement benefit liability (continued)

The assets and liabilities in the schemes and the net pension retirement obligations were:

	2019 £m	2018 £m
<i>Assets with a quoted market price</i>		
Equities	479.4	562.4
Bonds	191.3	217.3
Other assets	356.3	365.4
<i>Assets not quoted in an active market</i>		
Property, infrastructure and hedge funds	1,194.2	873.3
Total market value of assets	2,221.2	2,018.8
Present value of scheme liabilities	(2,268.4)	(2,025.3)
Additional liability recognised due to minimum funding requirements	(87.3)	(136.9)
Deficit in the scheme	(134.5)	(143.4)

The amounts recognised in the income statement and statement of comprehensive income for the year in respect of defined benefit pensions are analysed below:

	2019 £m	2018 £m
Income statement		
Current service cost	4.5	5.9
Past service cost	-	8.7
Settlement cost	-	0.2
Scheme administrative expenses	3.5	4.1
Company administrative expenses	2.0	2.7
Operating profit	10.0	21.6
 Net interest on adjustment in respect of minimum funding requirement	 2.1	 2.4
Net interest expense	1.5	1.7
Other financial charges	3.6	4.1
 Statement of other comprehensive income		
Return on plan assets excluding amounts included in interest income	225.9	(77.4)
Experience losses on scheme liabilities	(5.9)	(13.9)
Actuarial (losses)/gains due to changes in financial assumption	(303.0)	141.7
Actuarial gains due to changes in demographic assumptions	14.6	12.7
Additional asset/(liability) recognised due to minimum funding requirements	54.8	(30.9)
Actuarial (losses)/gain recognised in the statement of other comprehensive income	(13.6)	32.2

20 Retirement benefit liability (continued)

Pension valuations are prepared, at each balance sheet date, by independent qualified actuaries using the projected unit credit method. Where funded, scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying forecasts to each category of scheme assets.

Key assumptions

	2019 %	2018 %
Rate of final salary increases	2.90	3.00
Rate of increase of pensions in payment	2.90	3.00
Discount rate	2.10	3.00
Inflation	3.00	3.10

The average life expectancy assumed for the UBUK plan for a current male pensioner aged 65 is 21.3 years (2018 – 21.5 years) and for a current female pensioner aged 65 is 23.2 years (2018 – 23.2 years); for a future male pensioner aged 65 in 2039 it is 22.3 years (2018 – 22.6 years) and for a future female pensioner aged 65 in 2039 it is 24.4 years (2018 – 24.4 years).

The weighted average duration of the schemes is 17 years.

Acting on the advice of the Company's actuaries, future contributions payable are set at levels that take account of surpluses and deficits.

Contributions of approximately £29.2 million per annum in addition to the employer's regular contribution are being made in order to eliminate the deficit in the UK defined benefit plans on a funding basis. The total contributions to the Company's defined benefit plans in 2020 are expected to be approximately £37.6 million (2019: £36.4 million).

Sensitivity Analysis

If the discount rate were to decrease by 0.1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £38.4 million (2018 £33.7 million).

If the inflation rate were to increase by 0.1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £30.4 million (2018 £27.1 million).

If the life expectancy were to increase by 1 year without changing any other assumptions the total pension defined benefit obligations would increase by approximately £96.9 million (2018 £81.9 million).

If the discount rate were to increase by 0.1% without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £38.0 million (2018 £30.7 million).

If the inflation rate were to decrease by 0.1% without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £28.3 million (2018 £22.4 million).

If the life expectancy were to decrease by 1 year without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £97.6 million (2018 £82.2 million).

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20 Retirement benefit liability (continued)

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

	£m
As at 1 January 2018	2,239.3
Current service cost	5.9
Past service cost	8.7
Interest cost	50.0
Settlements	(24.8)
Benefits paid	(113.3)
Experience losses on scheme liabilities	13.9
Actuarial gains due to changes in financial assumptions	(141.7)
Actuarial gains due to changes in demographic assumptions	(12.7)
As at 31 December 2018	<u>2,025.3</u>
Current service cost	4.5
Past service cost	-
Interest cost	53.3
Settlements	-
Benefits paid	(105.8)
Experience losses on scheme liabilities	5.9
Actuarial losses due to changes in financial assumptions	299.8
Actuarial gains due to changes in demographic assumptions	(14.6)
As at 31 December 2019	<u>2,268.4</u>

Changes in the value of the defined benefit pension assets are analysed as follows:

	£m
As at 1 January 2018	2,154.3
Employer contributions	35.3
Employee contributions	0.0
Interest income	48.3
Settlements	(25.0)
Benefits paid	(112.6)
Administrative costs	(4.1)
Return on plan assets excluding amounts included in interest income	(77.4)
As at 31 December 2018	<u>2,018.8</u>
Employer contributions	34.9
Employee contributions	0.0
Interest income	53.4
Settlements	-
Benefits paid	(105.1)
Administrative costs	(3.5)
Return on plan assets excluding amounts included in interest income	222.7
As at 31 December 2019	<u>2,221.2</u>

21 Financial commitments

As at 31 December 2019 and 31 December 2018 the Company's financial commitments in respect of capital expenditure and rentals for leasehold property, plant and equipment are summarised below:

	2019 £m	2018 £m
Contracted capital expenditure	5.5	7.8

Rental commitments

Future minimum commitments for property, plant and equipment under non-cancellable operating leases are as follows:

	2019 £m	2018 £m
Not later than one year	-	8.2
Later than one year but not later than five years	-	18.4
Later than five years	-	10.2
	-	36.8

22 Inter-group cross-guarantee

The Company has cross-guaranteed the Group's Senior financing facility, which is held by UMV Global Foods Company Ltd. The outstanding principal amount under the facility as at 31 December 2019 was £575.0 million (2018 - £606.5. million).

23 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Purchase and sales transactions

Transactions with Yildiz Holding A.S., and with Ülker Biskuvi Sanayi. A.S. and its subsidiaries, Istanbul Gida Dis Ticaret A.S, Godiva Belgium BVBA and its subsidiaries and Starbrands North America, which are all fellow subsidiaries within the Yildiz group of companies, are listed below:

	2019 £m	2018 £m
Yildiz Holdings A.S.		
Purchases	-	4.0
Ülker Biskuvi Sanayi. A.S.		
Sales	12.5	12.5
Purchases	0.3	14.9
Istanbul Gida Dis Ticaret A.S		
Sales	2.1	-
Purchases	11.3	-

23 Related party transactions (continued)

	2019 £m	2018 £m
Godiva Belgium BVBA		
Sales	3.0	-
Purchases	4.8	2.6
Starbrands North America		
Sales	4.2	1.0

Receivables and payables

Amounts due from/to Ülker Bisküvi Sanayi. A.Ş. and its subsidiaries, Istanbul Gıda, Godiva and Starbrands North America, which are all fellow subsidiaries within the Yıldız group of companies, are listed below:

	2019 £m	2018 £m
Ülker Bisküvi Sanayi. A.Ş. and its subsidiaries.		
Receivable	1.3	6.5
Payable	0.3	5.7
Istanbul Gıda		
Receivable	0.4	-
Payable	9.1	-
Godiva		
Receivable	2.5	4.5
Payable	2.7	4.7
Starbrands North America		
Receivable	1.0	2.4
Payable	0.9	7.6

24 Events after balance sheet date

The Covid-19 pandemic has emerged as a new risk. Since the end of 2019, there has been significant economic and social disruption on a global basis arising from the pandemic and there is uncertainty as to how long this could continue.

The Company's business has experienced an initial uplift in demand from its customers in several geographies. In order to service this, and to manage risk arising from the pandemic, the Company has purchased some additional supplies of ingredients and packaging, used overtime and agency staff to backfill employees required to self-isolate and implemented additional hygiene and social distancing practices across our sites in line with local guidance. All of our manufacturing and distribution sites are operational and working to meet customer orders in line with normal service levels.

In the immediate-term, the Company has invoked its business continuity plans, as it seeks to serve and support its customers and protect liquidity while maintaining the safety and well-being of its employees. The Group is engaging with suppliers to ensure that supply can be maintained and has undertaken a review to ensure it is able to operate through a plausible range of near-term economic outcomes.

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25 Ultimate parent company

The company's immediate parent company is McVitie and Price Limited, a company incorporated in the United Kingdom, whose registered office is 50 Lothian Road, Festival Square, Edinburgh EH4 9BY. The Company's ultimate parent company is Yildiz Holdings, A.S., a company incorporated in Turkey whose registered office is Kisikli Mahallesi Ferah Caddesi No:1 34692 Buyuk Camlica, Istanbul, Turkey. The ultimate controlling party is Mr Murat Ülker.

The largest group in which the Company's financial statements are included is Yildiz Holdings A.S. and the smallest group is Pladis Foods Limited, whose consolidated financial statements can be obtained from its registered office at Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.