

FrieslandCampina UK Limited

**Annual Report and Financial Statements
For the year ended 31 December 2021**

Registered number: 04684097



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STRATEGIC REPORT

Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Business review and principal activities

The company's principal activity during the year remains the marketing and sale of dairy products to retailers, wholesalers and cash and carries across the UK and Ireland.

At 31st December 2020 the Cheese Retail UK business was transferred to FrieslandCampina UK Limited from another group entity based in the Netherlands. In addition the FrieslandCampina stock held in the UK (Dairy and Cheese) was sold to FrieslandCampina UK at cost as at 31/12/2020. From 2021 onwards FrieslandCampina UK Limited has management responsibility for the enlarged business with an additional £47M of Private Label Cheese revenue (2021).

The level of business and the year-end financial position was good despite the turbulent economic situation prevailing in the UK during 2021 due to the Covid-19 pandemic. Sales growth of +73.8% including transfer of Cheese Retail, +5.2% Like for Like (LfL), delivered £119.0M Net Sales for 2021 (£68.5M 2020). Profit for the financial year, after taxation, was at £1,480,000 (2020: £682,000).

The directors expect that the present level of performance will be sustained and have good growth plans for the next 3 years. The Yazoo brand has been in the UK for more than 25 years and continues to do well and outgrow the flavoured milk category. We have strong plans in 2022 focussing on the expansion of our brands across the UK market.

The volume growth in kilograms of finished goods was 29.2% in 2021, +8.0% LfL, an excellent result building on the 13.2% growth in 2020. Yazoo volume share reached a record 30.4% while value share equalled the previous record of last year at 26.3%. [IRI All Outlets GB, Flavoured milk (excluding RTD Coffee)]

The company will continue under the Limited Risk Distributor (LRD) model in 2022, which was reinstalled in 2018.

Future Developments

The Company intends to continue operating in the selling and distribution of dairy based products. With a focus on embedding and expanding the new product development launched in 2019, namely Chocomel and Barista, and to grow Private Label contracts.

As a result of significant input cost inflation in 2022, Friesland Campina UK has increased prices across its customer base which has in turn led to higher shelf prices across retailers and channels. This has been a trend across the UK retail landscape with UK inflation at a 40 year high. As a result we expect to see flat volume growth in 2022 due to higher shelf prices, the cost of living crisis and the change in shopper consumer habits and behaviours. We expect stable market share in our Yazoo brand and continued growth in our NPD portfolio.

In 2021 we gained 15,600 distribution points. 5,200 came from the grocery channel; YAZOO grew 3,200, spread across a number of retailers while Chocomel also extended distribution after its initial launch into the grocery channel, gaining 2,000 distribution points with key listings in Tesco and Morrisons.

In the Out of Home channel, YAZOO began to recover from the effects of Covid19, and gained 3,400 distribution points. Strong NPD performance meant Chocomel and Barista gained 7,000 distribution points with the majority coming from Chocomel in our Symbol customers.

In 2022 we expect to see Chocomel continue to grow distribution in the Grocery channel.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including foreign currency risk and market risk; however, parts of these risks are being covered under the Limited Risk Distributor agreement with the Principal. The company's result of operations and financial condition could be materially affected by any number of external risk factors. The most important risks identified are highlighted below.

Brand erosion risk

The company does not see any immediate risk, due to the continuing growth of the Yazoo brand year on year. Longer term the sugar tax could be extended to Dairy Drinks, but we are well placed to manage should this event occur.

Human resources risk

The company does not see any risk to Human Resources in 2022. At the end of 2018 / Q1 2019 we completed a re-organisation to strengthen our business and have since marginally grown in head count as the business has grown. With 2021 strong results and plans for 2022 we plan to invest rather than reduce Human Resources.

Market Risk

The Company's principal customers, major food retailers, saw strong growth in 2021 in part driven by the Covid-19 pandemic, however the traditional flavoured milk category continues to be in decline. Change in consumer preferences to alternative drinks categories poses a market risk, however Friesland Campina continue to win in market and are addressing changing consumer preferences through NPD and premium offerings.

Key performance indicators

	2021	2020	Change
	£'000	£'000	%
Profit for the financial year	1,480	682	+117.0%
Gross profit %	7.5%	10.7%	-29.9%
Yazoo value share	26.3%	26.3%	0.0%
Yazoo volume share	30.4%	28.5%	+6.7%

The 2020 comparative figures for Yazoo value share and Yazoo volume share do not agree with the 2020 annual report and financial statements since the market data available for the 2020 financial statements has since been updated by our third party market research client. We have therefore updated 2020 figures to ensure a like for like comparison versus the disclosed 2021 KPIs.

Financial risk management

The company is funded by operationally generated cash flows. Financial risk management policies are set in accordance with the Royal FrieslandCampina Group's policies and procedures.

The company's financial instruments consist of cash, intercompany balances with group companies, trade receivables and trade payables. The carrying value of these are all recorded at cost. Their contractual maturities are less than one year.

Foreign currency risk

The company does not have any foreign currency exposure, due to the fact we are operating under a limited risk distribution agreement. Any foreign currency effects will be absorbed by Royal FrieslandCampina NV.

STRATEGIC REPORT (CONTINUED)

Section 172(1) Statement

This Statement contains an overview of how the directors have performed their duty to promote the success of the Company as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in a way that would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

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

Decision Making

The directors understand our business and the markets within which we operate. By focusing on our purpose, the strategy set by the directors is intended to ensure that we continue to deliver value to our customers, partners and other stakeholders. The leadership team hold frequent meetings where they are briefed on any potential impacts and risks for our customers, partners and other stakeholders and how these are to be managed. These factors are considered before making a final decision, which they believe is in the best interests of the Company.

Employees

Employee engagement is a primary focus for the directors of the Company – empowering employees to contribute to improving business performance and creating an environment in which everyone can fulfil their potential. We keep the Company's employees informed about what is happening across the Company through our intranet, email and leadership briefings.

Fostering Business Relationships with Suppliers, Customers and Others

The directors recognise that fostering business relationships with key stakeholders, such as customers, suppliers and regulatory authorities, is essential to the Company's success. The Company is part of the FrieslandCampina Group and follow the group wide Code of Business Conduct and Ethics, 'Compass'. At FrieslandCampina we are doing business in accordance with the values set out in Compass: integrity, respect and transparency. This provides all employees of the Group with guidance on the key principles that each employee should follow.

Impact on the Community and the Environment

The directors recognise the importance of leading a company that not only generates value for shareholders but also contributes to wider society. Where possible, we look to support the local communities within which we operate.

Maintaining a reputation for high standards of business conduct

The directors consider it fundamental to maintain a culture focused on embedding responsible business behaviours. All employees of the Company are expected to act in accordance with the Compass, at all times. Our success and reputation depend on the behaviour of each employee.

The need to act fairly between members of the Company

The directors recognise their responsibility in ensuring that all members of the Company are treated fairly regardless of age, gender and orientation.

STRATEGIC REPORT (CONTINUED)

Streamlined Energy and Carbon Reporting (SECR)

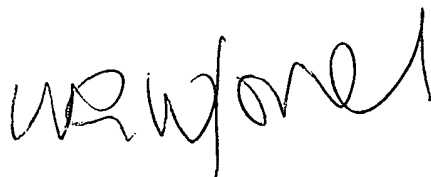
	2021 UK	2020 UK
Global Green House Gas (GHG) Emissions		
Total kWh	36,511	48,148
Total CO2e (tonnes)	7.75	11.23
Intensity Ratio		
Average number of employees	34	31
Total CO2e per employee (tonnes)	0.23	0.36

The total GHG emissions consists of Scope 2 CO2e emissions i.e. covers emissions from electricity purchased for own use. The 2021 and 2020 UK Government's Conversion Factors for Company Reporting have been used in the above data.

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee (average for the year).

The Company has introduced a more agile working policy following the influence of the Covid pandemic, with reduced office opening times reflected in the lower electricity usage within the office. The Company will continue to consider the energy and carbon impact within a decision, to improve energy efficiency where possible.

On behalf of the board



William Jones
DIRECTOR

29/09/2022

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2021

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2021.

Results and dividends

The company's profit for the financial year is £1,480,000 (2020: £682,000).

The directors do not recommend the payment of a dividend during the year (2020: nil).

Future developments

Details of future developments are provided in the strategic report on page 3.

Directors

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

W Jones
T Ozguner
C Scott

Going Concern

The Company has considerable resources together with long standing relationships and contracts with a number of customers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Covid-19 impact

Friesland Campina UK have continued to trade profitably throughout the COVID-19 pandemic. Following a challenging 2020 in our Out Of Home and Foodservice channels due to government lockdowns, 2021 saw a return to YoY growth in these channels and across the wider UK business. Friesland Campina UK operate as a Limited Risk Distributer in the UK for the wider Friesland Campina group, who have continued to trade profitably in 2022 year to date.

DIRECTORS' REPORT (CONTINUED)

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, 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 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 also 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.

Directors' confirmations

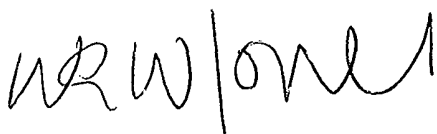
In the case of each director in office at the date the directors' report is approved:

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



William Jones
DIRECTOR

Registered Office: Denne House, Denne Road, Horsham, West Sussex RH12 1JF

Dated: 29/09/2022

Independent auditors' report to the members of FrieslandCampina UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, FrieslandCampina UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2021; the profit and loss account, 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

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

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

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations, litigation and claims, or fraud;
- Challenging and testing assumptions and judgements made by management in their significant accounting estimates and judgements; and
- Identifying and testing journal entries, in particular any journal entries with unusual account combination

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

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

Use of this report

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

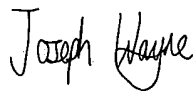
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Joseph Wayne (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

29 September 2022

PROFIT AND LOSS ACCOUNT

Profit and loss account for the year ended 31 December 2021

	<u>NOTE</u>	<u>2021</u> <u>£000</u>	Restated <u>2020</u> <u>£000</u>
Turnover¹	4	119,004	68,461
Cost of sales ¹		(110,073)	(61,152)
Gross profit		8,931	7,309
Administrative expenses		(7,142)	(6,482)
Operating profit	5	1,789	827
Other interest receivable and similar income		12	17
Profit before taxation		1,801	844
Tax on profit	8	(321)	(162)
Profit for the financial year		1,480	682
		=====	=====

All items in the profit and loss account relate to continuing operations.

There are no material differences between the profit before taxation and the profit for the financial year as stated above and their historical cost equivalents for both the current year and the prior year.

The notes on pages 16 to 30 form part of these financial statements.

¹ Restated – see note 18

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income for the year ended 31 December 2021

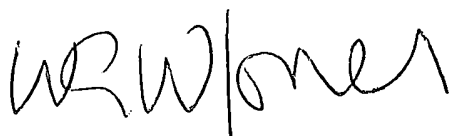
	<u>2021</u>	<u>2020</u>
	<u>£000</u>	<u>£000</u>
Profit for the financial year	1,480	682
Actuarial gain / (loss) on pension scheme (net of tax)	309	(326)
	-----	-----
Other comprehensive income / (loss) for the year	309	(326)
	-----	-----
Total comprehensive income for the year	1,789	356
	=====	=====

BALANCE SHEET**Balance sheet for the year ended 31 December 2021**

	<u>NOTE</u>	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Fixed Assets			
Intangible assets	9	10	15
Tangible assets	9	74	173
Pension Asset	22	614	187
		-----	-----
		698	375
Current Assets			
Inventories		1,935	2,116
Debtors (amounts falling due within one year)	10	13,938	11,753
Deferred tax asset	11	2	9
Cash at bank and in hand		10,380	7,226
		-----	-----
		26,255	21,104
Creditors (amounts falling due within one year)	12	(14,351)	(10,628)
		-----	-----
Net current assets		11,904	10,476
		-----	-----
Total assets less current liabilities		12,602	10,851
Provisions			
Deferred tax liability	13	(126)	(36)
Other provisions	14	(183)	(311)
		-----	-----
		(309)	(347)
Net assets		12,293	10,504
		=====	=====
Capital and reserves			
Called up share capital	16	5,301	5,301
Profit and loss account		6,992	5,203
		-----	-----
		12,293	10,504
Total shareholders' funds		12,293	10,504
		=====	=====

The notes on pages 16 to 30 form part of these financial statements.

The financial statements on pages 12 to 30 were approved by the board of directors on 29 September 2022 and were signed on its behalf by:



William Jones
Director
Registered Number: 04684097

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity for the year ended 31 December 2021

	Called up Share Capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance as at 1 January 2020	5,301	4,847	10,148
Profit for the financial year	-	682	682
Other comprehensive loss for the year	-	(326)	(326)
Total comprehensive income as at 31 December 2020	5,301	5,203	10,504
	=====	=====	=====
Balance as at 1 January 2021	5,301	5,203	10,504
Profit for the financial year	-	1,480	1,480
Other comprehensive income for the year	-	309	309
Total comprehensive income as at 31 December 2021	5,301	6,992	12,293
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The company's principal activity during the year was the marketing and sale of dairy products to retailers, wholesalers and cash and carries.

The company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is Denne House, Denne Road, Horsham, West Sussex RH12 1JF.

2 Statement of compliance

The individual financial statements of the company have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101.

3 Summary of significant accounting policies

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

Basis of preparation

These financial statements have been prepared on the going concern basis, and under the historical cost convention. The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applicable to companies using FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas, where assumptions and estimates are significant to the financial statements, are discussed on page 19.

The company was under the Limited Risk Distributor (LRD) model, and these financial statements have been prepared on the basis the company is the principal as the company held the responsibility of negotiating prices with customers.

Exemptions for qualifying entities under FRS 101

FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

- a) the requirements of IFRS 7 Financial Instruments: Disclosures,
- b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- c) 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;
- d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- h) 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
- i) the requirement of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135 (e) of IAS 36 Impairment of Assets.

The consolidated financial statements of Royal FrieslandCampina NV, within which this Company is included, can be obtained from the address given in note 18.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

New standards, interpretations and amendments

There are no standards, interpretations and amendments effective for the first time from 1 January 2021 that have had a material effect on the financial statements.

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade, other debtors and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account. Other interest receivable and similar income include interest receivable and net foreign exchange gains. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable value, and after provisions. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. All inventory held is in respect of finished goods.

Tangible fixed assets and depreciation

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Depreciation on all equipment is charged to the profit & loss account on a straight-line basis over their estimated useful economic lives as follows:

Office Equipment - 5 years
Computer Hardware - 3 years
Rights of Use assets (IFRS16) – 1 to 5 years

Intangible fixed assets and amortisation

Software is stated at cost less accumulated amortisation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortisation is charged to administrative expenses in the profit & loss account on a straight-line basis over the estimated useful economic life, being to the end of the software agreement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

Leases

On adoption of IFRS 16 from 1 January 2019, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019, or the lease start date if later. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Post-retirement benefits

The company operates two pension schemes, a Defined Benefit Pension Scheme and a Defined Contribution Scheme. The Defined Benefit Scheme provides benefits based on final pensionable pay. The assets of both schemes are held separately from those of the company, being invested with insurance companies. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Any pension surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. Contributions to the pension scheme are charged to the profit and loss account in the period to which they relate.

Research and development expenditure

Expenditure is only on market research data and this written off to the profit and loss account in the year in which it is incurred. The company does not have any development costs incurred.

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Summary of significant accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed at the accounting date, except as otherwise required by IAS 12.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Turnover

Turnover represents the invoiced value of goods and services supplied, excluding value added tax. It is presented net of trade discounts. Turnover is recognised once the title of the relevant goods has passed. The company's activities relate to one class of business, being its principal activity. Turnover and profit were mainly derived in the United Kingdom.

Critical accounting judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The company considers there to be no significant judgements in the year ended 31 December 2021.

The company makes estimates and assumptions concerning the future. The resulting estimates, by definition, will seldom agree to the related actual results. The estimates and assumptions that have moderate risk of causing a material adjustment in the next financial year are with regard to the defined pension scheme, please refer to the definitions below and note 22.

Pension and other post-employment benefits

The cost of defined benefit pensions plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 22.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Turnover

The turnover and profit before taxation were attributable to the Company's principal activity.

The geographical analysis of turnover by market which originates in the UK is:

	<u>2021</u> <u>£000</u>	<u>Restated</u> <u>2020</u> <u>£000</u>
U.K.	116,207	66,681
Ireland	2,797	1,780
	-----	-----
	119,004	68,461
	=====	=====

Restated for prior year comparative – see note 18.

5. Operating profit

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Operating profit is arrived at after charging/(crediting):		
Operating lease costs:		
- Operating lease payments	2	2
Services provided by the company's auditors:		
- fee payable for the audit	31	25
Impairment of debtors	66	(7)
Inventory recognised as an expense	90,149	45,774
Depreciation and amortisation (note 9)	137	125
Amounts payable to defined contribution pension scheme (note 22)	166	129
Net foreign currency exchange differences	(90)	(116)
Directors' remuneration (note 7)	287	205
	-----	-----
	90,748	46,137
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Employee Information

The average monthly number of employees of the Company during the year was:

	<u>2021</u> <u>Number</u>	<u>2020</u> <u>Number</u>
By activity:		
General	2	2
Marketing & Sales	19	17
Logistics	9	8
Finance	4	4
	-----	-----
Total	34	31
	=====	=====

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Their payroll costs were:		
Wages and salaries	2,222	1,813
Social security costs	248	181
Other pension costs	166	129
	-----	-----
Total	2,636	2,123
	=====	=====

7. Directors' Emoluments

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Directors' remuneration	287	205
Amounts receivable under long term incentive plans	-	-
Number of directors accruing benefits under:		
Defined pension schemes	-	-
	-----	-----
	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
In respect of highest paid director:		
Aggregate remuneration	164	168
Accrued pension at the end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. Tax on profit**

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
(a) Tax expense included in profit or loss		
Current tax		
UK corporation tax charge	362	153
Adjustments in respect of previous periods	(20)	3
	-----	-----
Total current tax	342	156
	=====	=====
Deferred tax		
Current year	(21)	9
Adjustments in respect of previous periods	-	(3)
	-----	-----
Total deferred tax	(21)	6
	-----	-----
Total tax charge to the profit and loss account for the year	321	162
	=====	=====

(b) Reconciliation of tax charge

The tax expense in the profit and loss account for the year is the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Profit before taxation	1,801	844
Corporation tax at 19%	342	160
Adjustments in respect of previous periods	(20)	-
Permanent disallowable and non-taxable items	2	2
Tax rate changes	(3)	-
	-----	-----
Total tax charge for the year	321	162
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. Tangible and intangible assets****Tangible assets**

	Computer Hardware	Office Equipment	Rights of Use Assets Motor Vehicles	Rights of Use Assets Land & Buildings	Total
	£000	£000	£000	£000	£000
	-----	-----	-----	-----	-----
Costs:					
At 1 January 2021	2	93	104	311	510
Additions current year	-	-	34	-	34
Disposals current year	-	-	(32)	-	(32)
	-----	-----	-----	-----	-----
At 31 December 2021	2	93	106	311	512
	=====	=====	=====	=====	=====
Accumulated depreciation:					
At 1 January 2021	2	93	51	191	337
Depreciation current year	-	-	37	96	133
Depreciation on disposals	-	-	(32)	-	(32)
	-----	-----	-----	-----	-----
At 31 December 2021	2	93	56	287	438
	=====	=====	=====	=====	=====
Net book amount as at 31 December 2020	-	-	53	120	173
Net book amount as at 31 December 2021	-	-	50	24	74
	=====	=====	=====	=====	=====

Rights of Use assets cost consist of 75% Land & Buildings and 25% Motor Vehicles. There are no additional risks, with insurance cover for buildings and motor vehicles. The cash outflow in respect of right of use assets for the year was £133,000 (2020: £151,000). There are remaining payments of £74,000 as at 31 December 2021, £60,000 due in the next year and £14,000 due within 1-5 years.

Intangible assets

	Software £000	Total £000
	-----	-----
At 1 January 2021 and 31 December 2021	24	24
	=====	=====
Accumulated amortisation:		
At 1 January 2021	9	9
Amortisation current year	5	5
	-----	-----
At 31 December 2021	14	14
	=====	=====
Net book amount as at 31 December 2020	15	15
Net book amount as at 31 December 2021	10	10
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Debtors	2021 £000	2020 £000
Amounts falling due within one year:		
Trade debtors	13,359	11,220
Provision for doubtful debts	(112)	(38)
Amounts owed by group undertakings	39	206
Other debtors	444	349
Prepayments and accrued income	208	16
Total	13,938	11,753
	=====	=====

Amounts owed by group undertakings due within one year relate to trading balances that are settled on a monthly basis according to usual credit terms, and are unsecured, interest free and repayable on demand.

11. Deferred tax asset	2021 £000	2020 £000
Deferred tax assets		
Provision at start of period	9	-
Charged to the income statement	(7)	9
Provision at end of period	2	9
	=====	=====

12. Creditors	2021 £000	2020 £000
Amounts falling due within one year:		
Trade creditors	2,566	675
Amounts owed to group undertakings	8,569	6,390
Corporation tax	334	73
Lease liabilities	30	160
Accruals and deferred income	2,852	3,330
Total	14,351	10,628
	=====	=====

Amounts owed to group undertakings relate to trading balances that are settled on a monthly basis according to usual credit terms, and are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Deferred tax liability	2021	2020
	£000	£000

Deferred tax liabilities

Provision at start of period	36	100
Charged to the income statement	(28)	-
Charged directly to other comprehensive income	118	(64)

Provision at end of period

126	36
=====	=====

In his budget on 3 March 2021, the Chancellor of the Exchequer announced that the UK corporation tax rate would increase to 25% on 1 April 2023. This announcement was substantively enacted on 24 May 2021, therefore deferred tax has correctly been recognised at 25%, the rate substantively enacted at the company's balance sheet date.

14. Other provisions	2021	2020
	£000	£000

Carrying amount at start of period	311	321
Amount reclassified to current liabilities	(150)	-
Provisions made during the period	58	52
Amounts used during the period	(36)	(62)

Carrying amount at end of period

183	311
=====	=====

15. Financial commitments

The Company has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 1 - 3 years. Only the property lease agreements contain an option for renewal. The company has the following lease payments under non-cancellable operating leases for each of the following periods.

Operating lease commitments	Other	Other
	2021	2020
	£000	£000
Operating leases which expire:		
Within one year	2	2
In two to five years	-	1
After more than five years	-	-
	-----	-----
	2	3
	=====	=====

16. Called up share capital	2021	2021	2020	2020
	Number	£000	Number	£000
	000		000	
Allotted, called up and fully paid				
Authorised ordinary shares	5,301	5,301	5,301	5,301

NOTES TO THE FINANCIAL STATEMENTS (continued)**17. Cash Flow Statement**

The company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, in the parent company's financial statements, includes the Company's cash flows. The Company's shareholders have been notified, and have no objection to, the use of this exemption by the Company's shareholders.

18. Restatement

	2020 As presented	2020 Restated	Impact on Profit and Loss Account
	£000	£000	£000
Turnover	59,970	68,461	8,491
Cost of Sales	(52,661)	(61,152)	(8,491)

The prior year expenses within the Profit and Loss Account have been restated due to a previous incorrect classification of Distribution & Selling costs in the prior year, and has no impact on the Balance Sheet, Statement of Changes in Equity, net assets or the results of the Company.

19. Related Party Transactions

During the year the Company entered into purchase transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There are no other related party transactions.

Terms and conditions of transactions with related parties

Purchases from related parties are made on an arm's length basis. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 30 days of invoice.

20. Ultimate Parent Company

This Company's immediate parent company is FrieslandCampina International Holding BV which is incorporated and registered in the Netherlands.

The ultimate parent company is Royal FrieslandCampina NV which is incorporated and registered in the Netherlands and is the smallest and largest group to consolidate these financial statements. The Company is included within these group financial statements which are publicly available. Copies of the Royal FrieslandCampina NV financial statements can be obtained from Royal FrieslandCampina NV, Stationsplein 4, 3818 LE Amersfoort, the Netherlands.

21. Post balance sheet event

There were no significant events after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)**22. Pension and other post-employment benefits***(a) Defined Contribution Pension Scheme*

The Company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the Company to the scheme and amounted to £166k (2020: £129k).

There were no outstanding or prepaid contributions at the end of the financial year.

(b) Defined Benefit Scheme

The company sponsors the scheme which is a funded defined benefit arrangement, and so recognises the net asset or liability of the scheme. The company has the legal right to the surplus asset as opposed to the trustee/members as any surplus would be refunded to the company once there are no more members in the scheme and the Trustees are administrators of the scheme and have no rights to any surplus or liability to any deficit. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities for some 23 past and present employees. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

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

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

A full actuarial valuation was carried out as at 31 December 2020 in accordance with the scheme funding requirements of the Pension Act 2004 and the funding of the scheme is agreed between the company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

The results of the actuarial valuation as at 31 December 2021 showed a surplus of £614,000 (2020 surplus of £187,000). The scheme's expenses and levies due to the Pension Protection Fund are payable separately by the company. The company may also pay additional contributions of any amount and at any time from those set out above. The company expects to have cash outflow with respect to additional contributions in 2021, 2022 and 2023 of £108,000 per year.

For the purposes of IAS19, the preliminary results of the actuarial valuation as at 31 December 2020, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2021. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

	<u>2021</u>	<u>2020</u>
	<u>£000</u>	<u>£000</u>
Fair value of plan assets with a quoted market price	4,251	3,888
Present value of defined benefit obligation	3,637	3,701
	-----	-----
Surplus in scheme	614	187
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Pension and other post-employment benefits (continued)

The assets have been assessed by analysis of Pooled Investment Vehicles. The composition of plan assets:

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Quoted		
Cash and cash equivalents	(17)	(27)
Equity instruments	1,096	992
Debt instruments	2,210	2,037
Diversified Growth	962	886
	-----	-----
	4,251	3,888
	=====	=====

The amounts recognised in the profit and loss account and in the statement of Comprehensive Income for the year are analysed as follows:

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Current service costs	(23)	(23)
Net interest income	3	12
	-----	-----
Defined benefit income/(expense) recognised in profit or loss	(20)	(11)
	=====	=====

Taken to the Statement of Comprehensive Income:

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Return on plan assets gain	385	272
Actuarial (loss) / gain arising from:		
Experience adjustments	207	-
Changes in demographic assumptions	(30)	(15)
Changes in financial assumptions	(115)	(647)
	-----	-----
Total amount recognised in other comprehensive income	447	(390)
	=====	=====

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

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Defined benefit obligation at start of period	3,701	3,027
Current service costs	23	23
Interest expense	51	63
Actuarial losses/(gains) due to:		
Experience adjustment	(207)	-
Changes in demographic assumptions	30	15
Changes in financial assumptions	115	647
Benefits paid & expenses	(76)	(74)
	-----	-----
Defined benefit obligation at end of period	3,637	3,701
	=====	=====

There have been no scheme amendments, curtailments or settlements in the accounting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Pension and other post-employment benefits (continued)

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

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Fair value of plan assets with a quoted market price		
at start of period	3,888	3,615
Interest income	54	75
Return on plan assets excluding amounts included in interest income	385	272
Benefits paid & expenses	(76)	(74)
	-----	-----
Fair value of plan assets with a quoted market price		
at end of period	4,251	3,888
	=====	=====

The actual return on the plan assets over the period ended 31 December 2021 was £439,000.

It is the policy of the trustees and the company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are illustrated by the asset allocation as at 31 December 2021.

There are no asset-liability matching strategies currently being used by the plan.

Significant Actuarial Assumptions

	<u>2021</u> <u>£000</u>	<u>2020</u> <u>£000</u>
Discount Rate	1.60	1.40
Inflation (RPI)	3.55	3.00
Inflation (CPI)	3.05	2.50
Allowance for:		
Revaluation of deferred pensions of CPI or 5% p.a. if less	3.05	2.50
Pension in payment increases of CPI or 5% p.a. if less	2.95	2.50
Pension in payment increases of CPI or 3% p.a. if less	2.35	2.05
Pension in payment increases of CPI or 2.5% p.a. if less	2.05	1.85
Commutation of pension for cash at retirement	75% of	50% of
	Post A Day	Post A Day

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Pension and other post-employment benefits (continued)

The mortality assumptions adopted at 31 December 2021 are 91% of the standard tables S3PMA/S3PFA_M, Year of Birth, no age rating for males and females, projected using CMI_2020 converging to 1.25% p.a. These imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	22.8
Female retiring in 2020	24.6
Male retiring in 2040	24.1
Female retiring in 2040	26.0

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation is shown below:

	Change in assumption	Change in liabilities
Discount rate	Increase of 0.10% p.a.	Decrease by 1.6%
Rate of inflation	Increase of 0.10% p.a.	Increase by 1.8%
Rate of mortality	Increase in life expectancy of 1 yr.	Increase by 1.5%
Commutation	Members commute an extra 25% of Post A Day pension on retirement	

The scheme typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to scheme liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges in future profit and loss account accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

As a result of the tri-annual valuation based on 30 December 2020, the company is expected to make contributions of £108,000 per annum for the 3 years commencing during the period 1 January 2022.