

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
REGISTERED NUMBER 5849220

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

Directors;	Jean-Paul Mouchotte Michel Peslier Anthony Sharpe Alan Prior
Registered number;	5849220
Registered office;	Red Central, 60 High Street, Redhill, Surrey, RH1 1SH, United Kingdom
Independent auditors;	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom

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LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

BUSINESS REVIEW

Group turnover for the year amounted to £108,279,000 which was a 11% decrease from £121,774,000 in 2018, reflecting the business performance in a declining market. The profit before tax, decreased to £3,629,000 from £4,316,000 in 2018 in reflection of this declining market in a very difficult economic environment.

Our sustained investment in improving the quality of our products increased customer satisfaction and was reflected in a reduction in customer complaints. We achieved over 99% (2018: 98%) for fulfilment and on time delivery of all customer orders.

The Group had total assets of £46,005,000 as at 31 December 2019 (2018: £47,434,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Group and the execution of its strategy are subject to a number of risks and uncertainties, including current Covid-19 situation and a declining market with strong competitive environment. While the situation with the Covid pandemic is clearly serious, demand for our products is maintained and the supply chain is operating effectively. As a business we benefit from a diverse production base which mitigates the impact of difficulties in any of the site that are used.

Changes in customer demands & profitability

Risk area and potential impact

We operate in extremely competitive markets. If we fail to compete effectively or are subject to higher input prices that cannot be recovered by raising selling prices without losing volumes we could lose sales and profits. Ultimate customers could move away from dairy products for economic and other reasons, leading to lower sales and profits.

Mitigating controls

We continually strive to widen our customer base and range of listings in various customers. Despite challenging trading conditions we have significant investment in marketing our key brands. We continue to generate new products that appeal to customers whilst maintaining high quality levels. We recognise the importance of strong customer relationships and executive management play an active part in maintaining and developing these and are also involved in major customer negotiations.

Impact of Covid-19 Pandemic

The Covid pandemic has had a serious impact on the UK and the business has implemented a number of changes to ensure that we meet the most important priority of keeping our teams safe. As the country moved into lockdown there has been an impact on the business where an initial level of panic buying put significant pressure on the Supply Chain, since then demand for our products has been maintained as we have little exposure to the Foodservice sector. As a business we benefit from a diverse production base and this combined with the resourcefulness of our employees and the flexibility of our partners have allowed us to mitigate the impact of difficulties that we have faced.

In summary, the business has been operating effectively and efficiently, and also protecting and supporting its workforce's physical and emotional well-being since the pandemic began. As the result of this and combine with changes in consumers' behaviour due to this pandemic, the financial performance in 2020 is on track to show an improvement on 2019.

Consequences on the organisation of the UK exit from the EU

Risk area and potential impact

At this stage, as the result of the Covid outbreak there is a significant uncertainty about the withdrawal process, and the outcome of the negotiations about the future trading arrangements between the UK and the EU. As a result of the uncertainty, exposure to foreign currency risk for the Company has increased. The impact of leaving the single market and customs union in a disorderly manner, will likely impact our supply chain.

Mitigating controls

A risk assessment will be undertaken once key elements are known. Transactional currency exposures that could significantly impact the Group are managed, typically using forward purchases of foreign currencies.

Credit Risk

Risk area and potential impact

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet their obligations as and when they fall due. Credit risk arises from trading and is an inherent part of the Group's business.

Mitigating controls

The Group monitors the exposure, credit ratings and outlook of all significant counterparties on a regular basis.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
STRATEGIC REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

Section 172(1) Statement

This Section 172(1) statement, which is requested by UK Corporate Governance Code and Companies Miscellaneous Reporting Regulations 2018, explains how Directors have engaged with company's key stakeholders, and had regard to employee interests, fostered the company's business relationships with suppliers, customers and other, it also includes the principal decisions made during the financial year.

The Directors understand the business and evolving industry in which we operate. We are firmly committed continuously to develop and provide excellent, healthy and environmental friendly chilled dairy products to our customers. In particular we have continuous improvement project to reduce the level of sugar in our products, reducing waste and improve the environment impact of the packaging we use in our products. While we are proud of the progress that has been achieved, we recognize the importance of continual investment in these areas to ensure we meet our long term objectives.

Employees have always been recognized as key asset of the Group. Any implication of decisions on employees and wider workforce is one of the essential considerations of the decision making.

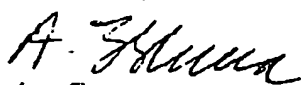
The business has strong mutually beneficial relationships with our suppliers, customers and other stakeholders and these are foundations of our success. There are various channels to ensure the communication with all stakeholders is effective in maintaining these partnerships.

The Directors take account of all relevant factors and the impact on our stakeholders in developing the strategic direction of the business.

FUTURE OUTLOOK

The market is still challenging and we don't expect this to change in the immediate future. Over the next 12 months our focus is achieving a balance between profitability and volume, maintaining relationships with our customers and building a path to future growth. A continuous improvement mentality to cost savings will also be a key area of focus in 2020.

This report was approved by the board on 13th August 2020 and signed on its behalf,


Anthony Sharpe
Director

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is the principal trading company of the Lactalis Nestlé Group in the United Kingdom and is engaged in the import, manufacturing and sale of chilled dairy products. Our objective is to continue to grow in the chilled dairy sector and drive value in this category.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,321,000 (2018: £4,183,000).
The Directors do not recommend payment of a dividend (2018: £NIL).

DIRECTORS

The Directors who served during the year were:
Jean-Paul Mouchotte
Michel Peslier
Anthony Sharpe
Alan Prior

The Directors have no interest in the share capital of Lactalis Nestlé Chilled Dairy Limited as at 31 December 2019 (2018: £NIL).

POLITICAL CONTRIBUTIONS

The Group made no political or charitable donations or incurred any political expenditure during the year (2018: £NIL).

RESEARCH AND DEVELOPMENT ACTIVITIES

There were a number of research and development projects across the year that have resulted in either new product launches or minor process improvements.

EMPLOYEE INVOLVEMENT

Employees are recognised as key assets of the Group and their quality and motivation are essential for the Group to compete successfully in its markets. To help achieve corporate aims and objectives the Group maintains and develops formal and informal systems of communication with its employees to discuss matters of mutual interest. Information on matters of concern to employees is given through bulletins, meetings reports and newsletters, and includes information to enable them to gain awareness of financial and economic factors affecting the Group.

The Group fully supports the rights of individuals to seek, obtain and hold employment without discrimination on the grounds of race, colour, religion, origin, sex, sexual orientation, disability or marital status. The Group seeks to provide a working environment free of any harassment or intimidation. Policies relating to training, career development and succession are applied equally to disabled and able-bodied employees. Employees who become disabled are retained, where possible, through redeployment and retraining, to enable them to perform work identified as appropriate to their aptitudes and abilities.

MATTERS COVERED IN THE STRATEGIC REPORT

The business review and principle risks and uncertainties for the Group are now included in the Strategic Report on page 2.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Group and the Group's auditor is aware of that information.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
DIRECTOR'S REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITOR

Ernst & Young LLP was appointed the auditor of Lactalis Nestlé Chilled Dairy Company Limited in 2018. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

POST BALANCE SHEET SUBSEQUENT EVENT

The Covid pandemic has had a serious impact on the UK and the business has implemented a number of changes to ensure that we meet the most important priority of keeping our teams safe. As the country moved into lockdown there has been an impact on the business where an initial level of panic buying put significant pressure on the Supply Chain, since then demand for our products has been maintained as we have little exposure to the Foodservice sector. As a business we benefit from a diverse production base and this combined with the resourcefulness of our employees and the flexibility of our partners have allowed us to mitigate the impact of difficulties that we have faced.

In summary, the business has been operating effectively and efficiently, and also protecting and supporting its workforce's physical and emotional well-being since the pandemic began. As the result of this and combine with changes in consumers' behaviour due to this pandemic, the financial performance in 2020 is on track to show an improvement on 2019.

This report was approved by the board of Directors and signed on its behalf.



Anthony Sharpe
Director

Registered Address:
60 Red Central
High Street
Redhill
Surrey RH1 1SH
Date: 13th August 2020

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are responsible for preparing the Strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Group law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under Group law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the profit and loss of the Group for that period. In preparing these consolidated financial statements, the directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was signed on behalf of the board of Directors on 13th August 2020 by



Anthony Sharpe
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED

Opinion

We have audited the consolidated financial statements of Lactalis Nestlé Chilled Dairy Company Limited ("the parent company") for and its subsidiary (the group) for the year ended 31 December 2019 which comprise of the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes 1 - 25, including a summary of significant accounting policies.

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

In our opinion the consolidated financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is a sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 25 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting consumer demand. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the 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 group's or the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED (continued)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 group's and the parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.


Auditor's 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Gordon Cullen (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 13th August 2020

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Turnover	3	108,279	121,774
Cost of sales	4	<u>(78,181)</u>	<u>(88,770)</u>
Gross profit		30,098	33,004
Distribution expenses		(11,149)	(12,424)
Other income		253	145
Administrative expenses	5	<u>(15,596)</u>	<u>(16,396)</u>
Operating profit		3,606	4,329
Interest receivable and similar income	8	27	14
Interest payable and similar charges	9	<u>(4)</u>	<u>(27)</u>
Profit on ordinary activities before taxation		3,629	4,316
Current tax (expense)/credit	10	<u>(308)</u>	<u>(133)</u>
Profit for the financial year		<u>3,321</u>	<u>4,183</u>
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		-	-
Net change in fair value of cash flow hedges recycled to profit or loss		<u>(2,135)</u>	<u>138</u>
Other comprehensive (expenses)/income for the year, net of income tax		<u>(2,135)</u>	<u>138</u>
Total comprehensive income for the year		<u>1,186</u>	<u>4,321</u>

All amounts related to continuing operations.

The notes on pages 15 to 26 form part of these consolidated financial statements

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
ASSETS			
Non current assets			
Intangible assets	11	10,467	11,935
Property, plant and equipment	12	<u>6,421</u>	<u>6,433</u>
		16,888	18,368
Current assets			
Inventories	14	3,668	3,328
Trade and other receivables	15	21,112	14,472
Financial assets	21	0	1,146
Cash at bank and in hand		<u>4,337</u>	<u>10,120</u>
		29,117	29,066
Total assets		<u>46,005</u>	<u>47,434</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	16	22,703	26,295
Financial liabilities	21	917	0
Deferred tax liabilities	18	103	17
Government grants received	17	<u>26</u>	<u>26</u>
		23,749	26,338
Non current liabilities			
Government grants received	17	<u>102</u>	<u>128</u>
Total liabilities		<u>23,851</u>	<u>26,466</u>
Equity			
Share capital	20	74,327	74,327
Other reserves		(1,187)	948
Retained earnings		<u>(50,986)</u>	<u>(54,307)</u>
		22,154	20,968
TOTAL EQUITY AND LIABILITIES		<u>46,005</u>	<u>47,434</u>

These consolidated financial statements were approved by the board of Directors on 13th August 2020 and were signed on its behalf by:



Anthony Sharpe
Director

The notes on pages 15 to 26 form part of these consolidated financial statements

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
ASSETS			
Non current assets			
Intangible assets	11	9,466	10,853
Investment in a subsidiary	13	<u>3,924</u>	<u>3,924</u>
		13,390	14,777
Current assets			
Inventories	14	2,235	2,395
Trade and other receivables	15	24,993	19,039
Financial assets	21	0	1,146
Cash at bank and in hand		<u>1,912</u>	<u>7,878</u>
		29,140	30,458
Total assets		<u>42,530</u>	<u>45,235</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	16	21,124	24,836
Financial Liabilities	21	<u>917</u>	<u>0</u>
Total liabilities		<u>22,041</u>	<u>24,836</u>
Equity			
Share capital	20	74,327	74,327
Other reserves		(1,187)	948
Retained earnings		<u>(52,651)</u>	<u>(34,876)</u>
		20,489	20,399
TOTAL EQUITY AND LIABILITIES		<u>42,530</u>	<u>45,235</u>

These consolidated financial statements were approved by the board of Directors on 13th August 2020 and were signed on its behalf by;



Anthony Sharpe
Director

The notes on pages 15 to 26 form part of these consolidated financial statements

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Retained earnings £000	Cash flow hedge reserves £000	Total £000
Balance at 1 January 2018	74,327	(58,490)	810	16,647
<i>Total comprehensive income for the year</i>				
Profit for the year	-	4,183	-	4,183
Other comprehensive income	-	-	138	138
Balance at 31 December 2018	74,327	(54,307)	948	20,968
At 1 January 2019	74,327	(54,307)	948	20,968
<i>Total comprehensive income for the year</i>				
Profit for the year	-	3,321	-	3,321
Other comprehensive (expenses)/income	-	-	(2,135)	(2,135)
Balance at 31 December 2019	74,327	(50,986)	(1,187)	22,154

The notes on pages 15 to 26 form part of these consolidated financial statements

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £000	Retained earnings £000	Cash flow hedge reserves £000	Total £000
Balance at 1 January 2018	74,327	(58,680)	810	16,457
<i>Total comprehensive income for the year</i>				
Profit for the year	-	3,804	-	3,804
Other comprehensive income	-	-	138	138
Balance at 31 December 2018	74,327	(54,876)	948	20,399
At 1 January 2019	74,327	(54,876)	948	20,399
<i>Total comprehensive income for the year</i>				
Profit for the year	-	2,225	-	2,225
Other comprehensive (expenses)/income	-	-	(2,135)	(2,135)
Balance at 31 December 2019	74,327	(52,651)	(1,187)	20,489

The notes on pages 15 to 26 form part of these consolidated financial statements

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit before tax		3,629	4,316
Adjustments for:			
- Amortisation	11	1,466	1,466
- Depreciation	12	857	902
- Gain on sale of property, plant and equipment		(20)	(5)
- Other income and foreign exchange gain		(70)	(3)
- Net finance costs		(23)	13
		<u>5,839</u>	<u>6,689</u>
Changes in:			
- Trade and other receivables		(6,640)	3,485
- Inventories		(340)	404
- Trade and other payables		(3,814)	(8,238)
- Grant releases		(26)	(35)
		<u>(10,820)</u>	<u>(4,384)</u>
Cash generated from operating activities		(4,981)	2,305
Interest paid		(4)	(27)
Interest received		27	14
Income taxes paid		<u>0</u>	<u>(167)</u>
Net cash from operating activities		<u>(4,958)</u>	<u>2,125</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		20	10
Acquisition of property plant and equipment	12	<u>(845)</u>	<u>(379)</u>
Net cash used in investing activities		<u>(825)</u>	<u>(369)</u>
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		(5,783)	1,756
Cash and cash equivalents at 1 January		<u>10,120</u>	<u>8,364</u>
Cash and cash equivalents at 31 December		<u><u>4,337</u></u>	<u><u>10,120</u></u>

The notes on pages 15 to 26 form part of these consolidated financial statements

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Lactalis Nestlé Chilled Dairy Company Limited (the "Company") and its subsidiary (together "the Group") is primarily involved in the manufacture, import, marketing and sale of chilled dairy products.

The Company and its subsidiary are incorporated and domiciled in the United Kingdom.

Basis of accounting

These consolidated financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. They were authorised for issue by the Group's board of directors on 31st July 2020.

Functional and presentation currency

The consolidated financial statements are presented in sterling, which is the Group's functional currency. All amounts in the consolidated financial statements have been rounded to the nearest thousand, unless otherwise indicated.

Disclosure exemptions

The Company as a qualifying entity under FRS102 has elected to take advantage of the disclosure exemptions set out in paragraph 1.12

- 1.12 (b) The requirements of Section 7 Statement of Cash Flows and paragraph 3.17(d).
- 1.12 (c) The requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A,
- 1.12 (d) The requirements of paragraphs 26.18(b), 26.19 to 26.21 and 26.23 and
- 1.12 (e) The requirement of paragraph 33.7.

The group financial statements consolidate the financial statements of Lactalis Nestlé Chilled Dairy Limited and its subsidiary drawn up to 31 December each year. No profit and loss account is presented for Lactalis Nestlé Company Limited as permitted by section 408 of the Companies Act 2006.

2 ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

2.1 Measurement convention

The consolidated financial statements are prepared on the historical cost basis.

2.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2. At 31 December 2019 the Group had net assets of £22,154,000 (2018: £20,968,000). The Directors have strategies in place to ensure the business meets its objectives for 2020. The Directors have prepared cash flow forecasts for the period to 31 December 2021 and are satisfied that the Group will be able to meet its liabilities as they fall due.

The immediate parent entity, Lactalis Nestlé Produits Frais S. A. S. has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should allow the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing its reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe it will not do so.

Therefore, after taking into account the above factors, the Directors believe that the Group can manage its business risks successfully and are satisfied that it has sufficient financial resources to enable them to continue operating in the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing the consolidated financial statements.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2019. The acquisition method of accounting has been adopted. Under this method, the financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

2.4 Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Foreign currency differences are generally recognised in profit or loss. However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedges are effecting are recognised in other comprehensive income.

2.5 Research and development

Research and development expenditure is written off in the year in which it is incurred.

2.6 Government Grants

Government grants relating to property, plant and equipment are initially recognised as deferred income at fair value. They are then recognised in profit or loss as other income over the expected useful lives of the assets concerned. Other grants are credited to the profit or loss as the related expenditure is incurred.

2.7 Operating leases

Payments made under operating leases are recognised in the profit and loss on a straight line basis over the term of the lease.

2.8 Intangible assets

Goodwill in the Company is the difference between amounts paid on the acquisition of the trade and assets of a business and the fair value of the identifiable assets and liabilities. Goodwill in the Group is the Company goodwill plus the goodwill arising on the acquisition of the subsidiary. Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years. This lifespan is based on discounted cash flow and continued synergies from this transaction.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Goodwill is tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill may be impaired.

2.9 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 ACCOUNTING POLICIES (continued)

2.9 Property, plant and equipment (continued)

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Freehold property - 20 years

Dairy equipment - 10 years

Fixtures & fittings - 3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.10 Inventories

Inventories are measured at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventories. In the case of manufactured inventories and work in progress, cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2.11 Impairment

Non-derivative financial assets (including trade and other receivables)

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes;

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor will enter bankruptcy;

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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination.

For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 ACCOUNTING POLICIES (continued)

2.11 Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.12 Basic Financial Instruments

Trade and other receivables and payables

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

2.13 Hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

2.14 Turnover

Sale of goods

Turnover comprises revenue recognised by the Group in respect of goods supplied during the year. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The risks and rewards are transferred on delivery.

Revenue is measured net of returns, trade discounts, volume rebates and net of Value Added Tax.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 ACCOUNTING POLICIES (continued)

2.15 Employee Benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss in the periods during which services are rendered by employees.

2.16 Interest receivable and Interest payable

Interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

2.17 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rate that is expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities.

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2019

3	3	2019	2018
TURNOVER		£000	£000

A geographical analysis of turnover is as follows:

United Kingdom	103,718	117,668
Rest of European Union	4,561	4,106
	<u>108,279</u>	<u>121,774</u>

The Group is engaged in the manufacture, import, marketing and sale of chilled dairy products and therefore, in view of management, operates under only one segment. Therefore no further segmental information is provided.

4	4	2019	2018
COST OF SALES		£000	£000

Costs of inventories recognised as an expense	67,778	79,475
Staff costs	2,421	2,464
Other costs	7,982	6,831
	<u>78,181</u>	<u>88,770</u>

5	5	2019	2018
ADMINISTRATIVE EXPENSES		£000	£000

Depreciation	857	902
Amortisation	1,466	1,466
Staff costs	4,111	4,101
Auditors' remuneration	65	65
Marketing and other expenses	9,097	9,862
	<u>15,596</u>	<u>16,396</u>

There have been no amounts received by the auditors in respect of other services.

6 STAFF COSTS

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

	2019	2018
	No.	No.
Administration	49	47
Production and administration	71	80
Sales	19	19
	<u>139</u>	<u>146</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	5,665	5,738
Social security costs	532	519
Contributions to defined contribution plans	238	212
Other employee-related expenses	97	96
	<u>6,532</u>	<u>6,565</u>

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	2019 £000	2018 £000
7 DIRECTORS' REMUNERATION		
Directors' remuneration	497	436
Company contributions to money purchase pension plans	-	-
Amounts paid to third parties in respect of directors' services	<u>2</u>	<u>2</u>
	<u>499</u>	<u>438</u>
During the year retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution pension schemes. The highest paid director received remuneration of £290,135 (2018: £240,864).		
8 INTEREST RECEIVABLE AND SIMILAR INCOME	2019 £000	2018 £000
Interest receivable on financial assets at amortised cost	<u>27</u>	<u>14</u>
Interest receivable and similar income includes income from group undertakings of £14,026 (2018: £8,259)		
9 INTEREST PAYABLE AND SIMILAR CHARGES	2019 £000	2018 £000
Interest payable on loans from group undertakings	<u>(4)</u>	<u>(27)</u>
10 TAXATION	2019 £000	2018 £000
Total tax expense recognised in the profit and loss account.		
<i>Analysis of charge/(credit) for the period</i>		
<i>Current tax</i>		
Current tax on income for the period	222	-
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Total current tax	222	-
<i>Deferred tax</i>		
Deferred tax for the current year	86	133
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Total deferred tax	<u>86</u>	<u>133</u>
Tax on profit on ordinary activities	<u>308</u>	<u>133</u>
Factors affecting tax charge for the year		
The tax assessed for the year is at the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:		
	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>3,629</u>	<u>4,316</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	690	820
Effects of:		
Expenses not deductible for tax purposes	25	27
Deferred tax not recognised	(398)	(697)
Adjustment in respect of prior periods and differences in tax rates	<u>(9)</u>	<u>17</u>
Total current tax charge/(credit) (see above)	<u>308</u>	<u>133</u>

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2019

11 INTANGIBLE ASSETS

	Group £000	Company £000
Cost		
At 1 January 2018	65,243	63,621
At 31 December 2018	65,243	63,621
At 31 December 2019	<u>65,243</u>	<u>63,621</u>
Amortisation and impairment		
At 1 January 2018	(51,842)	(51,383)
Amortisation for the year	<u>(1,466)</u>	<u>(1,385)</u>
At 31 December 2018	(53,308)	(52,768)
Amortisation for the year	<u>(1,466)</u>	<u>(1,385)</u>
Balance at 31 December 2019	<u>(54,776)</u>	<u>(54,155)</u>
Net book value		
At 31 December 2018	<u>11,935</u>	<u>10,853</u>
At 31 December 2019	<u>10,467</u>	<u>9,466</u>

Amortisation and impairment charge

The amortisation was recognised in the administrative expenses.

The goodwill in the company is the difference between the amount paid upon acquisition of the trade and assets of the business, and the fair value of the identifiable assets and liabilities. Goodwill in the Group is the company goodwill plus the goodwill arising on the acquisition of the subsidiary. Both are amortised to the statement of comprehensive income over their estimated useful life of 20 years. The goodwill is tested for impairment annually.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Construction in progress £000	Total £000
Cost					
At 1 January 2018	3,354	13,304	474	19	17,151
Additions	-	301	-	78	379
Transfers	-	19	-	(19)	-
Disposals	-	(72)	-	-	(72)
At 31 December 2018	3,354	13,552	474	78	17,458
Additions	32	309	-	504	845
Transfers	-	27	-	(27)	-
Disposals	-	(45)	-	-	(45)
At 31 December 2019	<u>3,386</u>	<u>13,843</u>	<u>474</u>	<u>555</u>	<u>18,258</u>
Depreciation					
At 1 January 2018	(1,772)	(7,950)	(469)	-	(10,191)
Depreciation charge for the year	(133)	(767)	(2)	-	(902)
Disposals	-	68	-	-	68
At 31 December 2018	(1,905)	(8,649)	(471)	-	(11,025)
Depreciation charge for the year	(134)	(721)	(2)	-	(857)
Disposals	-	45	-	-	45
Balance at 31 December 2019	<u>(2,039)</u>	<u>(9,325)</u>	<u>(473)</u>	<u>-</u>	<u>(11,837)</u>
Net book value					
At 31 December 2018	<u>1,449</u>	<u>4,903</u>	<u>3</u>	<u>78</u>	<u>6,433</u>
At 31 December 2019	<u>1,347</u>	<u>4,518</u>	<u>1</u>	<u>555</u>	<u>6,421</u>

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
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13 INVESTMENT IN A SUBSIDIARY

The Company has the following investment in a subsidiary:

Name	Number of shares	Class of shares held	Ownership %
Rachel's Dairy Limited	50,000	Ordinary £1	100
Investment in subsidiary company		2019 £000	2018 £000
Cost		<u>3,924</u>	<u>3,924</u>
Net book value		<u>3,924</u>	<u>3,924</u>

14 INVENTORIES

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Raw materials and consumables	1,401	927	-	-
Finished goods	<u>2,267</u>	<u>2,401</u>	<u>2,235</u>	<u>2,395</u>
	<u>3,668</u>	<u>3,328</u>	<u>2,235</u>	<u>2,395</u>

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Trade receivables	7,671	8,665	7,653	8,628
Amounts owed by subsidiary undertakings	-	-	4,212	4,958
Amounts owed by other related parties	12,988	5,206	12,964	5,206
Other debtors	318	498	139	237
Prepayments and accrued income	<u>135</u>	<u>103</u>	<u>25</u>	<u>10</u>
	<u>21,112</u>	<u>14,472</u>	<u>24,993</u>	<u>19,039</u>
Due within one year	21,112	14,472	24,993	19,039
Due after more than one year	-	-	-	-
	<u>21,112</u>	<u>14,472</u>	<u>24,993</u>	<u>19,039</u>

Included in the amounts owed by subsidiary undertakings is a £4,200,000 loan (2018: £4,950,000) to Rachel's Dairy Limited which is repayable on demand and incurs interest of 0.6% per annum.

As a part of the Group Treasury functions, BSA balances (within the 'Amounts owed by other related parties') represent the amounts due to or owed by the Group Treasury as at the end of the financial year.

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Amounts falling due within one year				
Trade creditors	4,961	2,550	3,068	997
Amounts owed to subsidiary company	(1)	(1)	1,514	1,450
Amounts owed to other related parties	11,366	16,251	10,443	15,628
Taxation and social security	226	150	124	97
Accruals and deferred income	6,151	7,345	5,975	6,664
Bank overdraft	-	-	-	-
	<u>22,703</u>	<u>26,295</u>	<u>21,124</u>	<u>24,836</u>

Included in the amounts owed to other related parties is a £3,914,493 loan (2018: £3,914,493) from Lactalis Nestlé Produits Frais S.A.S. which is repayable on demand and incurs interest of 0.25% per annum.

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17 GOVERNMENT GRANTS

	Group	
	2019	2018
	£000	£000
Government grants received		
The maturity of government grants is as follows:		
Amounts falling due within one year	26	26
Amounts falling due after more than one year up to five years	102	98
Amounts falling due after five years	-	30
	128	154

The movement of government grants can be summarised as follows:

At beginning of the year	154	292
Release to statement of comprehensive income	(26)	(103)
Total	128	189

These grants were received from the Welsh Assembly Government towards expansion and investment in the factory over the period 2003 to 2008. The total amount received was £2,500,000. The grants are treated as deferred income and are released to the Statement of Comprehensive Income over the expected useful life of the asset concerned.

18 DEFERRED TAX ASSETS AND LIABILITIES

	Group	
	2019	2018
	£000	£000
The provision for deferred tax is made up as follows:		
Deferred taxation movements		
Deferred tax asset at beginning of year	(17)	116
(Debit)/credit in statement of comprehensive income	(86)	(133)
Deferred tax (liability)/asset at end of year	(103)	(17)

Deferred taxation analysis

Deferred taxation provided in the financial statements is as follows:

Excess of capital allowances over depreciation	(128)	(97)
Movement in government grants	24	28
Other timing differences	1	52
Deferred tax (liability)/asset	(103)	(17)

The Group has an unrecognised deferred tax asset of £5,795,000 (2018: £5,707,000) at the year end. This amount has not been recognised as the directors are of the opinion that recoverability of the deferred tax asset is uncertain.

On 26 October 2015, the government enacted legislation setting the Corporate Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018, 2019 and 2020 (previously 20% from 1 April 2015).

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020 and 2021 would remain at 19%

19 EMPLOYEE BENEFITS

Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to these plans in the current year was £238,000 (2018: £212,000).

LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
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20 SHARE CAPITAL

	2019 £000	2018 £000
Alotted, called up and fully paid		
74,326,895 ordinary shares of £1 each	<u>74,327</u>	<u>74,327</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21 FINANCIAL ASSETS

The amount of all financial assets and financial liabilities carried at fair value are as follows:

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Forward exchange contract (liabilities)/assets	<u>(917)</u>	<u>1,146</u>	<u>(917)</u>	<u>1,146</u>

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

22 OPERATING LEASES

	2019 £000	2018 £000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	41	94
Between one and five years	<u>-</u>	<u>38</u>
	<u>41</u>	<u>132</u>

During the year £106,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2018: £109,000).

23 RELATED PARTIES

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. All balances outstanding at 31 December 2019, are as follows:

	Sales to		Purchases from	
	2019 £000	2018 £000	2019 £000	2018 £000
Fellow subsidiaries in Lactalis Group	-	-	74,109	78,738
Fellow subsidiaries in Nestlé Group	<u>-</u>	<u>-</u>	<u>3,703</u>	<u>4,028</u>
	<u>-</u>	<u>-</u>	<u>77,812</u>	<u>82,766</u>
	Debtors outstanding		Creditors outstanding	
	2019 £000	2018 £000	2019 £000	2018 £000
Fellow subsidiaries in Lactalis Group	12,988	5,206	10,460	6,811
Fellow subsidiaries in Nestlé Group	<u>-</u>	<u>-</u>	<u>906</u>	<u>43</u>
	<u>12,988</u>	<u>5,206</u>	<u>11,366</u>	<u>6,854</u>

**LACTALIS NESTLÉ CHILLED DAIRY COMPANY LIMITED
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24 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is controlled by Lactalis Nestlé Produits Frais S.A.S. by virtue of its 100% holding of the Company's ordinary share capital. The ultimate parent company is B.S.A. incorporated in France.

The largest group in which the consolidated financial statements are consolidated is that headed by B.S.A. and may be obtained from 33 Avenue du Maine, Montparnasse, 75755 Paris, France.

25 POST BALANCE SHEET SUBSEQUENT EVENT

The Covid pandemic has had a serious impact on the UK and the business has implemented a number of changes to ensure that we meet the most important priority of keeping our teams safe. As the country moved into lockdown there has been an impact on the business where an initial level of panic buying put significant pressure on the Supply Chain, since then demand for our products has been maintained as we have little exposure to the Foodservice sector. As a business we benefit from a diverse production base and this combined with the resourcefulness of our employees and the flexibility of our partners have allowed us to mitigate the impact of difficulties that we have faced.

In summary, the business has been operating effectively and efficiently, and also protecting and supporting its workforce's physical and emotional well-being since the pandemic began. As the result of this and combine with changes in consumers' behaviour due to this pandemic, the financial performance in 2020 is on track to show an improvement on 2019.