

# UMV GLOBAL FOODS HOLDING COMPANY LTD

## Annual Report

For the year ended 31 December 2020

Consolidated a/c s  
to accompany  
United Biscuits Holdco Limited  
Co No: 5957557  
Audit Exemption



---

## Strategic report

---

UMV Global Foods Holding Company Ltd together with its subsidiaries ('the Group') is a leading international branded snacks and confectionary business, which manufactures and markets some of the world's best known and loved sweet and savoury brands. The Group's brands have been satisfying consumers for generations and include: McVitie's Digestives, Verkade, Carr's, BN, McVitie's Jaffa Cakes, McVitie's Penguin, Jacob's Mini Cheddars, go ahead!, Jacob's Twiglets, Sultana, Flipz and Turtles.

The Group is the leading manufacturer and marketer of biscuits and savoury snacks in the UK and also *manufactures and markets biscuits, savoury snacks and chocolate under popular local brands in France, USA, the Netherlands, Nigeria and India*. The Group's brands are sold in approximately 100 countries around the world, with strong consumer bases across Europe, North America, Africa, Middle East, India, Asia and Australia.

The ultimate parent of the Group is Yıldız Holding A.S. (Yıldız Holding). It is the ultimate owner of the iconic brands Ülker, McVitie's and Godiva and also operates in several other food categories including edible fats and oils and frozen and canned food. Yıldız Holding is also active in non-food categories including retail and packaging. Yıldız Holding has operations in 14 countries and exports to over 100 countries.

During 2016 Yıldız Holding brought together its core biscuit and confectionery businesses (in Food, Drug and Mass retail channel) under the umbrella of 'pladis'.

## Strategic report (continued)

### Market and Industry Overview

In recent years, consumer demand for food products has been strongly influenced by trends towards snacking and out-of-home eating rather than traditional three-meals-a-day eating pattern. Consumers now demand convenience foods, including biscuit and snack products that offer greater variety, healthier alternatives and greater portability and convenience. These trends are expected to continue.

In developed markets, the Group's retail customers are generally seeking branded products that consumers know and trust and that will deliver them high turnover. The Group is meeting this need with a wide range of classic products, new product development and promotions to keep store displays fresh and make the biscuits category appealing. In developing markets, reliable product quality and the ability to meet key local price points are important considerations.

During 2020, the Covid-19 pandemic had a very significant impact on consumers, businesses and society. Across all countries in which the Group operates, manufacturers as well as retailers, had to adapt quickly to Covid-19 related reality and redesign supply chains accordingly.

Overarching current consumer trends include convenience, healthier snacking, value and products that are produced by responsible corporations in a sustainable manner. The Group continues to pursue an active programme of new and existing product development, as well as promotional investments that respond to these trends and investment in its manufacturing sites to increase productivity and flexibility. The Group invests in its brands through innovation, improved quality and media engagement with consumers.

Geographically, the Group is well positioned to grow in large, established markets, which it believes will continue to grow in the medium to long term, as well as growing its market positions in higher-growth emerging markets.

### Our Strategic Framework

The Group's strategic objectives are aligned with those of pladis, of which the Group is part. The Compete to Win strategic framework was implemented in 2020 and comprises four strategic pillars to unlock the potential of our business through our people and our brands:

#### 1. *Innovate today to Fuel tomorrow – a focus on the Consumer*

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

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

#### 2. *Own the Streets – a focus on the Customer*

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

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

#### 3. *Make Every Penny Count – a focus on Cost and Cash*

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

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

#### 4. *Win as One pladis – a focus on Culture*

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

The Group is focussed on building the capabilities of its people to ensure it can Compete to Win.

## Strategic report (continued)

### Performance Summary

#### Business overview

The Group experienced challenging market conditions during the year, linked to the COVID pandemic, as well as increase in commodity prices and foreign exchange fluctuations. Guided by the Compete to Win strategy, our teams delivered a step-up in pace of innovations, sharp execution in the market, tight management of cost and cash, and continued strengthening of the talent base. The Group incurred significant expenditure during the year to maintain business continuity in the face of the COVID pandemic, and to provide COVID secure work environments. Together with focused management of the impact of the pandemic, the Group achieved strong profitable growth during 2020.

2020 was an extraordinary year with the COVID pandemic having a global impact. In the UK, the Foodservice channel was significantly impacted losing over one third of its scale as consumption moved in home. The Grocery Channel and Euro Discounters performed well and Online saw huge gains (+61%) marking a permanent shift in shopping habits for a large number of consumers. Marketing plans were disrupted due to the cancellation of the Olympics, with McVities being an official sponsor for Team GB. However, we continued to drive physical and mental availability of our brands, through Off Shelf Feature gains and marketing campaigns. A McVities Masterbrand campaign was launched called 'Too good not to share' which explored the importance of real human connections and shows how the simple act of sharing a biscuit has the power to bring people together.

In most markets, biscuits market size increased both in value and volume as a result of lockdowns and shift towards working from home, and our trusted brands gained market shares.

The Group believes future growth will be driven by key consumer trends and by engaging new consumers for its products in existing and new markets.

During the year, the Group continued to invest in its brands, asset base and modernisation of its manufacturing facilities. On 31 May 2020, the Group acquired Starbrands North America Inc from G New Inc, a subsidiary of Yildiz Holding A.S, incorporated in the USA and Starbrands Canada, from pladis Foods Limited (the parent company of the Company), incorporated in Canada, (collectively "Starbrands") for \$119m. Starbrands is engaged in the business of manufacturing, distributing and selling chocolate, chocolate-covered pretzels, biscuits and other confectionary to supermarkets and other customers in the United States and Canada. The portfolio of Starbrands includes Turtles (chocolate-covered caramel and pecan candies) and Flipz (chocolate covered pretzels).

The Group measures its progress against both financial and corporate responsibility measures and progress in these areas is detailed below.

The Group's key financial performance indicators are summarised in the table below:

|                                  | 2020    | 2019    |
|----------------------------------|---------|---------|
|                                  | £m      | £m      |
| Revenue                          | 1,100.0 | 1,025.1 |
| EBITDA <sup>1</sup>              | 126.4   | 124.2   |
| Adjusted EBITDA <sup>2</sup>     | 150.8   | 145.6   |
| Net Debt <sup>3</sup>            | 447.6   | 467.0   |
| Capital Expenditure <sup>4</sup> | 15.5    | 15.2    |

<sup>1</sup> EBITDA is calculated as operating profit of £71.8m (2019: £69.7m) plus depreciation of £54.6m (2019: £54.5m).

<sup>2</sup> Adjusted EBITDA as calculated in the consolidated income statement on page 21.

<sup>3</sup> Net debt as calculated as gross borrowings of £634.0m (2019: £631.0m) less cash of £186.4m (2019: £164.0m).

<sup>4</sup> As per consolidated cashflow statement.

## Strategic report (continued)

### Revenue

The Group's revenue is predominantly derived from branded sales of sweet and savoury biscuits, baked snacks and chocolate, with branded sales accounting for approximately 86% of total revenue.

The Group's revenue for 2020 was £1,100.0 million (2019: £1,025.1 million). The 7.3% increase in revenue is due to the reasons outlined above in the Business overview section together with the inclusion of 7 months of revenue from Starbrands following its acquisition in May 2020.

The Group's operations comprise of three regions: UK, Northern Europe and International. Starbrands is included in the International region.

The Group is a long-standing market leader in the UK, where it manufactures and markets a wide portfolio of sweet biscuits, savoury biscuits, savoury baked snacks and packaged cake. The Group's leading brands in the UK include: McVitie's, Jacob's, Carr's, McVitie's Jaffa Cakes, Penguin and go ahead!. McVitie's contains a collection of our most popular brands and receives priority marketing and innovation support along with a focus on growing our Jacob's Savoury brand.

The Group's branded biscuit sales accounted for approximately 24.6% of the overall UK biscuit market.

In the last couple of years, the UK grocery market has been characterised in 2020 by a changing retail landscape and increased competition between established grocery retailers and discounters.

In Northern Europe (France and the Netherlands), the Group holds strong challenger positions in its markets and manufactures and markets the BN, Sultana and Verkade brands. In Northern Europe, underlying revenue decreased by 3.1% year-on-year in 2020. This was due to a partial delisting of BN by a major retailer in France in 2019 (the Group's products were relisted during 2020) and increased pressure on promotions.

Over recent years, the Group has increased its revenue from international markets particularly in India, Africa and China through the growth of the McVitie's brand and in North America, following the acquisition of Starbrands during 2020.

### Adjusted EBITDA and operating profit

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

In 2020 adjusted EBITDA was £150.8 million (2019: £145.6 million), a £5.2 million or 3.6% increase principally due to improved gross profit margin and strong overhead cost control and implementation of efficiency initiatives, partially offset by the substantial investment required to keep our employees safe and maintain business continuity as a result of Covid-19.

In 2020 operating profit of £71.8 million was £2.1 million higher than 2019.

### Capital expenditure

Cash investment in plant, equipment and intangibles during 2020 was £15.5 million (2019: £15.2 million), as presented in the consolidated cashflow, and represents 1% of revenue (2019: 1%). This reflects a conscious strategy to maximise the utilisation of existing fixed assets. The Group continued to make investments to support efficiency and growth and to maintain infrastructure, health, safety and environment across its manufacturing portfolio.

## Strategic report (continued)

### Pension

The Group incurs ongoing service costs in connection with its defined benefit pension schemes and makes regular contributions to its defined contribution scheme. In addition to these, the Group makes additional regular contributions designed to eliminate the funding deficits in the UK defined benefit plans (as agreed as part of the schemes' triennial valuations). In 2020, these additional contributions amounted to £32.6 million (2019: £29.7 million) (Note 21).

### Cash available for debt servicing

Cash available for debt servicing for 2020 was £67.6 million (2019: £88.4 million). This represents the adjusted EBITDA less capital expenditure, restructuring costs and non-underlying operating costs, ongoing pension contributions in excess of amounts charged to business profit and tax paid, and after adjusting for changes in working capital. The increase in working capital in 2020 is due to the acquisition of Starbrands. The component parts of the cash available for debt servicing are presented in the consolidated cashflow on page 25, and is explained as follows:

|                                                                                          | 2020<br>£m  | 2019<br>£m  |
|------------------------------------------------------------------------------------------|-------------|-------------|
| Adjusted EBITDA                                                                          | 150.8       | 145.6       |
| Capital expenditure                                                                      | (15.5)      | (15.2)      |
| Cash flows relating to non-underlying and restructuring operating expenses               | (14.7)      | (15.0)      |
| Difference between pension contributions paid and amounts recognised in operating profit | (28.4)      | (26.9)      |
| Increase in working capital                                                              | (24.6)      | (0.1)       |
| <b>Cash available for debt servicing</b>                                                 | <b>67.6</b> | <b>88.4</b> |

### Net debt

As part of the financing Arrangements for the acquisition of the Group by Yildiz Holdings, the Group entered into a Senior Facilities Agreement on 20 November 2014.

On 31 August 2017, the Group refinanced and entered into a new Senior Facilities Agreement. The facilities were unsecured and comprised Facility A1 of £575 million, Facility A2 of £75 million and a Revolving Facility of £75 million. Repayment was due five years from the date of the Agreement. In January 2018, proceeds from the UK receivables financing arrangement were applied to prepay the Facility A2 in full.

Net debt comprises senior bank loans, finance lease obligations and other loans less cash and cash equivalents. At the end of 2020, the net debt outstanding was £447.6 million (2019: £467.0 million).

### Other movements on financial position

The Group's net assets have increased by £38.4 million compared to 2019. This is primarily driven by the acquisition of Starbrands in May 2020 and on the subsequent acquisition of pladis Europe B.V., pladis Spain S.L and pladis Belgium SPRL in December 2020. See Note 4 for further details.

## Strategic report (continued)

### Corporate Responsibility

The Group has manufacturing operations in six countries and its brands, as the Group is part of the wider Yildiz Holding Group, are now sold in over 130 countries worldwide. The Group operates to high ethical and professional standards regardless of location. Our approach to corporate responsibility is broad and reflects a conviction that these elements should be central to how we run the business.

The Group Purpose is to promise happiness with every bite. Inherent to that promise is building a sustainable business, which impacts every element of our corporate strategy. The Group's priorities for corporate responsibility are as follows:

- looking after employee and consumers' health and wellbeing;
- ensuring our people are safe, secure and happy;
- working with the communities we operate in to give back to them as they give to us; and
- delivering performance that protects the environment.

### Ethics & Compliance

The Group believes its success is based upon every employee adhering to the Group's 'Code of Conduct'. The Ethics and Compliance function covers people and product, safety and quality and is a key focus for our business.

To support our people in this, there is a comprehensive Code of Conduct which clearly identifies how we are all expected to behave and what action should be taken when employees are confronted by difficult or sensitive situations.

One of the subsidiary companies of the Group is a member of the World Cocoa Foundation, a leading non-profit organization that promotes sustainability in the cocoa sector by providing cocoa farmers with the support they need to grow more quality cocoa and strengthen their communities. We fully support the approach and commitment made by the group which has led to increased productivity and profits for cocoa farmers, helping to ensure a sustainable supply of cocoa for generations to come. In addition, a number of our chocolate products are UTZ certified. The UTZ standard provides cocoa farmers with guidelines for better farming methods and working conditions.

Most of our sites, including all our manufacturing sites in the UK, are registered in SEDEX, the Supplier Ethical Database Exchange. SEDEX is an organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. Suppliers to our SEDEX registered sites are also required to be SEDEX members and to report their performance with regard to labour practices. In accordance with the UK Modern Slavery Act, 2015, pladis UK and Ireland publishes a yearly statement, which outlines the steps it has taken as well as its future plans, towards ensuring the prevention of forced labour and human trafficking within its organisation and supply chain.

In 2020, pladis adopted a global human rights policy which is currently being communicated to pladis' employees, subcontractors and suppliers.

Also during 2020, pladis became a member of Minority Supplier Development UK ("MSDUK"). MSDUK brings together innovative and high growth ethnic minority owned businesses with global corporations committed towards creating an inclusive and diverse supply chain.

### People

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

As a business, we recognise that there is an ongoing need to increase our gender balance across the business. Currently, 33% of the pladis Group's workforce is female and there is a broad split of ethnicity across the employee population. The Group will continue to focus on ensuring all members of our diverse

---

**Strategic report (continued)**

---

workforce are encouraged and supported to develop their career aspirations as well as take actions to improve the gender balance in our organisation. The pladis Group now has a global advisory board in place to consult on inclusion and diversity and help support pladis' journey to create a vibrant, inclusive and diverse workforce.

The Group operates various graduate and apprenticeship schemes and has provided summer work placements and work experience opportunities to school and university students to encourage them to consider a career in the industry. In 2020, 11 (2019: 7) apprentices entered the UK business and it also supported 7 (2019: 5) internships. In 2020, 27 employees in the UK started on an National Vocational Qualification ("NVQ") programme and 29 (2019: 41) completed NVQs as part of our ongoing programme of training and development across the workforce.

The Group views human rights primarily as an extension of its determination not only to treat employees with respect but also to obtain assurance about ethics in the supply chain. Across all its countries of operation, the Group's goal is not to exploit anyone and the business refuses to work with any individual or organisation that fails to uphold these standards. As part of a global business, we operate according to the pladis Code of Conduct which captures the most important personal responsibilities expected of our employees as they go about their work, and provides guidance on how to deal with certain situations. The pladis Code of Conduct requires all suppliers to adhere to this code, and also states that we will not work with suppliers who violate human rights.

**Environmental Highlights**

Our corporate responsibility highlights include:

- Since 2018, pladis has been a member of the Earthworm Foundation (previously known as TFT – The Forest Trust), a non-profit organisation collaborating with us to deliver a roadmap for our palm oil supply chain. In 2020, pladis adopted a no deforestation, no peatland destruction and no exploitation (NDPE) policy applicable to all pladis oil palm suppliers. Earthworm has monitored pladis' oil palm supply chain compliance with pladis' NDPE policy through intelligence coming from the Earthworm network in the production countries, the review of available grievance systems and the piloting, in the supply chain of pladis' main tier-one supplier, of the Starling satellite imagery system.
- As part of our commitment to the Round Table on Sustainable Palm Oil (RSPO), we are using 100% palm oil supporting the RSPO sustainability programme in the UK.
- We (through our UK operating company) are a member of the World Cocoa Foundation, which promotes sustainable futures for cocoa farmers.
- We have maintained our Back to Farm agreements in the UK which deliver sustainable long-term supplies of wheat for the UK.
- In 2020, we relaunched our Victoria Christmas selection boxes with less packaging and more biscuits: featuring a downsized card outer and a new, fully recyclable cloudy tray. The new box means an annual reduction of 129 tonnes of card and a saving of 60.5 tonnes of plastic from landfill every year.
- We are building on our relationship with TerraCycle – an organization which recycles hard-to-recycle items. In 2020, TerraCycle recycled approximately 3.5 million McVitie's wrappers and 11.3 million wrappers since the partnership started in July 2012.
- In 2018 pladis UK launched a new initiative called #RoadtoZero with the primary goal to reduce, rework and recycle waste and ultimately eliminate all waste across our UK manufacturing sites. As a result of over 500 waste saving ideas generated by our colleagues between 2018 and 2020, waste was reduced from 5.7% to 3.4%, equating to more than 16,000 tons of waste since the initiative began. Over 1 million lorry miles have been taken off the road, saving over 4,000 tons of CO<sub>2</sub>.
- We have been using 100% renewable electricity in all seven of our UK manufacturing sites and office-based sites since 2018.



---

## Strategic report (continued)

---

### Health and Nutrition

The Nutrition team has active work streams to improve the nutritional value of some of our iconic and best-selling biscuits and snacks, as well as setting nutritional guidelines for all new product development. Nutrition education is a focus for the Group and we want to help consumers achieve a balanced, healthy lifestyle and ensuring that employees and consumers understand what a healthy balanced diet looks like and how to incorporate snacks into their diet responsibly is a key part of this. We are committed to supporting consumers to do this by providing front of pack nutrition labelling on our products as well as information on healthy eating on our 123 Healthy Balance website. Also to support our employees make informed diet choices, in 2020 we extended our access of 'pladis nutrisentials' a series of e-learning modules around diet and health to all of our markets.

The Group is fully engaged in Public Health England's sugar reduction programme and we are committed to offering products that meet consumers' changing needs.

By the end of Q1 2020, we reduced the sugar content in nine of our best-selling McVitie's biscuits which account for over 50% of McVities value sales in the UK, without impacting on taste.

We want to be leaders in health and wellbeing and nothing is sacred – except the delicious taste of our products.

Our goal is to support consumers in improving their health and nutrition. We will achieve this with:

- Calorie caps per portion – to help consumers moderate calorie consumption;
- Redefinition of our future portfolio – to enhance nutrition credentials; and
- Clear nutrition information on pack and healthy eating advice on our corporate website – to support consumers to make appropriate snacking choices.

### Community Engagement

The Group's "Good to Give" programme has been running since 2009. The Group and its employees donated a significant amount through local fundraising for communities and charities in 2020. As part of the Covid-19 response, a large quantity of product donations were made to NHS trusts, Emergency Services, Food Banks and local charities. Our employees raise money throughout the year for a number of local charities alongside our official charity partner Starlight, which aims to brighten the lives of seriously ill children. In November, we celebrated our annual Make Happy, Be Happy Day virtually and our employees raised funds through raffles, a virtual bake along session and sponsored cycle and walk events.

In addition, we consolidated the majority of our excess stock donations through Meals & More to support children in poverty and were a key supporter of the Kids Out Christmas appeal through product donations. We continued to support Grocery Aid through our Customer Function.

The methods of fundraising were varied, despite the challenges faced in executing events in 2020 and included raffles, quizzes, long distance walks and bike rides. Employees all across the business raised money for national fundraising events, through virtual events and dress down days. Many of our sites also support their local schools and colleges by offering factory visits and careers advice through schemes such as Career Ready and Girls Out Loud.

---

**Strategic report (continued)**

---

**Principal risks and uncertainties**

The Board assume overall accountability for the evaluation and management of risks to the Group.

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

These risks include the following:

**Leverage and ability to service debt**

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

**Business strategy implementation**

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

**Significant competition**

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

**Dependence on raw materials**

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

**Continual evolution of retailers**

The ongoing evolution of the retail food industry in the UK, Europe and North America could adversely affect the Group's operating results. Such evolution involves the consolidation of sales channels, strong bargaining power of the major grocery retailers, intensified price competition among these retailers and the rapid growth of the discount retail channel and the accelerated expansion of eCommerce due to the Covid-19 pandemic. The Group's top customers are primarily major grocery retailers, discounters,

---

**Strategic report (continued)**

---

independent grocers and convenience stores. It has long standing arrangements with many of its customers and agrees annual joint business plans with its top customers to support its position.

**Supply and manufacturing processes**

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

**Challenges to brands and intellectual property rights**

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

**Restrictions on operations**

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

**Funding defined benefit pension schemes**

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

**Changes to taxation or other government regulation**

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

**Brexit**

The Brexit transition period agreed between the UK and EU came to an end on 31 December 2020. Although, a trade agreement that allowed for tariff-free trade in most instances was negotiated our operations could be adversely impacted by new EU regulations coming into force which were not previously applicable.

**Covid-19**

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

The Group invoked its business continuity plans and sought to serve and support its customers and protect liquidity while maintaining the safety and well-being of its employees.

The Group's business experienced an initial uplift in demand from its customers in several geographies. In order to service this, and to manage risk arising from the pandemic, the Group purchased some additional supplies of ingredients and packaging, used overtime and agency staff to backfill employees

## Strategic report (continued)

required to self-isolate and implemented additional hygiene and social distancing practices across our sites in line with local guidance. All manufacturing and distribution sites continued to operate and work to meet customer orders in line with normal service levels throughout the year.

The continuing effects of COVID-19 on Group operations will depend on the global duration, extent and severity of the pandemic and the outlook is uncertain. An impact of the pandemic is economic recession in some parts of the global economy. While this could have negative implications for overall economic growth and consumer spend, previous experiences indicate that consumer goods companies with strong brands, an efficient and agile supply chain and engaged human capital can minimise the negative impact and emerge stronger.

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

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

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

### Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole but having regard to a range of different matters.

In doing this section 172 requires directors to have regard to, amongst other matters, the:

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

As an intermediate holding company, board meetings are held as necessary where the directors consider the Company's activities and make decisions. As a part of those meetings the directors receive information on section 172 matters when making relevant decisions. In making our decisions we considered a range of factors, including our section 172 duties as set out above.

### Employee engagement

As the principal activity of the Company is to act as a holding company, the Company had no employees during the year and as such the breadth of employee and other considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors. The employees of the Group are employed by the Group's operating entities. For UK employees, the relevant employee engagement statement is included in the directors' report of United Biscuits (UK) Limited.

### Fostering business relationships

As the principal activity of the Company is to act as a holding company for the other entities in the pladis group, the Company has had no commercial business, and no employees, customers or suppliers other than other pladis group companies during the year and as such the breadth of stakeholder and other considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors. Our stakeholder engagement best takes place at an operational level. We find that as well as being a more efficient and effective approach, this also helps us

---

**Strategic report (continued)**

---

achieve a greater positive impact on environmental, social and other issues. For details on some of the engagement that takes place at an operational level in the UK, please refer to the section 172(1) statement contained in the directors' report of our operating company, United Biscuits (UK) Limited.

This report was approved by the board of directors on 30 April 2021 and signed on its behalf by:



**Murat Ulker**  
Director

30 April 2021

---

## Directors' Report

---

The directors present their annual report and the audited consolidated financial statements of UMV Global Foods Holding Company Ltd (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 December 2020.

The directors have chosen, in accordance with section 414C(11) of Companies Act 2006, to include such matters of strategic importance to the Group in the Strategic Report which otherwise would be required to be disclosed in the Directors' Report.

### Dividends

No dividends have been paid or proposed in the current year or prior year.

### Principal activity, going concern and future developments

The Group's business activities and performance against its key performance indicators and likely future developments are set out in the Strategic Framework section of the Strategic Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 23 and 26 and notes 17 and 18 to the financial statements. In addition, Notes 17 and 18 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, commodity risk and liquidity risk.

*The Group intends to continue manufacturing and selling its biscuit and savoury snacks with a principal focus on its key financial performance indicators and delivering its strategic objectives as detailed in the Strategic Report.*

The Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Please refer to the Brexit and Covid-19 sections within the Principal Risks and Uncertainties section of the Strategic Report. Also refer to Note 24, Events after the balance sheet date.

The financial statements have been prepared on a going concern basis as the directors are satisfied that the Group has adequate financial resources to continue its operations for the foreseeable future. In making this statement, the Group's directors have reviewed the Group budget and available finance facilities and have made such other enquiries, as they considered appropriate.

### Directors

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

Murat Ulker  
Richard Handscombe  
Simon Edward Munir

### Qualifying third party indemnity provision

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

### Employment Policies

The Group has a comprehensive framework of employment policies. The Group upholds the rights and opportunities of all people to seek, obtain and hold employment with dignity and without any form of discrimination. It is the Group's policy that employees at all levels shall not in their dealings harass or discriminate against other individuals on grounds of gender, race nationality, religion, marital status, sexual orientation, disability, age or for any other reason whatsoever. This policy applies in respect of all conditions of employment, especially hiring, continuing employment and career development information. We regularly communicate and consult with employees or their representatives on a regular basis so that the views of

## Directors' Report (continued)

employees can be taken into account in making decisions, which are likely to affect their interests. Employees are systematically provided with information on matters that may concern them and are made aware of the financial and economic factors affecting the Group's performance. Performance bonuses for employees are based on individual and company-wide performance matrices.

### Research & Development

The goal is for the technical teams to support our branded growth goals by driving value creation through optimised product delivery aligned to and supporting the Group's strategic objectives. See Note 6 for details.

### Stakeholder Reporting

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

### Governance Reporting

For information on governance reporting please refer to page 7 in the financial statements of United Biscuits (UK) Limited.

### Streamlined Energy and Carbon Reporting

Following the introduction of the new SECR (streamlined energy and carbon reporting) regulations in April 2019, we have detailed our scope 1, 2 & 3 UK greenhouse gas emissions for the year 1 January to 31 December 2020 for the UK segment of our business in the table below.

| UK Energy and carbon emissions reporting                                                                        | unit of measure        | 2020          |
|-----------------------------------------------------------------------------------------------------------------|------------------------|---------------|
| Energy consumption used to calculate emissions - for gas, electricity*, transport and business travel emissions | kWh                    | 425,186,553   |
| <b>Scope 1</b> - emissions from gas, fleet transport and company car business travel                            | tCO <sub>2</sub> e     | <b>66,080</b> |
| <b>Scope 2</b> - emissions from purchased electricity* - location based                                         | tCO <sub>2</sub> e     | <b>20,519</b> |
| <b>Scope 3</b> - emissions from staff vehicles used for business purposes                                       | tCO <sub>2</sub> e     | <b>76</b>     |
| Total gross emissions                                                                                           | tCO <sub>2</sub> e     | <b>86,675</b> |
| Intensity ratio - tCO <sub>2</sub> e per production tonnage - location based                                    | tCO <sub>2</sub> e/ton | <b>0.207</b>  |
| <b>Market based emissions</b>                                                                                   | <b>unit of measure</b> | <b>2020</b>   |
| <b>Scope 2</b> - emissions from purchased electricity* - market based                                           | tCO <sub>2</sub> e     | <b>0</b>      |
| Intensity ratio - tCO <sub>2</sub> e per production tonnage - market based                                      | tCO <sub>2</sub> e/ton | <b>0.158</b>  |

\*100% renewable electricity

### Quantification and reporting methodology

We have followed the 2020 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting. Energy data is obtained from meter readings, fleet fuel data from vehicle telemetry system and business mileage from expenses system. The chosen intensity measurement ratio is the recommended ratio for our sector.

---

**Directors' Report (continued)**

---

**Measures taken to improve energy efficiency**

Following the completion of ESOS in 2019, we have partnered with several major suppliers to develop our future energy strategy and plans for decarbonisation. Opportunities to reduce energy costs and carbon emissions have been identified and specific proposals for two manufacturing sites are being evaluated. We entered into a contract with a key supplier to identify efficiency measures across all UK sites to support a reduction in compressed air use and have commenced a program of oven reprofiling to reduce energy consumption. Trial initiatives were implemented at an individual site level e.g. installation of inverters on large motors, replacement of electrical heaters with a heat pump system with a view to a more extensive roll-out if successful.

Our fleet renewal programme for company owned heavy goods vehicles has been enhanced with greater focus on lower carbon considerations such as vehicle and trailer specification and included a fuel efficiency trial. We continue to participate in the Department For Transport Longer Semi-Trailer trial which aims to reduce the number of journeys via higher capacity vehicles.

100% of our purchased electricity is from renewables.

**Disclosure of Information to the Auditors**

The Directors who were members of the board at the time of approving the directors' report are listed on page 13.

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

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

**Independent auditor**

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

This report was approved by the board of directors on 30 April 2021 and signed on its behalf by:



**Murat Ulker**

Director

30 April 2021

Registered office: United Biscuits Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.



---

## 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 consolidated financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company 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 group and company and of the profit or loss of the group and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the consolidated financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.



# Independent auditors' report to the members of UMV Global Foods Holding Company Ltd.

## Report on the audit of the financial statements

### Opinion

In our opinion:

- UMV Global Foods Holding Company Ltd.'s consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit, the parent company's loss and the group's cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company balance sheets as at 31 December 2020; the consolidated and parent company income statements, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, and the consolidated cash flow statement 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 group 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 group's and the parent 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 group's and the parent 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their 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 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 the directors either intend to liquidate the group or the parent 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to income taxes, value added taxes, payroll taxes, food labelling, food safety, health and safety at the workplace, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies



Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to overstate revenues or understate expenses in order to overstate profits, or to misappropriate cash.. Audit procedures performed included:

- We performed inquiries of management to determine if they were aware of any frauds, alleged frauds or non-compliance with laws or regulations.
- We inspected the minutes of meetings of the Board of Directors to determine if there was any discussions involving frauds or alleged frauds, or non-compliance with laws and regulations.
- We performed testing of journal entries, specifically searching the journal ledger for entries that appeared to us to contain unusual account combinations, had the impact of increasing revenues; decreasing expenses; and decreasing cash and cash equivalents. We also searched the journal ledger to determine if any journal entries had been posted directly by the company's directors.
- We obtained the journal ledger for legal and professional charges for the subsequent period from the balance sheet date to the date of authorisation of the financial statements and inspected it to determine if there were any individually significant items that might suggest that the group was subject to material litigations or claims that related to the financial year being reported on.
- We performed certain procedures on an unpredictable basis including testing business expenses claimed by employees for reimbursement; determining if there were any bank account numbers that were the same for employees and suppliers of the group.

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](http://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 parent 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 parent 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 parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Beer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Watford  
30 April 2021

## Consolidated income statement

For year ended 31 December 2020

|                                                                                                   | Note | 2020<br>£m | 2019<br>£m |
|---------------------------------------------------------------------------------------------------|------|------------|------------|
| Revenue                                                                                           | 3    | 1,100.0    | 1,025.1    |
| Cost of goods sold                                                                                |      | (734.8)    | (698.8)    |
| Gross profit                                                                                      |      | 365.2      | 326.3      |
| Distribution, selling and marketing expenses                                                      |      | (181.4)    | (160.8)    |
| General and administrative expenses                                                               |      | (93.1)     | (79.9)     |
| <b>Operating profit before non-underlying and restructuring operating items</b>                   |      | 90.7       | 85.6       |
| Operating profit before non-underlying and restructuring operating items is comprised as follows: |      |            |            |
| Adjusted EBITDA                                                                                   |      | 150.8      | 145.6      |
| Pension administration expense                                                                    | 21   | (5.5)      | (5.5)      |
| Depreciation and amortisation expense                                                             | 6    | (54.6)     | (54.5)     |
| Non-underlying and restructuring operating items                                                  | 5    | (18.9)     | (15.9)     |
| <b>Operating profit</b>                                                                           | 6    | 71.8       | 69.7       |
| Loss from the disposal of businesses and subsidiaries                                             | 4    | -          | (0.6)      |
| Profit from disposal of fixed assets                                                              |      | -          | 0.4        |
| Interest receivable and other financial income                                                    | 7    | 7.4        | 0.9        |
| Interest payable and other financial charges                                                      | 8    | (55.4)     | (56.7)     |
| Other finance expense – pensions                                                                  | 21   | (2.2)      | (3.6)      |
| <b>Profit before tax</b>                                                                          |      | 21.6       | 10.1       |
| Tax                                                                                               | 9    | (20.1)     | (7.5)      |
| <b>Profit for the year</b>                                                                        |      | 1.5        | 2.6        |

All amounts relate to continuing activities.

The notes on pages 27 – 83 form an integral part of these financial statements.

## Consolidated statement of comprehensive income

For the year ended 31 December 2020

|                                                                               | Note | 2020<br>£m | 2019<br>£m |
|-------------------------------------------------------------------------------|------|------------|------------|
| <b>Profit for the year</b>                                                    |      | 1.5        | 2.6        |
| <b>Items not to be reclassified subsequently to profit or loss</b>            |      |            |            |
| Remeasurement of net defined benefit pension plan liability                   | 21   | (59.0)     | (13.5)     |
| Deferred tax on items not to be reclassified subsequently to loss or profit   | 9    | 15.2       | 2.3        |
| <b>Total items not to be reclassified subsequently to profit or loss</b>      |      | (43.8)     | (11.2)     |
| <b>Items that may be reclassified subsequently to profit or loss</b>          |      |            |            |
| Gain/(Loss) on cash flow hedges arising during the year                       |      | 3.2        | (0.7)      |
| Loss/(Gain) on cash flow hedges transferred to income statement               |      | 0.3        | (0.7)      |
| Exchange differences on translation of foreign operations                     |      | (15.1)     | (12.8)     |
| Deferred tax on items that may be reclassified subsequently to profit or loss | 9    | 0.8        | 1.9        |
| <b>Total items that may be reclassified subsequently to profit or loss</b>    |      | (10.8)     | (12.3)     |
| <b>Other comprehensive loss for the year after tax</b>                        |      | (54.6)     | (23.5)     |
| <b>Total comprehensive loss for the year after tax</b>                        |      | (53.1)     | (20.9)     |

The notes on pages 27 – 83 form an integral part of these financial statements.

**Consolidated balance sheet**

As at 31 December 2020

|                                      | Note | 2020<br>£m     | 2019<br>£m     |
|--------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                        |      |                |                |
| <b>Non-current assets</b>            |      |                |                |
| Intangible assets                    | 10   | 1,850.6        | 1,789.9        |
| Property, plant and equipment        | 11   | 372.9          | 370.2          |
| Derivative financial instruments     | 18   | 0.2            | -              |
| <b>Total non-current assets</b>      |      | <b>2,223.7</b> | <b>2,160.1</b> |
| <b>Current assets</b>                |      |                |                |
| Inventories                          | 13   | 77.9           | 59.9           |
| Trade and other receivables          | 14   | 193.1          | 131.8          |
| Derivative financial instruments     | 18   | 0.5            | 0.3            |
| Cash and cash equivalents            | 15   | 186.4          | 164.0          |
| <b>Total current assets</b>          |      | <b>457.9</b>   | <b>356.0</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>2,681.6</b> | <b>2,516.1</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                |                |
| <b>Shareholder's equity</b>          |      |                |                |
| Share capital                        | 20   | 1,200.0        | 1,200.0        |
| Share premium                        | 20   | 91.5           | -              |
| Other reserves                       | 20   | (29.6)         | (18.8)         |
| Accumulated loss                     |      | (201.1)        | (158.8)        |
| <b>Total equity</b>                  |      | <b>1,060.8</b> | <b>1,022.4</b> |
| <b>Non-current liabilities</b>       |      |                |                |
| Borrowings                           | 17   | 611.4          | 607.7          |
| Amount due to parent company         | 23   | 246.2          | 205.8          |
| Retirement benefit liability         | 21   | 171.3          | 139.4          |
| Other payables                       |      | 2.4            | -              |
| Derivative financial instruments     | 18   | 0.1            | 9.6            |
| Provisions                           | 19   | -              | 2.3            |
| Deferred tax                         | 9    | 160.6          | 168.0          |
| <b>Total non-current liabilities</b> |      | <b>1,192.0</b> | <b>1,132.8</b> |
| <b>Current liabilities</b>           |      |                |                |
| Borrowings                           | 17   | 22.6           | 23.3           |
| Trade and other payables             | 16   | 384.1          | 329.9          |
| Derivative financial instruments     | 18   | 10.4           | 1.6            |
| Provisions                           | 19   | 11.7           | 6.1            |
| <b>Total current liabilities</b>     |      | <b>428.8</b>   | <b>360.9</b>   |
| <b>Total liabilities</b>             |      | <b>1,620.8</b> | <b>1,493.7</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>2,681.6</b> | <b>2,516.1</b> |

The notes on pages 27 – 83 form an integral part of these financial statements.

The consolidated financial statements of UMV Global Foods Holding Company Ltd (registered number: 9289015) on pages 21 to 83 were approved by the Board and signed on its behalf on 30 April 2021.



Murat Ulker

Director

## Consolidated statement of changes in equity

For the year ended 31 December 2020

|                                                                          | Share<br>Capital<br>£m | Share<br>Premium<br>£m | Currency<br>Translation<br>Reserve<br>£m | Properties<br>Revaluation<br>Reserve<br>£m | Hedging<br>Reserves<br>£m | Accumulated<br>loss<br>£m | Total<br>Equity<br>£m |
|--------------------------------------------------------------------------|------------------------|------------------------|------------------------------------------|--------------------------------------------|---------------------------|---------------------------|-----------------------|
| At 1 January 2020                                                        | 1,200.0                | -                      | (31.2)                                   | 12.4                                       | -                         | (158.8)                   | 1,022.4               |
| <b>Comprehensive loss<br/>in the year, net of tax<br/>effects:</b>       |                        |                        |                                          |                                            |                           |                           |                       |
| Profit for the year                                                      | -                      | -                      | -                                        | -                                          | -                         | 1.5                       | 1.5                   |
| Re-measurement loss<br>on defined benefit<br>pension plans net of<br>tax | -                      | -                      | -                                        | -                                          | -                         | (43.8)                    | (43.8)                |
| Exchange difference on<br>translation of foreign<br>operations (Note 18) | -                      | -                      | (14.3)                                   | -                                          | -                         | -                         | (14.3)                |
| Net gain on cash flow<br>hedges (Note 18)                                | -                      | -                      | -                                        | -                                          | 3.5                       | -                         | 3.5                   |
| Total comprehensive<br>loss for the year                                 | -                      | -                      | (14.3)                                   | -                                          | 3.5                       | (42.3)                    | (53.1)                |
| Issue of share<br>premium (Note 20)                                      | -                      | 91.5                   | -                                        | -                                          | -                         | -                         | 91.5                  |
| <b>At 31 December 2020</b>                                               | <b>1,200.0</b>         | <b>91.5</b>            | <b>(45.5)</b>                            | <b>12.4</b>                                | <b>3.5</b>                | <b>(201.1)</b>            | <b>1,060.8</b>        |

The notes on pages 27 – 83 form an integral part of these financial statements.



## Consolidated statement of changes in equity

For the year ended 31 December 2019

|                                                                          | Share<br>Capital<br>£m | Share<br>Premium<br>£m | Currency<br>Translation<br>Reserve<br>£m | Properties<br>Revaluatio<br>n Reserve<br>£m | Hedging<br>Reserves<br>£m | Accumulated<br>loss<br>£m | Total<br>Equity<br>£m |
|--------------------------------------------------------------------------|------------------------|------------------------|------------------------------------------|---------------------------------------------|---------------------------|---------------------------|-----------------------|
| At 1 January 2019                                                        | 1,200.0                | -                      | (20.3)                                   | 12.4                                        | 1.4                       | (150.2)                   | 1,043.3               |
| <b>Comprehensive loss<br/>in the year, net of tax<br/>effects:</b>       |                        | -                      |                                          |                                             |                           |                           |                       |
| Profit for the year                                                      | -                      | -                      | -                                        | -                                           | -                         | 2.6                       | 2.6                   |
| Re-measurement loss<br>on defined benefit<br>pension plans net of<br>tax | -                      | -                      | -                                        | -                                           | -                         | (11.2)                    | (11.2)                |
| Exchange difference on<br>translation of foreign<br>operations (Note 18) | -                      | -                      | (10.9)                                   | -                                           | -                         | -                         | (10.9)                |
| Net loss on cash flow<br>hedges (Note 18)                                | -                      | -                      | -                                        | -                                           | (1.4)                     | -                         | (1.4)                 |
| Total comprehensive<br>loss for the year                                 | -                      | -                      | (10.9)                                   | -                                           | (1.4)                     | (8.6)                     | (20.9)                |
| <b>At 31 December 2019</b>                                               | <b>1,200.0</b>         | <b>-</b>               | <b>(31.2)</b>                            | <b>12.4</b>                                 | <b>-</b>                  | <b>(158.8)</b>            | <b>1,022.4</b>        |

The notes on pages 27 – 83 form an integral part of these financial statements.

## Consolidated cash flow statement

For the year ended 31 December 2020

|                                                                                          | Note(s) | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------------------------------|---------|------------|------------|
| <b>Operating activities</b>                                                              |         |            |            |
| Operating profit                                                                         |         | 71.8       | 69.7       |
| Adjustments for:                                                                         |         |            |            |
| Depreciation and amortisation                                                            | 6,10,11 | 54.6       | 54.5       |
| Non-underlying and restructuring operating expenses                                      | 5       | 18.9       | 15.9       |
| Accrued management fees                                                                  |         | 3.2        | -          |
| Cash flows related to commodity-related financial derivatives                            |         | (0.7)      | (0.8)      |
| Cash flows relating to non-underlying and restructuring operating expenses               |         | (14.7)     | (15.0)     |
| Difference between pension contributions paid and amounts recognised in operating profit |         | (28.4)     | (26.9)     |
|                                                                                          |         | 104.7      | 97.4       |
| (Increase)/Decrease in inventories                                                       |         | (17.7)     | 6.1        |
| (Increase)/Decrease in receivables                                                       |         | (61.0)     | 3.4        |
| Increase/(Decrease) in payables                                                          |         | 54.1       | (9.6)      |
| <b>Cash generated from operations</b>                                                    |         | 80.1       | 97.3       |
| Interest paid                                                                            |         | (34.8)     | (35.0)     |
| Income taxes received/(paid)                                                             |         | 3.3        | (0.6)      |
| <b>Net cash inflow from operating activities</b>                                         |         | 48.6       | 61.7       |
| <b>Investing activities</b>                                                              |         |            |            |
| Capital expenditure and purchases of intangible assets                                   | 10,11   | (15.5)     | (15.2)     |
| Net cash outflow on acquisition of businesses and subsidiaries, net of cash disposed     | 4       | (0.2)      | -          |
| Net cash inflow on disposal of fixed assets                                              |         | -          | 0.4        |
| <b>Net cash outflow from investing activities</b>                                        |         | (15.7)     | (14.8)     |
| <b>Financing activities</b>                                                              |         |            |            |
| Amounts loaned to group companies                                                        |         | (1.5)      | (3.5)      |
| Lease incentive income                                                                   |         | 1.9        | -          |
| Repayment of borrowings                                                                  |         | (12.2)     | (41.7)     |
| <b>Net cash outflow from financing activities</b>                                        |         | (11.8)     | (45.2)     |
| <b>Increase in cash and cash equivalents in the year</b>                                 |         | 21.1       | 1.7        |
| Currency translation differences                                                         |         | 1.3        | 2.1        |
| Cash and cash equivalents at beginning of year                                           |         | 164.0      | 160.2      |
| <b>Cash and cash equivalents at end of year</b>                                          | 15      | 186.4      | 164.0      |

The notes on pages 27 – 83 form an integral part of these financial statements.

## 1 Authorisation of financial statements

The financial statements of UMV Global Foods Holding Company Ltd and its subsidiaries (the "Group") on pages 21 to 83 for the year ended 31 December 2020 were authorised for issue by the board of directors on 30 April 2021 and the balance sheet was signed on the Board's behalf by Murat Ulker. UMV Global Foods Holding Company Ltd is a private company limited by shares, registered, incorporated and domiciled in England and Wales, United Kingdom. Its registered office is stated on page 16.

## 2 Accounting policies

### Basis of preparation

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards (IFRS).

Accounting policies have been applied consistently.

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

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value and certain properties that are measured at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Unless the context indicates otherwise, "2020" means year ended 31 December 2020.

The consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and all references to "sterling" or "£" are to the lawful currency of the United Kingdom. All values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

The principal accounting policies adopted are set out below.

### Statement of compliance

The Group's financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

---

## 2 Accounting policies (continued)

---

### Basis of consolidation

The consolidated financial statements comprise the financial statements of UMV Global Foods Holding Company Ltd and its subsidiaries made up to the same accounting reference date each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and will continue to be consolidated until the date that such control ceases. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation. The Company's subsidiaries are listed in Note 12 to the financial statements.

### Significant accounting judgements, estimates, and assumptions

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

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

### Judgements

*Goodwill and intangible assets impairment review* – The Group determines whether goodwill and indefinite life intangible assets are impaired on at least an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. Considerable management judgement is necessary to identify cash generating units, estimate discounted future cash flows and apply a suitable discount rate. Further details are given in Note 10.

*Defined benefit pension obligations* – The cost of pension benefit plans and post-retirement healthcare benefits is determined using actuarial valuations. This involves making assumptions about future changes in salaries, future pension increases, mortality rates and discount rates. Due to the long-term nature of these plans, considerable management judgement is necessary and estimates are subject to significant uncertainty. In addition, the minimum funding requirement under IFRIC 14 which results in an additional liability of £133.3 million is a further judgement applied by the Group which stems from the interpretation of the terms and conditions of the UB Plan. Further details about the assumptions used are given in Note 21.

### Estimates

*Promotional accruals* – The Group accrues for trade discounts and other allowances against agreed promotional activity. Such accruals are subject to a number of variables, e.g. redemption rates and anticipated volumes, and are sensitive to small changes in these variables. These costs are accrued using best estimates using cumulative experience to estimate the provision for discounts, using the most likely amount method; revenue is only recognised to the extent that it is highly probable a significant reversal will not occur. The actual costs may not be known until subsequent years when negotiations with customers are concluded and actual data is available. Changes in accrual estimates are recorded through the income statement. Management considers this estimation uncertainty to be an area of judgement that is significant due to the volume of such transactions. A promotional accrual of £47.7m (2019: £41.1m) is included within trade payables.

## 2 Accounting policies (continued)

### Revenue

The Group's only significant revenue stream is the sale of products to third parties at amounts invoiced net of trade discounts and rebates, excluding sales related taxes. Trade discounts include sales incentives, up-front payments and other non-discretionary payments. Display and feature costs are deducted from revenue in the financial statements. Revenue is recognised when control of the products being sold has transferred to our customer and when there are no longer any unfulfilled obligations to the customer. This is generally on delivery to the customer but depending on individual customer terms, this can be at the time of dispatch, delivery or upon formal customer acceptance. This is considered the appropriate point where the performance obligations in our contracts are satisfied as the Company no longer has control over the inventories. Typically, once the Group issues an invoice to the customer, cash is collected within a period of 30 days. At each balance sheet date any expenditure incurred, but not yet invoiced in relation to trade discounts and other allowances, is estimated and accrued and deducted from revenue. Revenue also includes royalty income from licences associated with the Group's brands.

Royalties are earned from the use of the Company's brands by third parties. Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement. Royalties determined on a non-usage basis are recognised on a straight-line basis over the period of the agreement as the revenue is contracted at a fixed price on an annual basis and the Group is giving access over the use of the brand rather than granting control of it. Royalty arrangements that are usage based such as on production, sales and other measures are recognised on the later of:

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

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

### Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Adjusted EBITDA

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

### Non-underlying and restructuring operating items

The Group presents as non-underlying and restructuring operating items those items of income and expense which, in the opinion of the Directors, because of their nature merit separate presentation to enable users of the financial statements to better understand the elements of financial performance in the period, to facilitate comparison with prior periods and to assess trends in financial performance more easily.

Non-underlying expenses include charges/credits arising from curtailment events and other projects affecting the Group's pension schemes, uninsured costs arising from natural disasters, charges for impairment of plant, equipment, intangible assets, profits and losses on the disposal of property, plant and equipment, costs associated with acquisitions and disposals (both completed and aborted) and costs associated with major ERP upgrades which do not qualify for capitalisation.

---

## 2 Accounting policies (continued)

---

Restructuring costs are costs that are incremental to costs the Group would otherwise incur in relation to its normal operations. Principally, they are costs associated with projects implemented to improve efficiency of the Group's operations, integrate acquisitions, restructure departments or reduce the cost base of the business. For example, redundancy costs resulting from the closure or integration of a business or part of a business; costs directly associated with implementing improved ways of working and costs of product recalls.

Costs associated with an activity that meets the definition of restructuring and other non-underlying expenses are charged to the income statement at the point the Group is committed to incurring those costs.

### Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not retranslated.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. Exchange differences are recognised in other comprehensive income.

On consolidation, assets and liabilities of foreign operations are translated into sterling at the exchange rate prevailing at the balance sheet date. Income and expense items are translated into sterling at the average rates for the year.

Exchange differences arising on the translation of opening net assets of Group companies, together with differences arising from the translation of the net results at average or actual rates to the exchange rate prevailing at the balance sheet date, are taken to other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On disposal of a foreign entity, the deferred accumulated amount recognised in other comprehensive income relating to that particular foreign operation is reclassified to the income statement.

### Business combinations and goodwill

Business combinations, including entities that are subject to common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs are expensed when incurred. Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the identifiable amounts of the assets acquired and liabilities assumed in exchange of the business combination. Goodwill represents consideration paid by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are

## 2 Accounting policies (continued)

recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is subject to an annual impairment review or more frequently when events or changes in circumstances indicate any impairment may exist.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Other intangible assets

On acquisition, the Group recognises any separately identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either indefinite or finite. Intangible assets with indefinite useful lives, as determined by the Group's Board of Directors, are not amortised but are subject to an impairment review on an annual basis or more frequently when events or changes in circumstances indicate any impairment may exist. Purchased brands are deemed to have indefinite lives when there is proven longevity of the brand and continued marketing support is envisaged.

Intangible assets with finite useful lives are amortised over their useful lives. The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment is charged to the income statement in the period it arises.

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

### Advertising and promotional costs

Advertising and promotional costs are charged to the income statement in the period in which the Group either received the service or had the right to access the related goods.

### Property, plant and equipment

Property, plant and equipment excluding freehold land and buildings is stated at cost less depreciation and provision for impairment where appropriate.

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

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

Depreciation on revalued buildings is charged to income. On the subsequent sale or scrapping of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to accumulated loss.

Freehold land is not depreciated.

Depreciation is provided on a straight-line basis based on the cost or valuation less residual value of assets over their expected useful lives. Rates of depreciation applied are as follows:

|                               |                                            |
|-------------------------------|--------------------------------------------|
| Land and buildings            | 1.5 - 2% p.a.                              |
| Leasehold improvements        | 1.5 – 2% p.a or over the life of the lease |
| Plant, machinery and vehicles | 3.0 – 20.0% p.a.                           |
| Fixtures and fittings         | 10.0 – 33.0% p.a.                          |

---

**2 Accounting policies (continued)**

---

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are capitalised but are not depreciated until such time as they are available for use.

Technical stores consist of spare parts and other items for the repair and maintenance of plant and equipment. Major spare parts (costing more than £1,000) are recorded as assets under construction until such time as they are brought into use. All other purchases are expensed.

Property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. Any impairment is charged to the income statement in the period in which it arises. Useful lives and residual values of assets are reviewed annually.

**Impairment of non-financial assets**

Goodwill arising on business combinations is allocated to the groups of cash-generating units (equivalent to the Group's business units as described in Note 10). The recoverable amount of the cash-generating units to which goodwill has been allocated is tested for impairment annually or more frequently when events or changes in circumstances indicate that it might be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Previous impairments of goodwill are not reversed at a later date.

The carrying values of property, plant and equipment and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Where purchased intangible assets are considered by the Board of Directors to have an indefinite useful life, they are not amortised but are subject to an impairment review on an annual basis or more frequently if necessary. Intangible assets not yet available for use, for example, computer software under development, are tested for impairment annually.

An impairment review is performed by comparing the carrying value of the property, plant and equipment or intangible asset or goodwill with its recoverable amount, the recoverable amount being the higher of the fair value of the asset less costs to sell and the asset's value in use. An asset's fair value less costs to sell is the amount that could be obtained on disposal of the asset. The value in use is determined by discounting, 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 expected future cash flows resulting from its continued use, including those on final disposal. Impairment losses are recognised in the income statement immediately.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Considerable management judgement is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast cash flows.

Impairment reversals are permitted to property, plant and equipment or intangible assets (but not to goodwill) only to the extent that the new carrying value does not exceed the amount it would have been had no impairment loss been previously recognised.

**Leases**

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



---

## 2 Accounting policies (continued)

---

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

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

*Initial measurement of the right-of-use asset:*

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

- the amount of the initial measurement of the lease liability; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company incurs the obligation for those costs either at the commencement date or because of having used the underlying asset during a particular period.

*Initial measurement of lease liability:*

At the commencement date, the lease payments included in the measurement of the lease liability comprise the fixed payments, less any lease incentives receivable, for the right to use the underlying asset during the lease term that are not paid at the commencement date.

*Subsequent measurement of the right-of-use asset:*

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

The Group does not have any extension or purchase options on its leases.

*Subsequent measurement and reassessment of the lease liability:*

After the commencement date, the Company shall remeasure the lease liability to reflect changes to the lease payments. The Company shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- interest on the lease liability; and
- any material amendment within the scope of lease contract.

The Company shall remeasure the lease liability by discounting the revised lease payments when there is a change in the cash flows (i.e. when the adjustment to the lease payments takes effect). The Company shall determine the revised lease payments for the remainder of the lease term based on the revised contractual payments.

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

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

## 2 Accounting policies (continued)

### Inventories

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

### Financial assets - initial recognition and measurement

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

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

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

### Financial assets - subsequent measurement

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

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

## 2 Accounting policies (continued)

### Financial assets - impairment

The Group recognises a loss allowance for expected credit losses ("ECL") on trade receivables, other receivables and amounts due from related parties. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, other receivables and amounts due from related parties. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the receivable, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

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

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand with any qualifying financial institutions, less overdrafts from any qualifying institution repayable on demand.

### Borrowings

Borrowings are initially recognised at fair value, which is represented by the amount of net proceeds received including any premium on issue and after deduction of issue costs. Borrowings are subsequently stated at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount of the financial liability.

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

### Equity

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

### Taxes

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

Deferred tax is accounted for in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Additionally, where the temporary difference arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (or loss), deferred tax is not recognised.

---

**2 Accounting policies (continued)**

---

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Their carrying amount is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Where deferred tax assets and liabilities arise in the same jurisdiction and are expected to reverse in a similar period they are presented on a net basis.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset or liability is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

**Pensions and other post-retirement benefits**

The Group's main post-retirement arrangements are in the United Kingdom and are of the defined benefit type, for which contributions are paid into separately administered funds. The Group's U.K. defined benefit plans are closed to new members and membership of defined contribution plans is available for new employees. The Group also provides additional post-retirement benefits to certain senior managers in the United Kingdom and post-retirement healthcare benefits in the Netherlands, both of which are unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine the current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice. The net interest cost on scheme assets and liabilities is recognised within the Consolidated Income Statement. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the Consolidated Income Statement during the period in which the settlement or curtailment occurs. Re-measurement gains and losses are recognised in full in the consolidated statement of other comprehensive income in the period in which they occur.

The Group recognises a surplus in schemes only through a reduction in future contributions or where a right to a refund exists. Where the payment in relation to a minimum funding requirement creates a surplus (on an IAS 19R basis) which will be recognised on the basis of a potential refund, the tax on this refund is deemed to be an income tax and consequently no provision is recognised.

Contributions to defined contribution plans are recognised in the consolidated statement of profit or loss in the period in which they are payable.

**Provisions**

In the normal course of business the Group is involved in certain disputes. Provision for contingent liabilities is made when the Group has a present obligation (legal or constructive) as a result of a past event, it is deemed probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Group is the plaintiff in pursuing claims against third parties, legal and associated expenses are charged to the income statement as incurred.

The recognition of provisions for disputes is subject to a degree of estimation. In making its estimates management takes into account the advice of internal and external legal counsel. Provisions are reviewed regularly and amounts updated where necessary to reflect developments in the disputes. The ultimate liability may differ from the amount provided depending on the outcome of court proceedings and settlement negotiations or if investigations bring to light new facts.

## 2 Accounting policies (continued)

### Derivative financial instruments and hedging

The Group uses certain derivative financial instruments for the purpose of hedging foreign exchange and commodity price risks. Hedges of foreign exchange risk or firm commitments are accounted for as cash flow hedges. The Group also holds interest rate swap derivative financial instruments that no longer qualify for hedge accounting.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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

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

#### (a) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

## 2 Accounting policies (continued)

### (b) Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

### Adoption of new and revised Standards

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

In the current year, the Group has applied a number of new IFRSs issued by the International Accounting Standards Board (IASB) and amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### Amendment to IFRS 3 *Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

#### Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

#### Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

## 2 Accounting policies (continued)

### Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

The Group's adoption of the Annual Improvements to IFRSs 2018-2020 Cycle did not have a material impact on the Group.

### New standards and interpretations and Standards issued but not yet effective

The following are new pronouncements or amendments to standards which were issued as at 31 December 2020 but are not yet effective and which are relevant to the Group.

|                                             |                                                                                                                | Effective for accounting<br>periods beginning on or after |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| IFRS 3 (amendments)                         | Reference to Conceptual Framework                                                                              | 1 January 2022                                            |
| IAS 16 (amendments)                         | Property, Plant and Equipment: Proceeds before Intended Use                                                    | 1 January 2022                                            |
| IAS 37 (amendments)                         | Onerous Contracts – Costs of Fulfilling a Contract                                                             | 1 January 2022                                            |
| Annual improvements to IFRS 2018-2020 Cycle | IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | 1 January 2022                                            |
| IFRS 9                                      | Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities              | 1 January 2022                                            |
| IAS 41                                      | Agriculture – Taxation in fair value measurements                                                              | 1 January 2022                                            |
| IFRS 17                                     | Insurance Contracts                                                                                            | 1 January 2023                                            |
| IAS 1 (amendments)                          | Classification of Liabilities as Current or Non-Current                                                        | 1 January 2023                                            |

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

### 3 Revenue

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

Revenue from customer contracts by geographical area

|                | 2020<br>£m     | 2019<br>£m     |
|----------------|----------------|----------------|
| United Kingdom | 770.4          | 746.3          |
| Rest of World  | 329.6          | 278.8          |
|                | <u>1,100.0</u> | <u>1,025.1</u> |

Timing of revenue recognition

|                                           | 2020<br>£m     | 2019<br>£m     |
|-------------------------------------------|----------------|----------------|
| Point in time (primarily sale of goods)   | 1,071.0        | 994.3          |
| Over time (primarily distribution income) | 29.0           | 30.8           |
|                                           | <u>1,100.0</u> | <u>1,025.1</u> |

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



#### 4 Business combinations and divestments

##### Starbrands North America Inc

On 31 May 2020, the Group acquired Starbrands North America Inc ("SBNA") from G New Inc, a subsidiary of Yildiz Holdings A.S. for \$110m. The company is incorporated in the North America and is engaged in the business of manufacturing, distributing and selling chocolate, chocolate-covered pretzels and other confectionary to supermarkets and other retail outlets throughout the United States. SBNA sells its product through various brands including Turtles for chocolate-covered caramel and pecan candies and Flipz for chocolate covered pretzels.

|                                                    | Fair value<br>recognised on<br>acquisition<br>£m |
|----------------------------------------------------|--------------------------------------------------|
| Intangible assets                                  |                                                  |
| - Customer relationships                           | 19.4                                             |
| - Flipz                                            | 14.4                                             |
| - Turtles                                          | 7.9                                              |
| - Software                                         | 1.9                                              |
| Property, plant and equipment                      | 28.2                                             |
| Cash and cash equivalents                          | 0.5                                              |
| Inventories                                        | 14.1                                             |
| Trade and other receivables                        | 15.4                                             |
| Other non-current assets                           | 0.1                                              |
| Deferred tax asset                                 | 18.6                                             |
|                                                    | <b>120.5</b>                                     |
| Borrowings                                         | (2.0)                                            |
| Amounts due to related parties                     | (24.7)                                           |
| Trade and other payables                           | (8.2)                                            |
| Deferred tax liabilities                           | (8.4)                                            |
|                                                    | <b>(43.3)</b>                                    |
| <b>Total identifiable net assets at fair value</b> | <b>77.2</b>                                      |
| Purchase consideration paid (see Note 20)          | 89.1                                             |
| <b>Goodwill arising on acquisition</b>             | <b>11.9</b>                                      |

The acquired business contributed revenues of £61.6 million and net profit of £10.2 million to the group for the period from 1 June to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss for the year ended 31 December 2020 would have been £1,129.4 million and £1.9 million respectively.

|                                    |            |
|------------------------------------|------------|
| <b>Cash inflow on acquisition:</b> | <b>£m</b>  |
| Net cash acquired with subsidiary  | 0.5        |
| <b>Net cash inflow</b>             | <b>0.5</b> |

#### 4 Business combinations and divestments (continued)

##### Starbrands Canada Inc

On 31 May 2020, the Group acquired Starbrands Canada Inc from pladis Foods Limited, its immediate parent company for \$9m. The company is incorporated in Canada and is engaged in the business of distributing and selling chocolate, chocolate-covered pretzels and other confectionary to supermarkets and other retail outlets throughout Canada.

|                                                    | Fair value<br>recognised on<br>acquisition<br>£m |
|----------------------------------------------------|--------------------------------------------------|
| <b>Total identifiable net assets at fair value</b> | <b>0.3</b>                                       |
| Purchase consideration paid (See Note 20)          | 7.3                                              |
| <b>Goodwill arising on acquisition</b>             | <b>7.0</b>                                       |

The acquired business contributed revenues of £6.7 million and net profit of £1.8 million to the group for the period from 1 June to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been £1,102.6 million and £1.3 million respectively.

##### pladis Europe B.V., pladis Spain S.L and pladis Belgium SPRL

On 31 December 2020, the Group acquired pladis Europe B.V., pladis Spain S.L and pladis Belgium SPRL from pladis Foods Limited, its immediate parent company for £1. All of these entities are trading companies, engaged in the business of distribution and selling Group products in Europe, and are registered in The Netherlands, Spain and Belgium respectively. pladis Europe B.V. is also the head office entity for the Group's business in Europe.

|                                                         | Fair value<br>recognised on<br>acquisition<br>£m |
|---------------------------------------------------------|--------------------------------------------------|
| Intangible assets                                       |                                                  |
| - Software                                              | 0.1                                              |
| Inventories                                             | 0.4                                              |
| Trade and other receivables                             | 9.4                                              |
|                                                         | <b>9.9</b>                                       |
| Cash and cash equivalents                               | (0.9)                                            |
| Amounts due to related parties                          | (9.0)                                            |
| Trade and other payables                                | (16.4)                                           |
|                                                         | <b>(26.3)</b>                                    |
| <b>Total identifiable net liabilities at fair value</b> | <b>(16.4)</b>                                    |
| Purchase consideration paid                             | -                                                |
| <b>Goodwill arising on acquisition</b>                  | <b>16.4</b>                                      |
| <b>Cash inflow on acquisition:</b>                      | <b>£m</b>                                        |
| Net cash acquired with subsidiary                       | (0.9)                                            |
| <b>Net cash inflow</b>                                  | <b>(0.9)</b>                                     |

**5 Non-underlying and restructuring operating items**

|                                                         | <b>Total<br/>£m</b> |
|---------------------------------------------------------|---------------------|
| <b>2020</b>                                             |                     |
| Restructuring costs <sup>(1)</sup>                      | 16.2                |
| Other non-underlying costs                              | 2.7                 |
| <b>Non-underlying and restructuring operating items</b> | <u>18.9</u>         |

|                                                         | <b>Total<br/>£m</b> |
|---------------------------------------------------------|---------------------|
| <b>2019</b>                                             |                     |
| Restructuring costs <sup>(1)</sup>                      | 8.8                 |
| Other non-underlying costs <sup>(2)</sup>               | 7.1                 |
| <b>Non-underlying and restructuring operating items</b> | <u>15.9</u>         |

<sup>(1)</sup> Represents amounts due to or paid to employees for severance costs and other expenses in connection with restructuring operations. The Group expects to utilise the provisions associated with these expenses within the next 12 months.

<sup>(2)</sup> Other non-underlying costs for 2019 comprise costs related to aborted sale of a business, consultancy fees associated with cost reduction and dilapidations provision.

**6 Operating profit**

|                                                                       | 2020<br>£m   | 2019<br>£m   |
|-----------------------------------------------------------------------|--------------|--------------|
| Operating profit is stated after charging/(crediting):                |              |              |
| Depreciation and amortisation expense:                                |              |              |
| Depreciation of property, plant and equipment                         | 49.4         | 50.3         |
| Amortisation of computer software                                     | 5.2          | 4.2          |
|                                                                       | <u>54.6</u>  | <u>54.5</u>  |
| The depreciation and amortisation expense by function was as follows: |              |              |
| Cost of goods sold                                                    | 35.5         | 38.8         |
| Distribution, selling and marketing expenses                          | 7.6          | 6.9          |
| General and administrative expenses                                   | 11.5         | 8.8          |
|                                                                       | <u>54.6</u>  | <u>54.5</u>  |
| Operating lease rentals:                                              |              |              |
| Property                                                              | 0.1          | -            |
| Plant and equipment                                                   | 0.4          | 1.2          |
|                                                                       | <u>0.5</u>   | <u>1.2</u>   |
| Net foreign exchange gain                                             | (0.5)        | -            |
| Shareholder fees                                                      | 2.0          | 2.0          |
| Product research and development                                      | 7.3          | 18.7         |
| Advertising expenditure                                               | 21.5         | 11.9         |
| <b>Staff costs and directors' emoluments</b>                          |              |              |
| Gross wages and salaries, holiday pay and sick pay                    | 184.2        | 176.2        |
| Social security costs                                                 | 19.5         | 18.3         |
| Pension costs                                                         | 20.0         | 18.6         |
|                                                                       | <u>223.7</u> | <u>213.1</u> |

 Directors' emoluments<sup>(1)</sup>

- (1) All of the directors are remunerated by the Yildiz Group for their advisory services, which includes their directorships of the Company but which is not separately determinable from other services provided to the Yildiz Group. For the year ended 31 December 2020 amounts totalling £3.2m (2019: £2.0m) were payable by UMV Global Foods Holding Company Ltd to Yildiz Holding A.S. in respect of the provision of corporate governance services, including associated directors' fees. It is not practical to separately identify the directors' remuneration element of this charge.

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

|                                     | 2020<br>No.  | 2019<br>No.  |
|-------------------------------------|--------------|--------------|
| Manufacturing and production        | 5,097        | 4,767        |
| Logistics and site service          | 679          | 754          |
| Sales, marketing and administration | 728          | 777          |
|                                     | <u>6,504</u> | <u>6,298</u> |

---

**6 Operating profit (continued)**


---

The Group paid the following amounts to its auditors in respect of their audit of the Group's financial statements and for other services provided to the Group:

|                                                                                                                         | 2020<br>£m | 2019<br>£m |
|-------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Fees payable to the company's auditors for the audit of the company's and its subsidiaries' annual financial statements | <u>0.6</u> | <u>0.6</u> |

---

**7 Interest receivable and other financial income**


---

|                                                 | 2020<br>£m | 2019<br>£m |
|-------------------------------------------------|------------|------------|
| Interest income on bank deposits                | 0.4        | 0.4        |
| Interest receivable from fellow group companies | 0.3        | 0.5        |
| Fair value movement on swaps                    | 1.3        |            |
| Foreign exchange gain                           | <u>5.4</u> | -          |
|                                                 | <u>7.4</u> | <u>0.9</u> |

---

**8 Interest payable and other financial charges**


---

|                                          | 2020<br>£m  | 2019<br>£m  |
|------------------------------------------|-------------|-------------|
| Bank credit facility                     | 36.1        | 36.9        |
| Interest payable to fellow group company | 16.2        | 14.7        |
| Foreign exchange loss on borrowings      | -           | 1.2         |
| Finance lease costs                      | 1.8         | 1.9         |
| Other financial charges                  | <u>1.3</u>  | <u>2.0</u>  |
|                                          | <u>55.4</u> | <u>56.7</u> |

## 9 Tax

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

|                                                   | 2020<br>£m  | 2019<br>£m |
|---------------------------------------------------|-------------|------------|
| <b>Current income tax</b>                         |             |            |
| UK corporation tax                                | -           | -          |
| Foreign tax                                       | 0.3         | 0.4        |
| Adjustments relating to prior years               | (1.3)       | -          |
| Total current income tax                          | (1.0)       | 0.4        |
| <b>Deferred tax</b>                               |             |            |
| Origination and reversal of temporary differences | 4.9         | 5.4        |
| Changes in the corporation tax rate               | 22.2        | -          |
| Adjustments relating to prior years               | (6.0)       | 1.7        |
| Total deferred tax                                | 21.1        | 7.1        |
| <b>Tax charge in the income statement</b>         | <b>20.1</b> | <b>7.5</b> |

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

|                                                                     | 2020<br>£m | 2019<br>£m |
|---------------------------------------------------------------------|------------|------------|
| <b>Deferred tax</b>                                                 |            |            |
| Items that will not be reclassified subsequently to profit or loss: |            |            |
| Tax on defined benefit pension plan remeasurements                  | (15.2)     | (2.3)      |
| Tax on foreign exchange movements on brands                         | (0.8)      | (1.9)      |
| Changes in deferred tax rate                                        | 0.1        | -          |
| Tax credit in the statement of comprehensive income                 | (15.9)     | (4.2)      |

### Reconciliation of the total tax charge

The tax charge in the income statement is reconciled below:

|                                                                      | 2020<br>£m  | 2019<br>£m |
|----------------------------------------------------------------------|-------------|------------|
| Profit before taxation                                               | 21.6        | 10.1       |
| Tax charge at the statutory rate of 19.00% (2019: 19.00%)            | 4.1         | 1.9        |
| Expenses not deductible for tax purposes                             | 3.1         | 5.5        |
| Group relief                                                         | (1.8)       | -          |
| Adjustments relating to prior years                                  | (7.3)       | 1.7        |
| Effect of overseas tax rates                                         | (0.6)       | (0.6)      |
| Loss carried forward for which no deferred tax asset was recognised  | 1.2         | 1.2        |
| Taxes losses utilised for which no deferred tax asset was recognised | (0.8)       | (2.2)      |
| Changes in the tax rate                                              | 22.2        | -          |
| Tax charge in the income statement                                   | <b>20.1</b> | <b>7.5</b> |

On acquisition of SBNA, the Group acquired a deferred tax asset of £10.2 million. See Note 4 for details.

## 9 Tax (continued)

The Finance (No.2) Act 2016, which received Royal Assent on 15 September 2016, had stated that UK corporation tax rate will be further reduced to 17% effective from 1 April 2020. In the Budget 2020 it was announced, and enacted March 2020, that this was no longer going to be the case and the corporation tax rate would remain at 19%. The numbers above are therefore calculated at 19%.

In the Budget 2021 it was further announced that the corporation tax rate would increase to 25% from 1 April 2023.

In the Dutch Government Gazette published on 28 December 2018, it was announced that the corporate income tax rate in the Netherlands will decrease from 25% to 22.55% in 2020 and 20.5% in 2021. Accordingly, a rate of 20.5% has been applied to deferred tax assets and liabilities in the Netherlands.

Pursuant to the action plan released by the French Prime Minister in September 2017, the French CIT rate cuts will decrease from 28% to 26.5% in 2021 and 25% in 2022. Accordingly, a rate of 25% has been applied to deferred tax assets and liabilities in France.

### Unrecognised tax losses

A deferred tax asset of approximately £248.3 million (2019: £141.8 million) has not been recognised on tax losses arising in India and SBNA and capital losses in United Kingdom at 31 December 2020, as it is not anticipated that any of these losses will be able to be offset against profits arising in the foreseeable future and before they expire.

### Temporary differences associated with group investments

At 31 December 2020, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has determined that these undistributed profits will not be distributed in the near future. Overseas dividends received are exempt from UK corporation tax but may be subject to withholding tax. There are no temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised but for which a tax liability may arise.

|                                             | 2020<br>£m   | 2019<br>£m   |
|---------------------------------------------|--------------|--------------|
| <b>Deferred tax</b>                         |              |              |
| <b>Deferred tax assets</b>                  |              |              |
| Decelerated capital allowances              | 38.6         | 32.0         |
| Pensions and retirement healthcare benefits | 33.4         | 24.7         |
| Other short-term temporary differences      | 6.3          | -            |
| Losses carried forward                      | 17.8         | 11.0         |
| Deferred tax asset                          | <u>96.1</u>  | <u>67.7</u>  |
| <b>Deferred tax liability</b>               |              |              |
| Intangible assets                           | 248.1        | 232.7        |
| Other short-term temporary differences      | 8.6          | 3.0          |
| Deferred tax liability                      | <u>256.7</u> | <u>235.7</u> |
| <b>Net deferred tax liability</b>           | <u>160.6</u> | <u>168.0</u> |
| Reflected in the balance sheet as follows:  |              |              |
| Deferred tax asset                          | -            | -            |
| Deferred tax liability                      | <u>160.6</u> | <u>168.0</u> |
|                                             | <u>160.6</u> | <u>168.0</u> |
| <b>Deferred tax in the income statement</b> |              |              |
| Accelerated capital allowances              | 2.0          | 2.4          |
| Net reversal of deferred tax asset          | (2.2)        | (0.8)        |
| Pensions and retirement healthcare benefits | 5.1          | 3.8          |
| Prior year adjustment                       | (6.0)        | 1.7          |
| Changes in the corporation tax rate         | <u>22.2</u>  | -            |
|                                             | <u>21.1</u>  | <u>7.1</u>   |

## 10 Intangible assets

|                                                | Goodwill<br>£m | Purchased<br>Brands<br>£m | Customer<br>relationships<br>£m | Computer<br>Software<br>£m | Total<br>£m    |
|------------------------------------------------|----------------|---------------------------|---------------------------------|----------------------------|----------------|
| <b>Cost</b>                                    |                |                           |                                 |                            |                |
| At 1 January 2020                              | 570.8          | 1,326.3                   | -                               | 21.6                       | 1,918.7        |
| On acquisition                                 | 35.3           | 22.3                      | 19.4                            | 1.9                        | 78.9           |
| Additions                                      | -              | -                         | -                               | 0.6                        | 0.6            |
| Transfers                                      | -              | -                         | -                               | (4.1)                      | (4.1)          |
| Foreign exchange                               | (1.0)          | (8.2)                     | -                               | (0.2)                      | (9.4)          |
| <b>At 31 December 2020</b>                     | <b>605.1</b>   | <b>1,340.4</b>            | <b>19.4</b>                     | <b>19.8</b>                | <b>1,984.7</b> |
| <b>Accumulated amortisation and impairment</b> |                |                           |                                 |                            |                |
| At 1 January 2020                              | (125.0)        | -                         | -                               | (3.8)                      | (128.8)        |
| Amortisation charge for the year               | -              | -                         | (1.9)                           | (3.3)                      | (5.2)          |
| Foreign exchange                               | -              | -                         | -                               | (0.1)                      | (0.1)          |
| <b>At 31 December 2020</b>                     | <b>(125.0)</b> | <b>-</b>                  | <b>(1.9)</b>                    | <b>(7.2)</b>               | <b>(134.1)</b> |
| <b>Carrying amount</b>                         |                |                           |                                 |                            |                |
| <b>At 31 December 2020</b>                     | <b>480.1</b>   | <b>1,340.4</b>            | <b>17.5</b>                     | <b>12.6</b>                | <b>1,850.6</b> |

|                                                | Goodwill<br>£m | Purchased<br>Brands<br>£m | Computer<br>Software<br>£m | Total<br>£m    |
|------------------------------------------------|----------------|---------------------------|----------------------------|----------------|
| <b>Cost</b>                                    |                |                           |                            |                |
| At 1 January 2019                              | 571.8          | 1,330.0                   | 23.3                       | 1,925.1        |
| Additions                                      | -              | -                         | 2.6                        | 2.6            |
| Transfers                                      | -              | -                         | (3.0)                      | (3.0)          |
| Disposals                                      | -              | -                         | (1.1)                      | (1.1)          |
| Foreign exchange                               | (1.0)          | (3.7)                     | (0.2)                      | (4.9)          |
| <b>At 31 December 2019</b>                     | <b>570.8</b>   | <b>1,326.3</b>            | <b>21.6</b>                | <b>1,918.7</b> |
| <b>Accumulated amortisation and impairment</b> |                |                           |                            |                |
| At 1 January 2019                              | (125.0)        | -                         | (0.9)                      | (125.9)        |
| Amortisation charge for the year               | -              | -                         | (4.2)                      | (4.2)          |
| Disposals                                      | -              | -                         | 1.1                        | 1.1            |
| Foreign exchange                               | -              | -                         | 0.2                        | 0.2            |
| <b>At 31 December 2019</b>                     | <b>(125.0)</b> | <b>-</b>                  | <b>(3.8)</b>               | <b>(128.8)</b> |
| <b>Carrying amount</b>                         |                |                           |                            |                |
| <b>At 31 December 2019</b>                     | <b>445.8</b>   | <b>1,326.3</b>            | <b>17.8</b>                | <b>1,789.9</b> |

The amortisation charge for computer software is reflected in the general and administrative expenses line of the income statement.



## 10 Intangible assets (continued)

The Group manufactures and markets a wide range of products under well-recognised brands including *McVitie's*, *Penguin*, *go Ahead!*, *McVitie's Jaffa Cakes*, *Jacob's*, *Jacob's Cream Crackers*, *Carr's*, *Twiglets*, *BN*, *Verkade*, *Sultana*, *Mini Cheddars*, *Flipz* and *Turtles*.

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

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

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

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

### Impairment of goodwill and intangible assets with indefinite lives

Goodwill and brands acquired through business combinations have been allocated for impairment purposes to the following three business units:

- U.K.
- International Sales
- Northern Europe

These operating segments represent the lowest level within the Group at which goodwill and other intangible assets are monitored for internal management purposes.

Following the acquisition of Starbrands during the year, the International Sales business unit above now includes the goodwill, brands and customer relationships of these two entities. Following the acquisition of pladis Europe B.V., pladis Spain SRL and pladis Belgium B.V., the Northern Europe business units now includes the goodwill of these entities.

### UK

The recoverable amount of the U.K. business unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections was 5.7% (2019: 5.9%), which is equivalent to a pre-tax WACC of 7.1% (2019: 6.6%). A short-term EBITDA growth rate of 2.0% (2019: 3.2%) was applied for each year modelled. A long-term EBITDA growth rate assumption of 1.7% (2019: 1.7%) was applied in perpetuity.

### International Sales

The recoverable amount of the Group's International Sales business unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections was 8.7% (2019: 10.0%), which is equivalent to a pre-tax WACC of 11.5% (2019: 11.6%). Short-term EBITDA growth rate applied ranged from 0.0% to 20.0% (2019: 6.9%) for each year modelled. A long-term EBITDA growth rate assumption of 3.0% (2019: 3.0%) was applied in perpetuity.

### Northern Europe

The recoverable amount of the Group's Northern Europe business unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period. The post-tax discount rate applied to the cash flow projections was 5.7% (2019: 5.5%), which is equivalent to a pre-tax WACC of 7.4% (2019: 6.3%). Short-term EBITDA growth rates applied ranged from 4.9% to 29.6% (2019: (2.3)% to 4.2%) for each year modelled. A long-term EBITDA growth rate assumption of 2.0% (2019: 2.0%) was applied in perpetuity.

**10 Intangible assets (continued)**

The carrying amounts of goodwill and brands allocated to the Group's cash-generating units were as follows:

|                     | 2020<br>£m     | 2019<br>£m     |
|---------------------|----------------|----------------|
| <b>Goodwill</b>     |                |                |
| UK                  | 337.6          | 337.6          |
| Northern Europe     | 32.1           | 15.1           |
| International Sales | 110.4          | 93.1           |
| <b>Total</b>        | <b>480.1</b>   | <b>445.8</b>   |
| <b>Brands</b>       |                |                |
| UK                  | 1,241.0        | 1,241.0        |
| Northern Europe     | 61.9           | 58.9           |
| International Sales | 37.5           | 26.4           |
| <b>Total</b>        | <b>1,340.4</b> | <b>1,326.3</b> |

**Key assumptions applied to value in use calculations**

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

The calculation of value in use for the U.K., Northern Europe and International Sales business units is most sensitive to the following assumptions:

- *Discount rates* – these reflect management's assessment of the time value of money and the risks specific to the unit's assets, based on an appropriate Weighted Average Cost of Capital (WACC) anticipated for a market participant investing in the Group and determined using the Capital Asset Pricing Model, reflecting management's estimate of the specific risk profile associated with the cash flow projections.
- *EBITDA growth rates* – estimates are based on management's expectations of growth in the market where each cash-generating unit is located. The business units operate predominantly in stable, large and profitable market sectors where the Group's brands have proven longevity. Short-term forecasts are adjusted to reflect the Group's performance in the relevant market, be it growing or reducing.

**Sensitivity to changes in assumptions**

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

# 11 Property, plant and equipment

|                                 | Land & Buildings<br>£m | Leasehold Improvement<br>£m | Plant, Machinery & Vehicles<br>£m | Leased Plant & Machinery<br>£m | Fixtures & Fittings<br>£m | Assets Under Construction<br>£m | Total<br>£m    |
|---------------------------------|------------------------|-----------------------------|-----------------------------------|--------------------------------|---------------------------|---------------------------------|----------------|
| <b>Cost or valuation</b>        |                        |                             |                                   |                                |                           |                                 |                |
| At 1 January 2020               | 142.2                  | 7.9                         | 302.9                             | 18.6                           | 8.1                       | 26.7                            | 506.4          |
| Remeasurement                   | 1.5                    | -                           | 0.8                               | -                              | -                         | -                               | 2.3            |
| On acquisition                  | 14.6                   | 0.9                         | 12.0                              | -                              | -                         | -                               | 27.5           |
| Additions                       | 0.8                    | 0.1                         | 16.8                              | -                              | 0.5                       | 4.8                             | 23.0           |
| Transfers                       | (0.2)                  | -                           | 29.9                              | (18.6)                         | (0.4)                     | (6.6)                           | 4.1            |
| Disposals                       | (1.0)                  | -                           | (2.4)                             | -                              | -                         | -                               | (3.4)          |
| Exchange adjustments            | 1.2                    | (1.1)                       | 1.0                               | -                              | 0.1                       | (0.6)                           | 0.6            |
| <b>At 31 December 2020</b>      | <b>159.1</b>           | <b>7.8</b>                  | <b>361.0</b>                      | <b>-</b>                       | <b>8.3</b>                | <b>24.3</b>                     | <b>560.5</b>   |
| <b>Accumulated depreciation</b> |                        |                             |                                   |                                |                           |                                 |                |
| At 1 January 2020               | (17.3)                 | (2.5)                       | (111.4)                           | (3.5)                          | (1.5)                     | -                               | (136.2)        |
| Charge for the year             | (9.0)                  | (0.6)                       | (37.5)                            | (2.0)                          | (0.3)                     | -                               | (49.4)         |
| Transfer                        | -                      | -                           | (5.5)                             | 5.5                            | -                         | -                               | -              |
| Disposals                       | 0.8                    | -                           | 2.4                               | -                              | -                         | -                               | 3.2            |
| Exchange adjustments            | (1.3)                  | 0.2                         | (4.0)                             | -                              | (0.1)                     | -                               | (5.2)          |
| <b>At 31 December 2020</b>      | <b>(26.8)</b>          | <b>(2.9)</b>                | <b>(156.0)</b>                    | <b>-</b>                       | <b>(1.9)</b>              | <b>-</b>                        | <b>(187.6)</b> |
| <b>Net book value</b>           |                        |                             |                                   |                                |                           |                                 |                |
| <b>At 31 December 2020</b>      | <b>132.3</b>           | <b>4.9</b>                  | <b>205.0</b>                      | <b>-</b>                       | <b>6.4</b>                | <b>24.3</b>                     | <b>372.9</b>   |

|                                     | Land & Buildings<br>£m | Leasehold Improvement<br>£m | Plant, Machinery & Vehicles<br>£m | Leased Plant & Machinery<br>£'m | Fixtures & Fittings<br>£m | Assets Under Construction<br>£m | Total<br>£m    |
|-------------------------------------|------------------------|-----------------------------|-----------------------------------|---------------------------------|---------------------------|---------------------------------|----------------|
| <b>Cost or valuation</b>            |                        |                             |                                   |                                 |                           |                                 |                |
| At 1 January 2019                   | 119.3                  | 7.6                         | 284.1                             | 18.6                            | 8.4                       | 32.8                            | 470.8          |
| Adjustment on transition to IFRS 16 | 23.4                   | -                           | 10.9                              | -                               | -                         | -                               | 34.3           |
| Additions                           | 1.8                    | 0.4                         | 15.0                              | -                               | 0.6                       | (0.7)                           | 17.1           |
| Transfers                           | 0.2                    | -                           | 8.5                               | -                               | (0.4)                     | (5.3)                           | 3.0            |
| Disposals                           | (0.3)                  | -                           | (7.4)                             | -                               | (0.2)                     | -                               | (7.9)          |
| Exchange adjustments                | (2.2)                  | (0.1)                       | (8.2)                             | -                               | (0.3)                     | (0.1)                           | (10.9)         |
| <b>At 31 December 2019</b>          | <b>142.2</b>           | <b>7.9</b>                  | <b>302.9</b>                      | <b>18.6</b>                     | <b>8.1</b>                | <b>26.7</b>                     | <b>506.4</b>   |
| <b>Accumulated depreciation</b>     |                        |                             |                                   |                                 |                           |                                 |                |
| At 1 January 2019                   | (10.6)                 | (1.9)                       | (86.1)                            | (1.5)                           | (1.6)                     | -                               | (101.7)        |
| Charge for the year                 | (8.5)                  | (0.6)                       | (38.9)                            | (2.0)                           | (0.3)                     | -                               | (50.3)         |
| Disposals                           | 0.4                    | -                           | 7.2                               | -                               | 0.2                       | -                               | 7.8            |
| Exchange adjustments                | 1.4                    | -                           | 6.4                               | -                               | 0.2                       | -                               | 8.0            |
| <b>At 31 December 2019</b>          | <b>(17.3)</b>          | <b>(2.5)</b>                | <b>(111.4)</b>                    | <b>(3.5)</b>                    | <b>(1.5)</b>              | <b>-</b>                        | <b>(136.2)</b> |
| <b>Net book value</b>               |                        |                             |                                   |                                 |                           |                                 |                |
| <b>At 31 December 2019</b>          | <b>124.9</b>           | <b>5.4</b>                  | <b>191.5</b>                      | <b>15.1</b>                     | <b>6.6</b>                | <b>26.7</b>                     | <b>370.2</b>   |

**11 Property, plant and equipment (continued)**

The net book value of leasehold improvements of £4.9 million (2019 £5.4 million) is in respect of leased properties with remaining lease terms of under 50 years as at 31 December 2020.

With effect from 1 January 2017, the Group's freehold land and buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses. The fair value measurement of the Group's freehold land and buildings as at 31 December 2020 was performed by an independent valuer, not related to the Group. The directors have assessed that there has been no material change as a result of this valuation.

At 31 December 2020, had the freehold land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been £117.4 million (2019: £110.0 million).

The revaluation surplus as at 31 December 2020 is £14.9 million, £12.4 million net of tax (2019: £14.9 million, £12.4 million, net of tax).

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

|                               | 2020       | 2019       |
|-------------------------------|------------|------------|
|                               | £m         | £m         |
| Plant, machinery and vehicles | 8.4        | 4.5        |
|                               | <u>8.4</u> | <u>4.5</u> |

Included in the depreciation charge above are charges relating to right-of-use assets as follows:

|                               | 2020        | 2019       |
|-------------------------------|-------------|------------|
|                               | £m          | £m         |
| Leasehold improvements        | 4.5         | 4.5        |
| Plant, machinery and vehicles | 5.5         | 3.7        |
|                               | <u>10.0</u> | <u>8.2</u> |

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

|                               | 2020        | 2019        |
|-------------------------------|-------------|-------------|
|                               | £m          | £m          |
| Leasehold improvements        | 17.7        | 18.9        |
| Plant, machinery and vehicles | 15.1        | 11.8        |
|                               | <u>32.8</u> | <u>30.7</u> |

Cashflows relating to leases are as follows:

|                                                 | 2020        | 2019        |
|-------------------------------------------------|-------------|-------------|
|                                                 | £m          | £m          |
| Cash outflow relating to interest payments      | 1.8         | 1.4         |
| Cash outflow pertaining to principal repayments | 8.9         | 10.2        |
| Total cash outflow                              | <u>10.7</u> | <u>11.6</u> |

**12 Investments**
**Details of Group undertakings**

At 31 December 2020 all the subsidiaries were indirectly wholly owned, via ordinary shares, except where indicated.

| Subsidiary                                        | Country of<br>incorporation and<br>Operation | Registered address                                                         | Activity                          |
|---------------------------------------------------|----------------------------------------------|----------------------------------------------------------------------------|-----------------------------------|
| UMV Global Foods Company Limited <sup>(1 *)</sup> | England                                      | (**)                                                                       | Holding Company                   |
| United Biscuits Topco Limited                     | England                                      | (**)                                                                       | Holding Company                   |
| StarBrands North America Inc                      | North America                                | 10 Bank Street, White Plains NY 10606                                      | Biscuit manufacturer              |
| StarBrands Canada Inc                             | Canada                                       | 10 Bank Street, White Plains NY 10606                                      | Trading Company                   |
| United Biscuits Bondco Limited                    | England                                      | (**)                                                                       | Holding Company                   |
| United Biscuits VLNCo Limited                     | England                                      | (**)                                                                       | Holding Company                   |
| United Biscuits Holdco Limited                    | England                                      | (**)                                                                       | Holding Company                   |
| United Biscuits Holdco 2 Limited                  | England                                      | (**)                                                                       | Holding Company                   |
| United Biscuits Bidco Limited                     | England                                      | (**)                                                                       | Holding Company                   |
| Regentrealm Limited                               | England                                      | (**)                                                                       | Holding Company                   |
| Finalrealm Limited                                | England                                      | (**)                                                                       | Holding Company                   |
| United Biscuits (Holdings) Limited                | Scotland                                     | (***)                                                                      | Holding Company                   |
| United Biscuits (Equity) Limited                  | Cayman Islands                               | 190 Elgin Avenue, George Town,<br>Grand Cayman KY1-9005, Cayman<br>Islands | Holding Company                   |
| United Biscuits Group (Investments) Ltd           | England                                      | (**)                                                                       | Holding Company                   |
| Deluxestar Limited                                | England                                      | (**)                                                                       | Holding Company                   |
| Solvecorp Limited                                 | England                                      | (**)                                                                       | Holding Company                   |
| Runecorp Limited                                  | England                                      | (**)                                                                       | Holding Company                   |
| Burlington Biscuits (Cayman) Ltd                  | Cayman Islands                               | 190 Elgin Avenue, George Town,<br>Grand Cayman KY1-9005, Cayman<br>Islands | Holding Company                   |
| United Biscuits Finance Ltd                       | England                                      | (**)                                                                       | Holding Company                   |
| UB Overseas Limited                               | England                                      | (**)                                                                       | Holding Company                   |
| McVitie & Price Limited                           | Scotland                                     | (***)                                                                      | Holding Company                   |
| United Biscuits (UK) Limited <sup>(*)</sup>       | England                                      | (**)                                                                       | Food manufacturer                 |
| Pladis Australia Pty Ltd                          | Australia                                    | RSM Australia, Level 13, 60<br>Castlereagh Street, Sydney, NSW 2000        | Trading Company                   |
| UB Humber Limited                                 | England                                      | (**)                                                                       | Finance Company                   |
| UB Foods US Limited                               | England                                      | (**)                                                                       | Finance Company                   |
| United Biscuits Dutchco BV                        | Netherlands                                  | Westzijde 103, 1506GA Zaandam                                              | Holding Company                   |
| Koninklijke Verkade NV                            | Netherlands                                  | Westzijde 103, 1506GA Zaandam                                              | Biscuit manufacturer              |
| United Biscuits France SAS                        | France                                       | Route de Mortier, Vannerie, 44120<br>Vertou                                | Biscuit manufacturer              |
| Pladis Europe B.V.                                | Netherlands                                  | Westzijde 103, 1506GA Zaandam                                              | Trading Company                   |
| Pladis Spain S.L.                                 | Spain                                        | Travessera de Gracia, No 11, 5th floor,<br>08021, Barcelona, Spain         | Trading Company                   |
| Pladis Belgium SPRL                               | Belgium                                      | Box 204, 86C, Avenue Du Port, 1000<br>Brussels                             | Trading Company                   |
| United Biscuits (Pensions Trustees) Ltd           | Scotland                                     | (***)                                                                      | Pension scheme<br>trustee company |
| UB Investments Public Limited Company             | Scotland                                     | (***)                                                                      | Holding Company                   |
| UB International Sales Ltd                        | England                                      | (**)                                                                       | Holding Company                   |

**12 Investments (continued)**

| Subsidiary                                             | Country of incorporation and Operation | Registered address                                                                            | Activity             |
|--------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------|----------------------|
| UB Snackfoods Ireland Ltd                              | Ireland                                | Exchange Place<br>International Financial Services Centre,<br>Dublin 1, D01 X8H2              | Trading Company      |
| United Biscuits Italy SRL                              | Italy                                  | Viale Andrea Doria 48/A, Cap 20124,<br>Milan                                                  | Trading Company      |
| United Biscuits Germany GmbH                           | Germany                                | c/o BDO AG<br>Wirtschaftsprüfungsgesellschaft,<br>Landaubogen 10, 81373 München               | Trading Company      |
| UB Group Ltd                                           | Scotland                               | (***)                                                                                         | Holding Company      |
| Ross Young's Holdings Ltd                              | England                                | (**)                                                                                          | Holding Company      |
| United Biscuits Nigeria Ltd                            | Nigeria                                | No. 70, Adetokunbo Ademola Street,<br>Victoria Island, Lagos                                  | Trading company      |
| Taiwan United Biscuits Food Company Limited            | Taiwan                                 | 27F., No.9, Songgao Rd., Xinyi Dist.,<br>Taipei City 110, Taiwan (R.O.C)                      | Trading company      |
| Irish Biscuits (NI) Ltd                                | Northern Ireland                       | Culcavey, Hillsborough, County Down<br>BT26 6JU                                               | Holding Company      |
| W&R Jacob & Co (Northern Ireland) Limited              | Northern Ireland                       | Culcavey, Hillsborough, County Down<br>BT26 6JU                                               | Dormant company      |
| United Biscuits Cyprus Limited                         | Cyprus                                 | Spyrou Kyprianou 20, Chapo Central,<br>3rd Floor, PC 1075, Nicosia                            | Holding company      |
| United Biscuits Private Ltd                            | India                                  | S-15A, 2nd Floor, Vasant Square Mall,<br>Pocket V, Sector B, Vasant Kunj, New<br>Delhi 110070 | Biscuit manufacturer |
| A&P Foods Limited                                      | Nigeria                                | No. 7, Henry Carr Street, Ikeja, Lagos                                                        | Biscuit manufacturer |
| United Biscuits Sverige AB                             | Sweden                                 | PO Box 16285, 10325 Stockholm                                                                 | Trading company      |
| United Biscuits Trading (Shanghai) Co Limited PR China | China                                  | Room 201, Building No. 7, 1428 Ting<br>Wei Road, Jinshan District, Shanghai                   | Trading company      |
| The Jacob's Bakery                                     | England                                | (**)                                                                                          | Dormant company      |
| Pladis (UK) Limited (formerly UB Snacks Ltd)           | England                                | (**)                                                                                          | Dormant company      |
| UB (Biscuits) Ltd                                      | England                                | (**)                                                                                          | Dormant company      |
| Young's Chilled Foods Ltd                              | England                                | (**)                                                                                          | Dormant company      |
| UB Bridgend Three Ltd                                  | England                                | (**)                                                                                          | Dormant company      |
| UB Bridgend Four Ltd                                   | England                                | (**)                                                                                          | Dormant company      |
| Glory Alliance Investment Ltd                          | BVI                                    | OMC Chambers, PO Box 3152, Road<br>Town, Tortola                                              | Dormant company      |
| The Derwent Valley Group Ltd                           | England                                | (**)                                                                                          | Dormant company      |
| Titan Properties Ltd                                   | Nigeria                                | 76/94, Abeokuta Expressway, Agege,<br>Dopemu, Lagos                                           | Dormant company      |
| Derwent Valley Foods Ltd                               | England                                | (**)                                                                                          | Dormant company      |
| Derwent Valley (Sales) Ltd                             | England                                | (**)                                                                                          | Dormant company      |
| The Quality of Life (NE) Ltd                           | England                                | (**)                                                                                          | Dormant company      |
| The Quality of Life Ltd                                | England                                | (**)                                                                                          | Trading company      |
| Sisterson Foods Ltd                                    | England                                | (**)                                                                                          | Dormant company      |
| Anglo-Oriental Foods Ltd                               | England                                | (**)                                                                                          | Dormant company      |
| The Ultimate Snack Food Company Ltd                    | England                                | (**)                                                                                          | Dormant company      |
| UB Investments (Netherlands) BV                        | Netherlands                            | Westzijde 103, 1506GA Zaandam                                                                 | Dormant company      |
| United Biscuits Group Ltd                              | Scotland                               | (***)                                                                                         | Dormant company      |
| UB Holdings Ltd                                        | Scotland                               | (***)                                                                                         | Dormant company      |
| McVitie's Ltd                                          | England                                | (**)                                                                                          | Holding Company      |

**12 Investments (continued)**

| Subsidiary                                   | Country of<br>incorporation and<br>Operation | Registered address |  | Activity        |
|----------------------------------------------|----------------------------------------------|--------------------|--|-----------------|
|                                              |                                              |                    |  |                 |
| KP Foods Ltd                                 | England                                      | (**)               |  | Dormant company |
| United Biscuits (Lands) Ltd                  | Scotland                                     | (***)              |  | Dormant company |
| United Biscuits (Leasing) Ltd                | Scotland                                     | (***)              |  | Dormant company |
| Watts Countrymade Foods Ltd                  | England                                      | (**)               |  | Dormant company |
| King Harry Foods Ltd                         | England                                      | (**)               |  | Dormant company |
| UB Securities (UK) Ltd                       | England                                      | (**)               |  | Dormant company |
| Cookie Kitchen Ltd                           | England                                      | (**)               |  | Dormant company |
| Moo-Cow Bakeries Ltd                         | England                                      | (**)               |  | Dormant company |
| UB Frozen Foods Ltd                          | Scotland                                     | (***)              |  | Dormant company |
| B Fox Ltd                                    | England                                      | (**)               |  | Dormant company |
| United Biscuits (Agriculture) Ltd            | England                                      | (**)               |  | Dormant company |
| United Biscuits (Properties) Ltd             | Scotland                                     | (***)              |  | Dormant company |
| McFarlane Lang & Co Ltd                      | Scotland                                     | (***)              |  | Dormant company |
| William Crawford & Sons Ltd                  | Scotland                                     | (***)              |  | Dormant company |
| Kenyon Son & Craven Ltd                      | England                                      | (**)               |  | Dormant company |
| Peek, Frean & Co Ltd                         | England                                      | (**)               |  | Dormant company |
| Carr's of Carlisle Ltd                       | England                                      | (**)               |  | Dormant company |
| UB Snack Foods Ltd                           | England                                      | (**)               |  | Dormant company |
| UB Ltd                                       | England                                      | (**)               |  | Dormant company |
| MBT Frozen Foods Ltd                         | England                                      | (**)               |  | Dormant company |
| King Frost Ltd                               | England                                      | (**)               |  | Dormant company |
| Ross Young's International Ltd               | England                                      | (**)               |  | Dormant company |
| Phileas Fogg Ltd                             | England                                      | (**)               |  | Dormant company |
| The Monico in Piccadilly Ltd                 | England                                      | (**)               |  | Dormant company |
| UB Kitchens Ltd                              | England                                      | (**)               |  | Dormant company |
| The Jacob's Biscuit Company                  | England                                      | (**)               |  | Dormant company |
| Humber Bridge Motors Ltd                     | England                                      | (**)               |  | Dormant company |
| Moray Freezing & Cold Storage<br>Company Ltd | Scotland                                     | (***)              |  | Dormant company |
| Chiltonian Ltd                               | England                                      | (**)               |  | Dormant company |
| Hills Road 5 Ltd                             | England                                      | (**)               |  | Dormant company |
| Forbes Simmers Ltd                           | Scotland                                     | (***)              |  | Dormant company |

<sup>1</sup> UMV Global Foods Company Limited is directly owned by the company.

(\*) Companies which are obligors under the Senior Facilities Agreement.

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

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

**13 Inventories**

|                               | 2020<br>£m  | 2019<br>£m  |
|-------------------------------|-------------|-------------|
| Raw materials and consumables | 29.0        | 16.2        |
| Work in progress              | 3.4         | 2.6         |
| Finished goods                | 45.5        | 41.1        |
|                               | <u>77.9</u> | <u>59.9</u> |

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

Raw materials and consumables at 31 December 2020 included £nil (2019: £nil) in respect of consignment stock.

Inventories recognised as an expense during the year amounted to £583.6 million (2019: £552.9 million). The amount of inventories written down and recognised as an expense within operating profit during the year was £4.0 million (2019: £5.5 million).

**14 Trade and other receivables**

|                                            | 2020<br>£m   | 2019<br>£m   |
|--------------------------------------------|--------------|--------------|
| Trade receivables                          | 127.3        | 82.4         |
| Other receivables                          | 16.3         | 23.8         |
| Prepayments and accrued income             | 16.4         | 15.5         |
| Due from related parties                   | 31.6         | 8.6          |
| Other taxes and social security receivable | 1.5          | 1.5          |
|                                            | <u>193.1</u> | <u>131.8</u> |

Trade receivables are stated net of allowances for bad and doubtful debts of £2.7 million (2019: £1.3 million). The amount of debtors written down and recognised as an expense within operating profit during the year was £1.0 million (2019: £0.3m).

Trade and other receivables are all expected to be settled within one year. Trade receivables are non-interest bearing and represent an average of 36 days sales (2019: 24 days). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Details of the Group's credit risk are set out in Note 18 (c).

**Transfer of financial assets**

During 2017, the Group entered into a facility with a third party bank in which the Group may sell qualifying trade debtors to the bank. At year-end, the total trade debtors sold amounted to £94.8 million (2019: £82.8 million) for immediate cash proceeds of £85.3 million (2019: £74.4 million), received on a non-recourse basis, with a further £9.5 million (2019: £8.4 million) to be received on collection from the customer. The Group has retained credit risk on 5% of the balance transferred. Accordingly, the Group continues to recognise the full carrying amount of the debtors on which credit risk has been retained and has recognised a corresponding liability to the third party bank for amounts that would be payable in the event of non-collection together with the fair value of the guarantee provided.

At the end of the reporting period, the carrying amount of the trade debtors that have been transferred but have not been derecognised amounted to £4.5 million (2019: £4.1 million), and the carrying amount of the associated liabilities is £4.5 million (2019: £4.1 million).

£9.5 million (2019: £8.4 million) of qualifying trade debtors remains on the balance sheet as only 90% (2019: 90%) is eligible for de-recognition.



**15 Cash and cash equivalents**

|              | 2020<br>£m   | 2019<br>£m   |
|--------------|--------------|--------------|
| Cash in hand | 0.1          | 0.1          |
| Cash in bank | 186.3        | 163.9        |
|              | <u>186.4</u> | <u>164.0</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash at 31 December 2020 was £186.4 million (2019: £164.0 million).

**16 Trade and other payables**

|                                | 2020<br>£m   | 2019<br>£m   |
|--------------------------------|--------------|--------------|
| Trade payables                 | 289.0        | 258.5        |
| Accruals                       | 47.7         | 39.2         |
| Employee-related payables      | 41.3         | 32.2         |
| Amounts due to related parties | 6.1          | -            |
|                                | <u>384.1</u> | <u>329.9</u> |

Trade and other payables are non-interest bearing, unsecured and are settled in accordance with contractual payment terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

Employee-related payables includes other taxes and social security costs of £6.1 million (2019: £5.2 million).

**17 Borrowings**

|                    | 2020<br>£m   | 2019<br>£m   |
|--------------------|--------------|--------------|
| <b>Current</b>     |              |              |
| Senior facilities  | 3.6          | 7.4          |
| Lease liabilities  | 7.3          | 10.4         |
| Other liabilities  | 6.6          | -            |
| Other borrowings   | 5.1          | 5.5          |
|                    | <u>22.6</u>  | <u>23.3</u>  |
| <b>Non-current</b> |              |              |
| Senior facilities  | 574.2        | 571.4        |
| Lease liabilities  | 27.4         | 36.3         |
| Other liabilities  | 9.8          | -            |
|                    | <u>611.4</u> | <u>607.7</u> |

## 17 Borrowings (continued)

### Senior Facilities

To finance its acquisition by Yildiz Holding, the Group entered into a Senior Facilities Agreement on 20 November 2014.

On 31 August 2017, the Group refinanced and entered into a new Senior Facilities Agreement. The facilities are unsecured and comprise Facility A1 of £575.0 million and a Revolving Facility of £75.0 million, of which £nil (2019: £nil) has been drawn down. Repayment is due five years from the date of the Agreement.

Net debt comprises senior bank loans, finance lease obligations and other loans less cash and cash equivalents. At the end of 2020 the net debt outstanding was £447.6 million (2019: £467.0 million).

Details of the senior facilities amounts outstanding as at 31 December 2020 are set out below:

| 2020               | Amortised Debt<br>£m         | Principal<br>£m         | Margin %        | Type        | Maturity        |
|--------------------|------------------------------|-------------------------|-----------------|-------------|-----------------|
| <b>Current</b>     |                              |                         |                 |             |                 |
| Interest accrual   | 3.6                          | 5.0                     |                 |             |                 |
| <b>Non-current</b> |                              |                         |                 |             |                 |
| Term Loan A1       | 574.2                        | 575.0                   | LIBOR + 2.65    | Bullet      | 30 August 2022  |
| Total Term Loans   | <u>577.8</u>                 | <u>580.0</u>            |                 |             |                 |
| <b>2019</b>        | <b>Amortised Debt<br/>£m</b> | <b>Principal<br/>£m</b> | <b>Margin %</b> | <b>Type</b> | <b>Maturity</b> |
| <b>Current</b>     |                              |                         |                 |             |                 |
| Interest accrual   | 7.4                          | 7.4                     |                 |             |                 |
| <b>Non-current</b> |                              |                         |                 |             |                 |
| Term Loan A1       | 571.4                        | 575.0                   | LIBOR + 3.15    | Bullet      | 30 August 2022  |
| Total Term Loans   | <u>578.8</u>                 | <u>582.4</u>            |                 |             |                 |

### Lease liabilities

The Company has leases for the offices, factories, warehouses and various vehicles forklifts and trailers. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

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

**17 Borrowings (continued)**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 and 31 December 2019 were as follows:

|                           | Minimum lease payments due |                    |                    |                    |                    |                        | Total<br>£m |
|---------------------------|----------------------------|--------------------|--------------------|--------------------|--------------------|------------------------|-------------|
|                           | Within 1<br>year<br>£m     | 1-2<br>years<br>£m | 2-3<br>years<br>£m | 3-4<br>years<br>£m | 4-5<br>years<br>£m | After 5<br>years<br>£m |             |
| <b>31 December 2020</b>   |                            |                    |                    |                    |                    |                        |             |
| Lease payments            | 8.7                        | 7.3                | 6.6                | 5.5                | 4.9                | 6.1                    | 39.1        |
| Finance charges           | (1.4)                      | (1.1)              | (0.8)              | (0.6)              | (0.4)              | (0.1)                  | (4.4)       |
| <b>Net present values</b> | <b>7.3</b>                 | <b>6.2</b>         | <b>5.8</b>         | <b>4.9</b>         | <b>4.5</b>         | <b>6.0</b>             | <b>34.7</b> |

|                           | Minimum lease payments due |                    |                    |                    |                    |                        | Total<br>£m |
|---------------------------|----------------------------|--------------------|--------------------|--------------------|--------------------|------------------------|-------------|
|                           | Within 1<br>year<br>£m     | 1-2<br>years<br>£m | 2-3<br>years<br>£m | 3-4<br>years<br>£m | 4-5<br>years<br>£m | After 5<br>years<br>£m |             |
| <b>31 December 2019</b>   |                            |                    |                    |                    |                    |                        |             |
| Lease payments            | 8.8                        | 6.7                | 4.8                | 3.9                | 3.4                | 7.7                    | 35.3        |
| Finance charges           | (1.2)                      | (0.9)              | (0.7)              | (0.5)              | (0.4)              | (0.3)                  | (4.0)       |
| <b>Net present values</b> | <b>7.6</b>                 | <b>5.8</b>         | <b>4.1</b>         | <b>3.4</b>         | <b>3.0</b>         | <b>7.4</b>             | <b>31.3</b> |

*Lease payments not recognised as a liability*

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

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

|                   | 2020<br>£m | 2019<br>£m |
|-------------------|------------|------------|
| Short-term leases | 0.5        | 1.2        |
|                   | <u>0.5</u> | <u>1.2</u> |

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

**Other liabilities**

During 2018 the Group entered into a "sale and leaseback" type arrangement for certain plant and machinery at its Harlesden factory. This liability of £12.6 million (£2.8 million within the current balance of £6.6 million and £9.8 million in non-current balance above) has been classified as Other Liabilities in 2020 but was included in Lease Liabilities in 2019.

**Revolving Credit Facility of £75 million (2019: £75 million)**

The Group has access to a £75.0 million (2019: £75.0 million) Revolving Credit Facility under the Senior Facilities Agreement entered into on 31 August 2017, which is held by UMV Global Foods Company Limited. This facility may be used for general corporate purposes to finance working capital requirements, to refinance indebtedness of the Group and to pay associated fees, costs and expenses. The facility allows for revolving advances, the provision of ancillary facilities to cover the day to day banking requirements of subsidiary companies, and the issuance of letters of credit and bank guarantees up to an aggregate amount of £75.0 million (2019: £75.0 million) outstanding at any time. Each advance made under the revolving facility must be repaid on the last day of the

## 17 Borrowings (continued)

interest period relating to it, although amounts are available to be re-borrowed immediately, subject to the maximum limit available under the facility.

At 31 December 2020 an amount of £13.0 million (2019: £13.0 million) of the Revolving Credit Facility of £75 million had been arranged as ancillary facilities under the revolving facility to cover day to day requirements of the UK business, £6.5 million (2019: £6.5 million) of this being for the provision of overdraft facilities. As at 31 December 2020, no drawings were made on the ancillary facilities (2019: £nil).

In addition to the amounts outlined above, there were bank guarantees outstanding of £1.0 million at 31 December 2020 (2019: £1.0 million).

The Senior Facilities Agreement requires the Group to comply with certain financial covenants on a semi-annual basis. The financial covenant requires the adherence to a maximum leverage ratio (defined as Net Debt to EBITDA). The Group has complied with financial covenants tests during the year ended 31 December 2019.

### Capital management

The Group's objectives when managing capital are to maximise shareholder value while safeguarding the Group's ability to continue as a going concern. The Group intends to continue proactively managing its capital structure whilst maintaining flexibility to take advantage of opportunities, which arise, to grow its business.

Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. Net debt is calculated as total borrowings, as shown in the consolidated balance sheet, less cash and cash equivalents. The loan from a fellow subsidiary, discussed in Note 23, is excluded from the Group's definition of net debt since it will be settled in the event of change of ownership of the business.

## 18 Financial instruments

### Financial risk management

The Group is exposed to a variety of financial risks through its activities. Group Treasury identifies, evaluates and hedges financial risks, working closely with the Group's operating units, ensuring that critical controls exist and are operating correctly. Written policies provide the framework for the management of the Group's financial risks, and provide specific guidance on areas such as foreign exchange risk.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. At the period end, the fair value of foreign exchange forward contracts is calculated using forward exchange market rates at the balance sheet date. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of commodity hedges is determined by reference to the market values of the commodities traded on the London International Financial Futures Exchange ("LIFFE") and Marché à Terme International de France (MATIF) at the balance sheet date.

## 18 Financial instruments (continued)

### Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements by currency.

| 2020                                  | Carrying<br>Value<br>£m | Fair Value<br>£m | USD<br>£m   | EURO<br>£m  | GBP<br>£m      | Other<br>£m |
|---------------------------------------|-------------------------|------------------|-------------|-------------|----------------|-------------|
| <b>Financial assets</b>               |                         |                  |             |             |                |             |
| Cash and short-term deposits          | 186.4                   | 186.4            | 12.2        | 32.1        | 131.7          | 10.4        |
| Trade receivables                     | 127.3                   | 127.3            | 20.2        | 23.5        | 68.7           | 14.9        |
| Other receivables                     | 16.3                    | 16.3             | 1.0         | 2.1         | 9.1            | 4.1         |
| Due from related parties              | 31.6                    | 31.6             | 3.8         | -           | 27.8           | -           |
|                                       | <u>361.6</u>            | <u>361.6</u>     | <u>37.2</u> | <u>57.7</u> | <u>237.3</u>   | <u>29.4</u> |
| <b>Derivative assets</b>              |                         |                  |             |             |                |             |
| Interest rate swaps                   | 0.2                     | 0.2              | -           | -           | 0.2            | -           |
| <i>Cash flow hedges:</i>              |                         |                  |             |             |                |             |
| Forward currency contracts            | 0.4                     | 0.4              | 0.2         | 0.2         | -              | -           |
| <i>FV through P&amp;L instruments</i> |                         |                  |             |             |                |             |
| Forward currency contracts            | 0.1                     | 0.1              | 0.1         | -           | -              | -           |
|                                       | <u>0.7</u>              | <u>0.7</u>       | <u>0.3</u>  | <u>0.2</u>  | <u>0.2</u>     | <u>-</u>    |
| Of which:                             |                         |                  |             |             |                |             |
| Current assets                        | 0.5                     | 0.5              |             |             |                |             |
| Non-current assets                    | 0.2                     | 0.2              |             |             |                |             |
|                                       | <u>0.7</u>              | <u>0.7</u>       |             |             |                |             |
| <b>Financial liabilities</b>          |                         |                  |             |             |                |             |
| Trade payables                        | 289.0                   | 289.0            | 20.5        | 28.0        | 233.5          | 7.0         |
| Other payables                        | 47.7                    | 47.7             | 0.6         | 9.5         | 26.5           | 11.1        |
| Amounts due to fellow group company   | 246.2                   | 246.2            | 21.3        | -           | 223.9          | 1.0         |
| Loans and borrowings                  | 634.0                   | 634.0            | 1.9         | 1.3         | 625.2          | 5.6         |
|                                       | <u>1,216.9</u>          | <u>1,216.9</u>   | <u>44.3</u> | <u>38.8</u> | <u>1,109.1</u> | <u>24.7</u> |
| <b>Derivative liabilities</b>         |                         |                  |             |             |                |             |
| Interest rate swaps                   | 8.8                     | 8.8              | -           | 1.1         | 7.7            | -           |
| <i>Cash flow hedges:</i>              |                         |                  |             |             |                |             |
| Forward currency contracts            | 1.6                     | 1.6              | 1.0         | -           | -              | 0.6         |
| <i>FV through P&amp;L instruments</i> |                         |                  |             |             |                |             |
| Forward currency contracts            | 0.1                     | 0.1              | -           | 0.1         | -              | -           |
|                                       | <u>10.5</u>             | <u>10.5</u>      | <u>1.0</u>  | <u>1.2</u>  | <u>7.7</u>     | <u>0.6</u>  |
| Of which:                             |                         |                  |             |             |                |             |
| Current liabilities                   | 10.4                    | 10.4             |             |             |                |             |
| Non-current liabilities               | 0.1                     | 0.1              |             |             |                |             |
|                                       | <u>10.5</u>             | <u>10.5</u>      |             |             |                |             |

## 18 Financial instruments (continued)

| 2019                                  | Carrying<br>Value<br>£m | Fair Value<br>£m | USD<br>£m   | EURO<br>£m  | GBP<br>£m      | Other<br>£m |
|---------------------------------------|-------------------------|------------------|-------------|-------------|----------------|-------------|
| <b>Financial assets</b>               |                         |                  |             |             |                |             |
| Cash and short-term deposits          | 164.0                   | 164.0            | 12.4        | 34.1        | 109.0          | 8.5         |
| Trade receivables                     | 82.4                    | 82.4             | 5.7         | 10.8        | 52.4           | 13.5        |
| Other receivables                     | 23.8                    | 23.8             | -           | 4.9         | 7.7            | 11.2        |
| Due from related parties              | 8.6                     | 8.6              | -           | 6.8         | 1.8            | -           |
|                                       | <u>278.8</u>            | <u>278.8</u>     | <u>18.1</u> | <u>56.6</u> | <u>170.9</u>   | <u>33.2</u> |
| <b>Derivative assets</b>              |                         |                  |             |             |                |             |
| <i>Cash flow hedges:</i>              |                         |                  |             |             |                |             |
| Forward currency contracts            | 0.2                     | 0.2              | 0.1         | 0.1         | -              | -           |
| <i>FV through P&amp;L instruments</i> |                         |                  |             |             |                |             |
| Forward currency contracts            | 0.1                     | 0.1              | 0.1         | -           | -              | -           |
|                                       | <u>0.3</u>              | <u>0.3</u>       | <u>0.2</u>  | <u>0.1</u>  | <u>-</u>       | <u>-</u>    |
| Of which:                             |                         |                  |             |             |                |             |
| Current assets                        | 0.3                     | 0.3              |             |             |                |             |
| Non-current assets                    | -                       | -                |             |             |                |             |
|                                       | <u>0.3</u>              | <u>0.3</u>       |             |             |                |             |
| <b>Financial liabilities</b>          |                         |                  |             |             |                |             |
| Trade payables                        | 258.5                   | 258.5            | 3.5         | 20.0        | 229.2          | 5.8         |
| Other payables                        | 39.2                    | 39.2             | -           | 3.2         | 24.9           | 11.1        |
| Amounts due to fellow group company   | 205.8                   | 205.8            | 1.1         | 0.9         | 203.3          | 0.5         |
| Loans and borrowings                  | 631.0                   | 637.7            | -           | 1.8         | 630.0          | 5.9         |
|                                       | <u>1,134.5</u>          | <u>1,141.2</u>   | <u>4.6</u>  | <u>25.9</u> | <u>1,087.4</u> | <u>23.3</u> |
| <b>Derivative liabilities</b>         |                         |                  |             |             |                |             |
| Interest rate swaps                   | 9.6                     | 9.6              | 8.1         | 1.5         | -              | -           |
| <i>Cash flow hedges:</i>              |                         |                  |             |             |                |             |
| Forward currency contracts            | 1.1                     | 1.1              | 0.6         | 0.5         | -              | -           |
| <i>FV through P&amp;L instruments</i> |                         |                  |             |             |                |             |
| Forward currency contracts            | 0.5                     | 0.5              | 0.1         | 0.4         | -              | -           |
|                                       | <u>11.2</u>             | <u>11.2</u>      | <u>8.8</u>  | <u>2.4</u>  | <u>-</u>       | <u>-</u>    |
| Of which:                             |                         |                  |             |             |                |             |
| Current liabilities                   | 1.6                     | 1.6              |             |             |                |             |
| Non-current liabilities               | 9.6                     | 9.6              |             |             |                |             |
|                                       | <u>11.2</u>             | <u>11.2</u>      |             |             |                |             |

---

**18 Financial instruments (continued)**

---

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. The credit quality of the counterparties and the impact of own credit risk are considered and adjusted for when deemed necessary. The changes in counterparty and own credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised as fair value.

There are no material differences between fair value and book value on any other financial instruments except for loans and borrowings.

*Fair value hierarchy*

In accordance with IFRS 13 *Fair Value Measurement*, financial instruments which are carried at fair value in the balance sheet are analysed as level 1, 2, or 3. The Group classified all derivatives carried at fair value as level 2 financial instruments, as their fair value is determined based on techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

**a) Foreign exchange risk**

Foreign currency risk arises from future commercial and financing transactions, recognising assets and liabilities denominated in a currency that is not the functional currency of the Group entity undertaking the transaction as well as from net investments in overseas entities. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar, the Euro, the Canadian dollar and the Australian dollar.

The Group's foreign exchange risk management policy is to hedge a proportion of its net currency exposure. Group Treasury is responsible for managing foreign exchange risk arising from future commercial and financing transactions and recognised assets and liabilities usually by forward contracts.

The Group has a number of overseas subsidiaries whose net assets are subject to currency translation risk. The Group borrows in local currencies where appropriate to minimise the impact of this risk on the balance sheet.

Group policy requires Group companies to manage their foreign exchange risk against their functional currency. Where such exposure is material to the Group as a whole, then Group companies are required to hedge their foreign exchange exposure with Group Treasury. Group Treasury reviews these exposure reports on a regular basis. To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted by Group Treasury.

## 18 Financial instruments (continued)

### Cash flow hedges

At 31 December 2020, the Group held a number of forward foreign exchange contracts designated as hedges of highly probable forecast transactions. Forward foreign exchange contracts were accounted for as cash flow hedges. The forward contracts are taken out with up to twenty-four month maturity dates, at regular intervals throughout the year. Gains and losses recognised in other comprehensive income are included in the hedging reserve and will be released to the income statement at various dates within one year of the balance sheet date.

| 2020             | Committed<br>outstanding<br>FX<br>contracts<br>£m | Average<br>Rates<br>USD | Average<br>Rates<br>EUR | Average<br>Rates<br>EUR/USD | Average<br>Rates<br>AUD |
|------------------|---------------------------------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|
|                  |                                                   |                         |                         |                             |                         |
| Euro             | 27.0                                              | -                       | 1.11                    | -                           | -                       |
| US Dollar        | 27.2                                              | 1.30                    | -                       | -                           | -                       |
| Other currencies | 18.5                                              | -                       | -                       | 1.16                        | 1.80                    |
|                  | <u>72.7</u>                                       |                         |                         |                             |                         |
| 2019             | £m                                                | USD                     | EUR                     | CHF                         | AUD                     |
| Euro             | 29.7                                              | -                       | 1.16                    | -                           | -                       |
| US Dollar        | 24.2                                              | 1.32                    | -                       | -                           | -                       |
| Other currencies | 5.8                                               | -                       | -                       | 1.13                        | -                       |
|                  | <u>59.7</u>                                       |                         |                         |                             |                         |

### Sensitivity analysis

The table below presents a sensitivity analysis of the changes in carrying values of the Group's monetary assets and liabilities to reasonably possible weakening in sterling of market rates of foreign exchange.

| 2020                         | Impact on the income<br>statement arising from: |                                        | Impact on reserves arising<br>from:            |                                        |
|------------------------------|-------------------------------------------------|----------------------------------------|------------------------------------------------|----------------------------------------|
|                              | 10%<br>weakening<br>against US<br>Dollar<br>£m  | 10%<br>weakening<br>against Euro<br>£m | 10%<br>weakening<br>against US<br>Dollar<br>£m | 10%<br>weakening<br>against Euro<br>£m |
| Cash and short-term deposits | 1.4                                             | 3.6                                    | -                                              | -                                      |
| Trade receivables            | 2.2                                             | 2.6                                    | -                                              | -                                      |
| Trade payables               | (2.3)                                           | (3.1)                                  | -                                              | -                                      |
|                              | <u>1.3</u>                                      | <u>3.1</u>                             | <u>-</u>                                       | <u>-</u>                               |



**18 Financial instruments (continued)**

|                              | Impact on the income statement arising from: |                                  | Impact on reserves arising from:      |                                  |
|------------------------------|----------------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
|                              | 10% weakening against US Dollar<br>£m        | 10% weakening against Euro<br>£m | 10% weakening against US Dollar<br>£m | 10% weakening against Euro<br>£m |
| <b>2019</b>                  |                                              |                                  |                                       |                                  |
| Cash and short-term deposits | 1.4                                          | 3.8                              | -                                     | -                                |
| Trade receivables            | 0.6                                          | 1.2                              | -                                     | -                                |
| Trade payables               | (0.4)                                        | (2.2)                            | -                                     | -                                |
|                              | <u>1.6</u>                                   | <u>2.8</u>                       | <u>-</u>                              | <u>-</u>                         |

Derivative contracts are used for hedging trade balances and future currency flows and therefore there is no impact due to currency movement.

The table below presents a sensitivity analysis of the changes in carrying values of the Group's monetary assets and liabilities to reasonably possible strengthening in sterling in market rates of foreign exchange.

|                              | Impact on the income statement arising from: |                                      | Impact on reserves arising from:          |                                      |
|------------------------------|----------------------------------------------|--------------------------------------|-------------------------------------------|--------------------------------------|
|                              | 10% strengthening against US Dollar<br>£m    | 10% strengthening against Euro<br>£m | 10% strengthening against US Dollar<br>£m | 10% strengthening against Euro<br>£m |
| <b>2020</b>                  |                                              |                                      |                                           |                                      |
| Cash and short-term deposits | (1.1)                                        | (2.9)                                | -                                         | -                                    |
| Trade receivables            | (1.8)                                        | (2.1)                                | -                                         | -                                    |
| Trade payables               | 1.9                                          | 2.5                                  | -                                         | -                                    |
| <b>Total</b>                 | <u>(1.0)</u>                                 | <u>(2.5)</u>                         | <u>-</u>                                  | <u>-</u>                             |

|                                           | Impact on the income statement arising from: |                                      | Impact on reserves arising from:          |                                      |
|-------------------------------------------|----------------------------------------------|--------------------------------------|-------------------------------------------|--------------------------------------|
|                                           | 10% strengthening against US Dollar<br>£m    | 10% strengthening against Euro<br>£m | 10% strengthening against US Dollar<br>£m | 10% strengthening against Euro<br>£m |
| <b>2019</b>                               |                                              |                                      |                                           |                                      |
| Cash and short-term deposits              | (1.1)                                        | (3.1)                                | -                                         | -                                    |
| Trade receivables                         | (0.5)                                        | (1.1)                                | -                                         | -                                    |
| Trade payables                            | 0.3                                          | 1.9                                  | -                                         | -                                    |
| Currency exchange contracts (liabilities) | -                                            | 0.1                                  | -                                         | -                                    |
| <b>Total</b>                              | <u>(1.3)</u>                                 | <u>(2.2)</u>                         | <u>-</u>                                  | <u>-</u>                             |

## 18 Financial instruments (continued)

### (b) Interest rate risk

The Group is exposed to movements in interest rates from borrowings at variable rates. It is the Group's policy to maintain an appropriate balance between fixed and floating interest rates on borrowings in order to provide a level of certainty to interest expense and to reduce the impact of interest rate fluctuations. To achieve this, the Group has entered into a series of interest rate swaps that have the economic effect of converting floating rate debt to fixed rate debt. From an accounting perspective, they are reflected as floating rate as there is no hedge relationship under IFRS 9.

The Group's current interest rate swaps expire on 19 November 2021. The table below shows the effect of these on total fixed rate borrowings.

|                                 | Fixed rate<br>borrowings<br>£m | Effect of<br>interest<br>rate swaps<br>£m | Effective<br>fixed rate<br>borrowings<br>£m | Swap rate<br>% |
|---------------------------------|--------------------------------|-------------------------------------------|---------------------------------------------|----------------|
| <b>2020</b>                     |                                |                                           |                                             |                |
| Sterling – fellow group company | 246.2                          | -                                         | -                                           |                |
| Sterling – third parties        | -                              | 626.4                                     | 626.4                                       | 1.83           |
|                                 | <u>246.2</u>                   | <u>626.4</u>                              | <u>626.4</u>                                |                |
|                                 |                                |                                           |                                             |                |
|                                 | Fixed rate<br>borrowings<br>£m | Effect of<br>interest<br>rate swaps<br>£m | Effective<br>fixed rate<br>borrowings<br>£m | Swap rate<br>% |
| <b>2019</b>                     |                                |                                           |                                             |                |
| Sterling – fellow group company | 205.8                          | -                                         | -                                           |                |
| Sterling – third parties        | -                              | 619.4                                     | 619.4                                       | 1.81           |
|                                 | <u>205.8</u>                   | <u>619.4</u>                              | <u>619.4</u>                                |                |

## 18 Financial instruments (continued)

The following table presents a sensitivity analysis of the changes in fair values of the Group's interest rate swaps and changes to the interest expense on unhedged borrowings from a 1% movement in interest rates. The effect of a 1% movement in interest rates on cash or cash equivalent would not be material.

|                                   | Increase in<br>interest<br>rates<br>2020<br>£m | Decrease<br>in interest<br>rates<br>2020<br>£m |
|-----------------------------------|------------------------------------------------|------------------------------------------------|
| Interest rate swaps (liabilities) | 6.3                                            | (6.3)                                          |
| Unhedged borrowings <sup>1</sup>  | (5.8)                                          | 5.8                                            |

|                                   | Increase in<br>interest<br>rates<br>2019<br>£m | Decrease<br>in interest<br>rates<br>2019<br>£m |
|-----------------------------------|------------------------------------------------|------------------------------------------------|
| Interest rate swaps (liabilities) | 6.2                                            | (6.2)                                          |
| Unhedged borrowings <sup>1</sup>  | (5.8)                                          | 5.8                                            |

<sup>1</sup> Impact on the income statement

### (c) Credit risk

Credit risk may arise because of non-performance by a counterparty. The Group is exposed to credit risk on its financial instruments including derivative assets and trade receivables. The Group's policy is for trade receivables to be subject to credit limits, close monitoring and approval procedures. The Group's policy to manage credit risk on derivative assets is to limit all derivative counterparties and cash transactions to high credit quality financial institutions. The Group is not exposed to concentration of credit risk on its derivative assets as these are spread over several financial institutions.

Due to its geographical base and the number and quality of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables.

### Exposure to Credit risk

The carrying amount of financial assets represents the maximum credit exposure, therefore, the maximum credit exposure at the reporting date was:

|                   | 2020<br>£m   | 2019<br>£m  |
|-------------------|--------------|-------------|
| Trade receivables | 127.3        | 82.4        |
| Total             | <u>127.3</u> | <u>82.4</u> |

## 18 Financial instruments (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

|                   | 2020<br>£m   | 2019<br>£m  |
|-------------------|--------------|-------------|
| UK                | 66.0         | 53.4        |
| Europe            | 21.2         | 13.9        |
| Rest of the World | 40.1         | 15.1        |
| <b>Total</b>      | <b>127.3</b> | <b>82.4</b> |

The ageing analysis of trade receivables at the reporting date was:

|                                             | 2020<br>£m   | 2019<br>£m  |
|---------------------------------------------|--------------|-------------|
| Not past due or impaired                    | 72.5         | 35.7        |
| Past due 0 – 30 days but not impaired       | 36.1         | 27.2        |
| Past due more than 30 days but not impaired | 21.4         | 20.8        |
| Individually impaired                       | (2.7)        | (1.3)       |
| <b>Total</b>                                | <b>127.3</b> | <b>82.4</b> |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

|                                      | 2020<br>£m | 2019<br>£m |
|--------------------------------------|------------|------------|
| Balance at the beginning of the year | 1.3        | 1.0        |
| On acquisition                       | 0.4        | -          |
| Charge for the year                  | 1.0        | 0.3        |
| Amounts utilised                     | -          | -          |
| <b>Balance at end of the year</b>    | <b>2.7</b> | <b>1.3</b> |

Based on the historic trend and expected performance of the customers, the Group believes that the above allowance for doubtful receivables sufficiently covers the risk of default.

The charge for the year of £1.0 million (2019: £0.3 million) reflects the change in credit risk assessment arising from the change in ageing in the period. The Group has no collateral in this respect.

### (d) Liquidity risk

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems.

The Group's objective is to manage liquidity risk through the availability of committed credit facilities and compliance with related financial covenants and by maintaining sufficient cash to meet obligations as they fall due.

## 18 Financial instruments (continued)

### Contractual maturities

Details of the contractual maturities and associated undiscounted value at maturity of external borrowings, including estimated interest payments, are set out below:

|                              | External<br>borrowings<br>£m | Trade<br>Payables<br>£m | Derivative<br>liabilities<br>£m | Total<br>£m  |
|------------------------------|------------------------------|-------------------------|---------------------------------|--------------|
| <b>2020</b>                  |                              |                         |                                 |              |
| Within one year or on demand | 25.5                         | 289.0                   | 10.4                            | 324.9        |
| Between one and two years    | 584.8                        | -                       | 0.1                             | 584.9        |
| Between two and three years  | 9.2                          | -                       | -                               | 9.2          |
| Between three and four years | 8.1                          | -                       | -                               | 8.1          |
| Between four and five years  | 6.1                          | -                       | -                               | 6.1          |
| After five years             | 5.2                          | -                       | -                               | 5.2          |
|                              | <u>638.9</u>                 | <u>289.0</u>            | <u>10.5</u>                     | <u>938.4</u> |
| <b>2019</b>                  |                              |                         |                                 |              |
| Within one year or on demand | 22.3                         | 258.5                   | 1.6                             | 282.4        |
| Between one and two years    | 8.5                          | -                       | 9.6                             | 18.1         |
| Between two and three years  | 578.3                        | -                       | -                               | 578.3        |
| Between three and four years | 6.2                          | -                       | -                               | 6.2          |
| Between four and five years  | 5.8                          | -                       | -                               | 5.8          |
| After five years             | 8.9                          | -                       | -                               | 8.9          |
|                              | <u>630.0</u>                 | <u>258.5</u>            | <u>11.2</u>                     | <u>899.7</u> |

Details of the contractual maturities and associated value at maturity of the fellow group company loan are set out below:

|                      | Parent<br>company<br>loan<br>£m |
|----------------------|---------------------------------|
| <b>2020</b>          |                                 |
| 8% Interest due 2023 | <u>313.8</u>                    |
|                      | <b>£m</b>                       |
| <b>2019</b>          |                                 |
| 8% Interest due 2023 | <u>292.9</u>                    |

## 18 Financial instruments (continued)

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur:

|                              | Interest rate swaps |             | Forward exchange contracts |             |
|------------------------------|---------------------|-------------|----------------------------|-------------|
|                              | Assets              | Liabilities | Assets                     | Liabilities |
|                              | £m                  | £m          | £m                         | £m          |
| <b>2020</b>                  |                     |             |                            |             |
| Within one year or on demand | -                   | 8.8         | -                          | 1.5         |
| Between one and two years    | -                   | -           | -                          | 0.1         |
|                              | -                   | 8.8         | -                          | 1.6         |
| <b>2019</b>                  |                     |             |                            |             |
| Within one year or on demand | -                   | -           | 0.2                        | 1.1         |
| Between one and two years    | -                   | 9.6         | -                          | -           |
|                              | -                   | 9.6         | 0.2                        | 1.1         |

### (e) Commodity risk

The Group's activities expose it to the risk of changes in commodity prices. The Group's objective is to minimise the impact of volatility in commodity prices and seeks to cover its raw material requirements by taking out forward contracts to secure supplies at agreed prices.

Forward cover is taken in physical markets for periods of at least three months and typically would not exceed 24 months, although, in certain circumstances, this may be extended.

In the most volatile of the Group's commodity markets, fluctuating prices are hedged through the use of futures. Unrealised gains or losses at the year-end may not crystallise as they depend upon market movements between the year-end and the maturity dates of outstanding contracts. Providing a successful hedge relationship can be demonstrated, gains or losses that do materialise are charged to the Group's operating results when the raw ingredients which these contracts hedge are used. Contracts are settled immediately.

From time to time the Group also uses financial derivatives to protect future raw material prices by taking out options.

### Cash flow hedges

The Group's cash flow hedges relate to commodity contracts and forward foreign exchange contracts.

An aggregate gain of £3.2 million (2019: loss of £0.7 million) relating to commodity and foreign exchange contracts was recognised directly in other comprehensive income during the year ended 31 December 2020. A loss of £0.3 million (2019: gain of £0.7 million) was transferred to the income statement in relation to cash flow hedges of which a loss of £0.4 million (2019: gain of £1.3 million) related to commodity contracts and was recognised in cost of goods sold and a gain of £0.1 million (2019: loss of £0.6 million) related to forward foreign exchange contracts was recognised in operating profit.

## 18 Financial Instruments (continued)

### Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

|                                                    | As at 1 January 2020 | Financing cash flows | Non-cash movements |                                    |                  |                  |                |            |                         | As at 31 December 2020 |
|----------------------------------------------------|----------------------|----------------------|--------------------|------------------------------------|------------------|------------------|----------------|------------|-------------------------|------------------------|
|                                                    |                      |                      | FX revaluation     | Change in deferred debt issue cost | Interest Accrual | Reclassification | On acquisition | Additions  | Other IFRS 16 movements |                        |
|                                                    | £m                   | £m                   | £m                 | £m                                 | £m               | £m               | £m             | £m         | £m                      | £m                     |
| Bank loans (Note 17)                               | 584.3                | (0.5)                | -                  | 1.4                                | (2.3)            | -                | -              | -          | -                       | 582.9                  |
| Finance lease obligations (Note 17)                | 46.7                 | (3.0)                | -                  | -                                  | 1.7              | (12.6)           | 2.0            | -          | (0.1)                   | 34.7                   |
| Other liabilities (Note 17)                        | -                    | -                    | -                  | -                                  | -                | 12.6             | -              | 3.8        | -                       | 16.4                   |
| Loans from related parties (Note 23)               | 205.8                | -                    | (0.5)              | -                                  | 17.3             | 11.3             | 9.2            | 3.1        | -                       | 246.2                  |
| <b>Total liabilities from financing activities</b> | <b>836.8</b>         | <b>(3.5)</b>         | <b>(0.5)</b>       | <b>1.4</b>                         | <b>16.7</b>      | <b>11.3</b>      | <b>11.2</b>    | <b>6.9</b> | <b>(0.1)</b>            | <b>880.2</b>           |

|                                                    | As at 1 January 2019 | Financing cash flows | Non-cash movements |                                    |                  |             | Implement ation of IFRS 16 | As at 31 December 2019 |
|----------------------------------------------------|----------------------|----------------------|--------------------|------------------------------------|------------------|-------------|----------------------------|------------------------|
|                                                    |                      |                      | FX revaluation     | Change in deferred debt issue cost | Interest Accrual |             |                            |                        |
|                                                    | £m                   | £m                   | £m                 | £m                                 | £m               | £m          | £m                         | £m                     |
| Bank loans (Note 17)                               | 614.5                | (31.5)               | (0.2)              | 1.4                                | 0.1              | -           | -                          | 584.3                  |
| Finance lease obligations (Note 17)                | 18.2                 | (2.8)                | -                  | -                                  | -                | 31.3        | -                          | 46.7                   |
| Loans from related parties (Note 23)               | 185.2                | -                    | -                  | -                                  | 20.6             | -           | -                          | 205.8                  |
| <b>Total liabilities from financing activities</b> | <b>817.9</b>         | <b>(34.3)</b>        | <b>(0.2)</b>       | <b>1.4</b>                         | <b>20.7</b>      | <b>31.3</b> | <b>-</b>                   | <b>836.8</b>           |

The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

**19 Provisions**

|                                         | Rationalisation<br>Provisions<br>£m | Onerous<br>Contracts<br>£m | Dilapidations<br>Provision<br>£m | Legal<br>Provisions<br>£m | Total<br>£m |
|-----------------------------------------|-------------------------------------|----------------------------|----------------------------------|---------------------------|-------------|
| <b>At 1 January 2020</b>                | 6.1                                 | 0.5                        | 1.8                              | -                         | 8.4         |
| On acquisition                          | 1.8                                 |                            |                                  |                           | 1.8         |
| Income statement charge                 | 17.9                                | -                          | -                                | 1.0                       | 18.9        |
| Unused amounts reversed during the year | -                                   | (0.5)                      | -                                | -                         | (0.5)       |
| Amounts utilised                        | (16.9)                              | -                          | -                                | -                         | (16.9)      |
| <b>At 31 December 2020</b>              | <u>8.9</u>                          | <u>-</u>                   | <u>1.8</u>                       | <u>1.0</u>                | <u>11.7</u> |
| <b>At 31 December 2020</b>              |                                     |                            |                                  |                           |             |
| Current                                 | 8.9                                 | -                          | 1.8                              | 1.0                       | 11.7        |
| Non-current                             | -                                   | -                          | -                                | -                         | -           |
|                                         | <u>8.9</u>                          | <u>-</u>                   | <u>1.8</u>                       | <u>1.0</u>                | <u>11.7</u> |

|                                         | Rationalisation<br>Provisions<br>£m | Onerous<br>Contracts<br>£m | Dilapidations<br>Provision<br>£m | Total<br>£m |
|-----------------------------------------|-------------------------------------|----------------------------|----------------------------------|-------------|
| <b>At 1 January 2019</b>                | 6.5                                 | 1.0                        | -                                | 7.5         |
| Income statement charge                 | 14.1                                | -                          | 1.8                              | 15.9        |
| Unused amounts reversed during the year | -                                   | (0.5)                      | -                                | (0.5)       |
| Amounts utilised                        | (14.5)                              | -                          | -                                | (14.5)      |
| <b>At 31 December 2019</b>              | <u>6.1</u>                          | <u>0.5</u>                 | <u>1.8</u>                       | <u>8.4</u>  |
| <b>At 31 December 2019</b>              |                                     |                            |                                  |             |
| Current                                 | 6.1                                 | -                          | -                                | 6.1         |
| Non-current                             | -                                   | 0.5                        | 1.8                              | 2.3         |
|                                         | <u>6.1</u>                          | <u>0.5</u>                 | <u>1.8</u>                       | <u>8.4</u>  |

Provisions are recorded only where there is a legal or constructive obligation.

Rationalisation provisions principally comprise obligations in relation to overhead reduction and efficiency programmes across the Group. The provision is expected to be utilised within the next year.

The provision for onerous contracts relates primarily to the cost of surplus leasehold properties, where unavoidable costs exceed anticipated income. The associated lease commitments are due to expire in 2021.

Dilapidations provisions relate to the UK head office. The lease is due to expire in 2021.



## 20 Share capital, share premium and reserves

### Share capital

*Ordinary shares authorised, issued and fully paid*

|                                     | Number of<br>shares  |
|-------------------------------------|----------------------|
| Ordinary shares of £1 Sterling each | <u>1,200,000,002</u> |

|                            | Number of<br>shares  | £                    |
|----------------------------|----------------------|----------------------|
| <b>At 1 January 2020</b>   | 1,200,000,001        | 1,200,000,001        |
| Issued in the year         | 1                    | 1                    |
| <b>At 31 December 2020</b> | <u>1,200,000,002</u> | <u>1,200,000,002</u> |

### Share premium

|                        |            |            |
|------------------------|------------|------------|
| As at 31 December 2019 | -          | -          |
| As at 31 December 2020 | 91,465,229 | 91,465,229 |

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

On 31 May 2020, United Biscuits Topco Limited (a subsidiary of the Group) acquired 100% of the shares in Starbrands North America Inc from G-New Inc, a subsidiary of Yildiz Holding A.S, and 100% of the shares in Starbrands Canada Inc from pladis Foods Limited for \$119.0m (c £91.5m), with proceeds left on loan accounts. On 16 September 2020, these loans were capitalised via novation of the loans through the chain of companies. This has resulted in the UMV Global Foods Holding Company Limited increasing its investment in United Biscuits Topco Limited, which was subsequently eliminated on consolidation, and issuing share premium to its parent company, pladis Foods Limited

### Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. As at 31 December 2020 the balance on the reserve amounted to a loss of £45.5 million (2019: loss of £31.2 million).

### Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is deemed to be effective. As at 31 December 2020 the balance on the reserve was a gain of £3.5 million (2019: £nil).

### Property revaluation reserves

The property revaluation reserve records the surplus arising over cost on the revaluation of freehold land and buildings. See Note 11.

---

**21 Retirement benefit liability**

---

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

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

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

All of the Group's defined benefit plans are closed to new members and membership of defined contribution plans is available for new employees.

The Group has unfunded arrangements as follows: additional UK post-retirement benefits for certain senior managers; post-retirement healthcare benefits for certain employees in the Netherlands, and employees in France are entitled to a lump sum payment on retirement, indemnité de départ en retraite ("IDR").

## 21 Retirement benefit liability (continued)

The Group's retirement benefit (liabilities), comprised the following:

|                                                     | 2020<br>£m | 2019<br>£m |
|-----------------------------------------------------|------------|------------|
| <b>UK</b>                                           |            |            |
| <b>Pension - Funded</b>                             |            |            |
| UBUK                                                | (7.2)      | (12.2)     |
| Jacob's Bakery                                      | 1.1        | (9.5)      |
| <b>Pension - Unfunded</b>                           | (27.2)     | (25.5)     |
|                                                     | (33.3)     | (47.2)     |
| IFRIC 14 adjustment for minimum funding requirement | (133.0)    | (87.3)     |
| <b>Total UK Schemes</b>                             | (166.3)    | (134.5)    |
| <b>France</b>                                       |            |            |
| IDR – Unfunded                                      | (3.5)      | (3.3)      |
| <b>Netherlands</b>                                  |            |            |
| Post-retirement healthcare scheme – Unfunded        | (1.4)      | (1.4)      |
| <b>A&amp;P Foods Nigeria</b>                        |            |            |
| Pension scheme – Unfunded                           | (0.1)      | (0.2)      |
| <b>Post-retirement benefit liability</b>            | (171.3)    | (139.4)    |

The total amount relating to pensions recognised in operating profit for the year ended 31 December 2020 was £20.0 million (2019: £18.6 million), of which £9.0 million (2019: £8.6 million) related to defined contribution plans.

The total amount relating to IDR recognised in operating profit for the year ended 31 December 2020 was £nil (2019: £nil).

The Netherlands post-retirement benefit healthcare scheme is closed to current employees, therefore no annual service cost is charged in the income statement.

The assets and liabilities of the schemes and the net post-retirement obligations were:

|                                                          | Pension<br>£m | IDR<br>£m | Healthcare<br>£m | A&P<br>Foods<br>£m | Total<br>£m |
|----------------------------------------------------------|---------------|-----------|------------------|--------------------|-------------|
| <b>At 31 December 2020</b>                               |               |           |                  |                    |             |
| <i>Assets with a quoted market price</i>                 |               |           |                  |                    |             |
| Equities                                                 | 391.8         | -         | -                | -                  | 391.8       |
| Bonds                                                    | 311.0         | -         | -                | -                  | 311.0       |
| Hedge funds, currency and infrastructure                 | 194.2         | -         | -                | -                  | 194.2       |
| Cash                                                     | 139.4         | -         | -                | -                  | 139.4       |
| <i>Assets not quoted in an active market</i>             |               |           |                  |                    |             |
| Property, infrastructure and hedge funds                 | 1,348.9       | -         | -                | -                  | 1,348.9     |
| Total market value of assets                             | 2,385.3       | -         | -                | -                  | 2,385.3     |
| Present value of scheme liabilities                      | (2,418.6)     | (3.5)     | (1.4)            | (0.1)              | (2,423.6)   |
| Deficit in the scheme                                    | (33.3)        | (3.5)     | (1.4)            | (0.1)              | (38.3)      |
| Additional liability due to minimum funding requirements | (133.0)       | -         | -                | -                  | (133.0)     |
| Net Pension Deficit                                      | (166.3)       | (3.5)     | (1.4)            | (0.1)              | (171.3)     |

**21 Retirement benefit liability (continued)**

|                                                          | Pension<br>£m | IDR<br>£m | Healthcare<br>£m | A&P<br>Foods<br>£m | Total<br>£m |
|----------------------------------------------------------|---------------|-----------|------------------|--------------------|-------------|
| <b>At 31 December 2019</b>                               |               |           |                  |                    |             |
| <i>Assets with a quoted market price</i>                 |               |           |                  |                    |             |
| Equities                                                 | 479.4         | -         | -                | -                  | 479.4       |
| Bonds                                                    | 191.3         | -         | -                | -                  | 191.3       |
| Hedge funds, currency and infrastructure                 | 294.0         | -         | -                | -                  | 294.0       |
| Cash                                                     | 62.3          | -         | -                | -                  | 62.3        |
| <i>Assets not quoted in an active market</i>             |               |           |                  |                    |             |
| Property, infrastructure and hedge funds                 | 1,194.2       | -         | -                | -                  | 1,194.2     |
| Total market value of assets                             | 2,221.2       | -         | -                | -                  | 2,221.2     |
| Present value of scheme liabilities                      | (2,268.4)     | (3.3)     | (1.4)            | (0.2)              | (2,273.3)   |
| Deficit in the scheme                                    | (47.2)        | (3.3)     | (1.4)            | (0.2)              | (52.1)      |
| Additional liability due to minimum funding requirements | (87.3)        | -         | -                | -                  | (87.3)      |
| Net Pension Deficit                                      | (134.5)       | (3.3)     | (1.4)            | (0.2)              | (139.4)     |

The Group's schemes have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

The amounts recognised in the consolidated income statement and in the consolidated statement of comprehensive income in respect of defined benefit pensions and post retirement healthcare are analysed below:

|                                                                                | Pension<br>£m | IDR<br>£m | Healthcare<br>£m | A&P<br>Foods<br>£m | Total<br>£m |
|--------------------------------------------------------------------------------|---------------|-----------|------------------|--------------------|-------------|
| <b>2020</b>                                                                    |               |           |                  |                    |             |
| <b>Income statement</b>                                                        |               |           |                  |                    |             |
| Current service cost <sup>(1)</sup>                                            | (5.3)         | -         | -                | -                  | (5.3)       |
| Past service cost                                                              | (0.2)         | -         | -                | -                  | (0.2)       |
| Scheme administration costs                                                    | (3.4)         | -         | -                | -                  | (3.4)       |
| Company administration costs                                                   | (2.1)         | -         | -                | -                  | (2.1)       |
| Operating profit                                                               | (11.0)        | -         | -                | -                  | (11.0)      |
| Net interest on adjustment in respect to minimum funding requirement           | (1.6)         | -         | -                | -                  | (1.6)       |
| Net interest expense                                                           | (0.6)         | -         | -                | -                  | (0.6)       |
| Other finance income – pensions                                                | (2.2)         | -         | -                | -                  | (2.2)       |
| <b>Statement of other comprehensive income</b>                                 |               |           |                  |                    |             |
| Return on plan assets excluding amounts included in interest expense           | 188.6         | -         | -                | -                  | 188.6       |
| Experience losses on scheme liabilities                                        | 9.1           | -         | -                | -                  | 9.1         |
| IFRIC 14 minimum funding adjustment                                            | (44.1)        | -         | -                | -                  | (44.1)      |
| Actuarial losses due to changes in financial assumptions                       | (201.8)       | (0.2)     | -                | -                  | (202.0)     |
| Actuarial gains due to changes in demographic assumptions                      | (10.6)        | -         | -                | -                  | (10.6)      |
| Remeasurement losses recognised in the statement of other comprehensive income | (58.8)        | (0.2)     | -                | -                  | (59.0)      |

## 21 Retirement benefit liability (continued)

|                                                                                | Pension<br>£m | IDR<br>£m | Healthcare<br>£m | A&P<br>Foods<br>£m | Total<br>£m |
|--------------------------------------------------------------------------------|---------------|-----------|------------------|--------------------|-------------|
| <b>2019</b>                                                                    |               |           |                  |                    |             |
| <b>Income statement</b>                                                        |               |           |                  |                    |             |
| Current service cost <sup>(1)</sup>                                            | (4.5)         | (0.2)     | -                | -                  | (4.7)       |
| Scheme administration costs                                                    | (3.5)         | -         | -                | -                  | (3.5)       |
| Company administration costs                                                   | (2.0)         | -         | -                | -                  | (2.0)       |
| Operating profit                                                               | (10.0)        | (0.2)     | -                | -                  | (10.2)      |
| Net interest on adjustment in respect to minimum funding requirement           | (2.1)         | -         | -                | -                  | (2.1)       |
| Net interest expense                                                           | (1.5)         | -         | -                | -                  | (1.5)       |
| Other finance income – pensions                                                | (3.6)         | -         | -                | -                  | (3.6)       |
| <b>Statement of other comprehensive income</b>                                 |               |           |                  |                    |             |
| Return on plan assets excluding amounts included in interest expense           | 225.9         | -         | -                | -                  | 225.9       |
| Experience losses on scheme liabilities                                        | (5.9)         | -         | -                | -                  | (5.9)       |
| IFRIC 14 minimum funding adjustment                                            | 54.8          | -         | -                | -                  | 54.8        |
| Actuarial losses due to changes in financial assumptions                       | (303.0)       | (0.3)     | 0.4              | -                  | (302.9)     |
| Actuarial gains due to changes in demographic assumptions                      | 14.6          | -         | -                | -                  | 14.6        |
| Remeasurement losses recognised in the statement of other comprehensive income | (13.6)        | (0.3)     | 0.4              | -                  | (13.5)      |

<sup>(1)</sup> Costs are recognised in cost of goods sold, distribution and marketing expenses and general and administrative expenses.

### Valuation

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

### Key assumptions

#### (a) Pensions

|                                         | 2020<br>% | 2019<br>% |
|-----------------------------------------|-----------|-----------|
| Rate of salary increases                |           |           |
| Final salary                            | 2.70      | 2.90      |
| CARE                                    | 2.70      | 2.90      |
| Rate of increase of pensions in payment | 2.70      | 2.90      |
| Discount rate                           | 1.46      | 2.10      |
| Inflation                               | 2.80      | 3.00      |

## 21 Retirement benefit liability (continued)

The average life expectancy assumed for the UBUK plan for a current male pensioner aged 65 is 21.5 years (2019: 21.3 years) and for a current female pensioner aged 65 is 23.4 years (2019: 23.2 years); for a future male pensioner aged 65 in 2040 it is 22.5 years (2019: 22.3 years) and for a future female pensioner aged 65 in 2040 it is 24.6 years (2019: 24.4 years).

The weighted average duration of the schemes is 17 years.

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

Contributions of approximately £32.6 million (2019: £29.7 million) per annum in addition to the employer's regular contribution are being made in order to eliminate the deficit in the UK defined benefit plans on a funding basis. The total contributions to the Group's defined benefit plans in 2021 are expected to be approximately £36.6 million (2019: £37.6 million).

### (b) Post-retirement healthcare

|                                      | 2020<br>% | 2019<br>% |
|--------------------------------------|-----------|-----------|
| Discount rate                        | 0.0       | 0.4       |
| Inflation                            | 2.0       | 2.0       |
| Rate of increase in healthcare costs | 2.0       | 2.0       |

### (c) IDR

|                 | 2020<br>% | 2019<br>% |
|-----------------|-----------|-----------|
| Discount rate   | 0.35      | 0.7       |
| Salary increase | 2.5       | 2.5       |

### Sensitivity Analysis

If the discount rate were to decrease by 0.1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £43.7 million (2019: £38.4 million).

If the inflation rate were to increase by 0.1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £34.3 million (2019: £30.4 million).

If the life expectancy were to increase by 1 year without changing any other assumptions the total pension defined benefit obligations would increase by approximately £113.9 million (2019: £96.9 million).

If the discount rate were to increase by 0.1% without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £43.0 million (2019: £38.0 million).

If the inflation rate were to decrease by 0.1% without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £31.9 million (2019: £28.3 million).

If the life expectancy were to decrease by 1 year without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £113.3 million (2019: £97.6 million).

## 21 Retirement benefit liability (continued)

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

|                                                           | Pension<br>£m  | IDR<br>£m  | Healthcare<br>£m | A&P<br>£m  | Total<br>£m    |
|-----------------------------------------------------------|----------------|------------|------------------|------------|----------------|
| <b>As at 1 January 2020</b>                               | 2,268.4        | 3.3        | 1.4              | 0.2        | 2,273.3        |
| Current service cost                                      | 5.3            | -          | -                | -          | 5.3            |
| Past service cost                                         | 0.2            | -          | -                | -          | 0.2            |
| Interest cost                                             | 40.0           | -          | -                | -          | 40.0           |
| Benefits paid                                             | (98.6)         | (0.1)      | (0.1)            | -          | (98.8)         |
| Experience losses on scheme liabilities                   | (9.1)          | -          | -                | -          | (9.1)          |
| Actuarial losses due to changes in financial assumptions  | 201.8          | 0.2        | -                | -          | 202.0          |
| Actuarial gains due to changes in demographic assumptions | 10.6           | -          | -                | -          | 10.6           |
| Foreign exchange                                          | -              | 0.1        | 0.1              | (0.1)      | 0.1            |
| <b>As at 31 December 2020</b>                             | <u>2,418.6</u> | <u>3.5</u> | <u>1.4</u>       | <u>0.1</u> | <u>2,423.6</u> |

|                                                           | Pension<br>£m  | IDR<br>£m  | Healthcare<br>£m | A&P<br>£m  | Total<br>£m    |
|-----------------------------------------------------------|----------------|------------|------------------|------------|----------------|
| <b>As at 1 January 2019</b>                               | 2,025.3        | 3.0        | 1.8              | 0.2        | 2,030.3        |
| Current service cost                                      | 4.5            | 0.2        | -                | -          | 4.7            |
| Interest cost                                             | 53.3           | -          | -                | -          | 53.3           |
| Benefits paid                                             | (105.8)        | (0.1)      | (0.1)            | -          | (106.0)        |
| Experience losses on scheme liabilities                   | 5.9            | -          | -                | -          | 5.9            |
| Actuarial losses due to changes in financial assumptions  | 299.8          | 0.3        | (0.4)            | -          | 299.7          |
| Actuarial gains due to changes in demographic assumptions | (14.6)         | -          | -                | -          | (14.6)         |
| Foreign exchange                                          | -              | (0.1)      | 0.1              | -          | -              |
| <b>As at 31 December 2019</b>                             | <u>2,268.4</u> | <u>3.3</u> | <u>1.4</u>       | <u>0.2</u> | <u>2,273.3</u> |

The defined benefit obligation comprises £2,391.4 million (2019: £2,242.9 million) arising from funded plans and £32.3 million (2019: £30.4 million) from plans or arrangements that are unfunded.

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

|                                                                     | Total<br>£m    |
|---------------------------------------------------------------------|----------------|
| <b>As at 1 January 2020</b>                                         | 2,221.2        |
| Interest income                                                     | 39.4           |
| Employer contributions                                              | 37.3           |
| Benefits paid                                                       | (97.8)         |
| Administration expenses                                             | (3.4)          |
| Return on plan assets excluding amounts included in interest income | 188.6          |
| <b>As at 31 December 2020</b>                                       | <u>2,385.3</u> |

## 21 Retirement benefit liability (continued)

|                                                                     | Total<br>£m    |
|---------------------------------------------------------------------|----------------|
| <b>As at 1 January 2019</b>                                         | 2,018.8        |
| Interest income                                                     | 53.4           |
| Employer contributions                                              | 34.9           |
| Benefits paid                                                       | (105.1)        |
| Administration expenses                                             | (3.5)          |
| Return on plan assets excluding amounts included in interest income | 222.7          |
| <b>As at 31 December 2019</b>                                       | <u>2,221.2</u> |

## 22 Financial commitments

The Group's financial commitments in respect of retirement benefits are set out in Note 21. The Group's financial commitments in respect of capital expenditure and commitments are summarised below.

As at 31 December 2020 and 31 December 2019 the Group's financial commitments in respect of capital expenditure are summarised below:

|                                | 2020<br>£m | 2019<br>£m |
|--------------------------------|------------|------------|
| Contracted capital expenditure | 5.4        | 5.5        |

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

|                                                   | 2020<br>£m | 2019<br>£m |
|---------------------------------------------------|------------|------------|
| Not later than one year                           | 0.8        | 0.8        |
| Later than one year but not later than five years | 0.2        | 0.9        |
|                                                   | <u>1.0</u> | <u>1.7</u> |

Future minimum commitments for 2019 solely to short-term leases which are exempt from IFRS 16.

The Senior Facilities Agreement entered into on 31 August places certain restrictions on paying dividends and making other capital distributions (including shareholder loan repayments) where the Group's leverage ratio is above a certain level. Where leverage is below the relevant level, distributions of capital may be made provided that, after giving effect to such payment, the leverage shall not be greater than the agreed level.



## 23 Related party disclosures

Except as otherwise disclosed in these financial statements, there have been no transactions with related parties, which were material either to the Group or the counterparty and which are required to be disclosed under the provisions of IAS 24 "Related Party Disclosures".

### Amounts due to parent company

Amounts due by the Group to Pladis Foods Limited and other related parties were as follows:

|                  | 2020<br>£m   | 2019<br>£m   |
|------------------|--------------|--------------|
| Loan             | 94.0         | 70.9         |
| Accrued interest | 152.2        | 134.9        |
|                  | <u>246.2</u> | <u>205.8</u> |

The above loan bears interest at 8% per annum and is repayable in 2023.

### Purchase and sales transactions

Transactions with related parties are listed below:

|                                                                  | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------|------------|------------|
| <b>Yildiz Holdings A.S. and its subsidiaries</b>                 |            |            |
| Sales                                                            | 1.1        | -          |
| Purchases                                                        | 1.2        | -          |
| <b>Ulker Biskuvi Sanayi ve Ticaret A.S. and its subsidiaries</b> |            |            |
| Sales                                                            | 13.9       | 12.9       |
| Purchases                                                        | -          | 0.3        |
| <b>Istanbul Gida Dis Ticaret Anonim Si*</b>                      |            |            |
| Sales                                                            | -          | 2.2        |
| Purchases                                                        | -          | 15.9       |
| <b>Godiva Belgium BVBA and its subsidiaries</b>                  |            |            |
| Sales                                                            | 2.0        | 3.0        |
| Purchases                                                        | 0.8        | 5.1        |
| <b>Starbrands North America Inc.**</b>                           |            |            |
| Sales                                                            | 2.4        | 4.2        |
| Purchases                                                        | 1.4        | -          |

### Receivables and payables

Transactions with related parties are listed below. With the exception of those noted below, these are non-interest bearing and repayable on demand:

|                                                                  | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------|------------|------------|
| <b>Yildiz Holdings A.S.</b>                                      |            |            |
| Receivable                                                       | 6.2        | 0.4        |
| Payable                                                          | 1.3        | 0.2        |
| <b>Pladis Foods Limited</b>                                      |            |            |
| Receivable***                                                    | 27.8       | 1.8        |
| <b>Pladis Europe B.V.</b>                                        |            |            |
| Receivable****                                                   | -          | 6.0        |
| <b>Pladis Belgium</b>                                            |            |            |
| Receivable****                                                   | -          | 0.8        |
| <b>Ulker Biskuvi Sanayi ve Ticaret A.S. and its subsidiaries</b> |            |            |
| Receivable                                                       | 3.9        | 0.9        |

## 23 Related party disclosures (continued)

|                                                                  | 2020<br>£m | 2019<br>£m |
|------------------------------------------------------------------|------------|------------|
| <b>Ulker Biskuvi Sanayi ve Ticaret A.S. and its subsidiaries</b> |            |            |
| Payable                                                          | 0.5        | 0.2        |
| <b>Istanbul Gida Dis Ticaret Anonim Si*</b>                      |            |            |
| Receivable                                                       | -          | 0.4        |
| Payable                                                          | -          | 10.5       |
| <b>Godiya Belgium BVBA and its subsidiaries</b>                  |            |            |
| Receivable                                                       | 1.2        | 2.5        |
| Payable                                                          | 0.1        | 2.9        |
| <b>Starbrands North America Inc**</b>                            |            |            |
| Receivable                                                       | -          | 3.0        |
| Payable                                                          | -          | 0.9        |

\* Istanbul Gida Dis Ticaret Anonim Si is not a related party from 2020 onwards

\*\* Starbrands North America Inc was acquired by the Group on 31 May 2020, therefore the sales and purchases above are reflective of the first 5 months of the year only.

\*\*\* This relates to operational and management costs.

\*\*\*\* These companies were acquired by the Group on 31 December 2020 and therefore they are no longer classified as related parties. In 2019, these balances related to a non-trading loan which is repayable on demand and earns interest of Euribor + 3.6%.

Short-term employee benefits paid to key management personnel, including directors, for the year ended 31 December 2020 totalled £11.9 million (2019: £9.8 million), which includes termination benefits of £nil (2019: £0.4 million).

### Other

Fees totalling £3.2 million (2019: £2.0 million) were payable by the Group to Yildiz Holding A.S. for the year ended 31 December 2020. These fees are payable in respect of the provision of corporate governance services, including directors' fees.

## 24 Events after the balance sheet date

### Covid-19

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

The Group invoked its business continuity plans and sought to serve and support its customers and protect liquidity while maintaining the safety and well-being of its employees.

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

The continuing effects of COVID-19 on Group operations will depend on the global duration, extent and severity of the pandemic and, whilst the outlook remains uncertain, the vaccination programme and the easing of lockdown have had positive effects. An impact of the pandemic is economic recession in some parts of the global economy. While this could have negative implications for overall economic growth and consumer spend, previous experiences indicate that consumer goods companies with strong brands, an efficient and agile supply chain and engaged human capital can minimise the negative impact and emerge stronger.

---

**25 Ultimate parent company**


---

In the directors' opinion, the Company's ultimate parent undertaking as at 31 December 2020 was Yildiz Holding A.S., a company registered in Turkey. The ultimate controlling party is Mr Murat Ülker.

The immediate parent company is Pladis Foods Limited, a company registered in England and Wales, United Kingdom whose registered office is United Biscuits Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.

---

**26 Subsidiaries exempt from audit**


---

The following UK subsidiaries have taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2020.

| <b>Name</b>                      | <b>Registration number</b> |
|----------------------------------|----------------------------|
| Regentrealm Limited              | 3885120                    |
| Runecorp Limited                 | 3876056                    |
| Solvecorp Limited                | 3876059                    |
| United Biscuits Bidco Limited    | 5957644                    |
| United Biscuits Bondco Limited   | 5957937                    |
| UB Group Limited                 | SC064218                   |
| United Biscuits Holdco Limited   | 5957557                    |
| United Biscuits Holdco 2 Limited | 5957575                    |
| UB Overseas Limited              | 1496587                    |
| United Biscuits Topco Limited    | 5957921                    |
| United Biscuits VLNco Limited    | 5957560                    |

Company registered no: 09289015

# **UMV GLOBAL FOODS HOLDING COMPANY LTD**

## **Parent Company Financial Statements**

For the year ended 31 December 2020

# UMV GLOBAL FOODS HOLDING COMPANY LTD

Parent Company Financial Statements

## Income statement

For the year ended 31 December 2020

|                                          | Note | 2020<br>£m    | 2019<br>£m    |
|------------------------------------------|------|---------------|---------------|
| Operating result before interest and tax | 4    | -             | -             |
| Interest receivable and other income     | 5    | 3.3           | 3.0           |
| Interest payable and similar expenses    | 6    | (16.2)        | (14.9)        |
| <b>Loss before taxation</b>              |      | <b>(12.9)</b> | <b>(11.9)</b> |
| Tax on loss                              | 7    | -             | -             |
| <b>Loss for the financial year</b>       |      | <b>(12.9)</b> | <b>(11.9)</b> |

All amounts relate to continuing activities.

During the current and preceding year there have been no other comprehensive income other than those recognised in the income statement and consequently no separate statement of comprehensive income is presented.

The notes on pages 88 – 91 form an integral part of these financial statements.

## UMV GLOBAL FOODS HOLDING COMPANY LTD

### Parent Company Financial Statements

## Balance sheet

As at 31 December 2020

|                                                                | Note | 2020<br>£m     | 2019<br>£m     |
|----------------------------------------------------------------|------|----------------|----------------|
| <b>Non-current assets</b>                                      |      |                |                |
| Investments                                                    | 8    | 1,291.5        | 1,200.0        |
|                                                                |      | <u>1,291.5</u> | <u>1,200.0</u> |
| <b>Debtors: amounts falling due after more than one year</b>   |      |                |                |
| Amounts owed by group undertakings                             |      | 43.6           | 40.3           |
|                                                                |      | <u>43.6</u>    | <u>40.3</u>    |
| <b>Net current assets</b>                                      |      |                |                |
| <b>Total assets less current liabilities</b>                   |      | <u>1,335.1</u> | <u>1,240.3</u> |
| <b>Creditors: amounts falling due after more than one year</b> |      |                |                |
| Amounts owed to group undertakings                             |      | (209.6)        | (193.4)        |
|                                                                |      | <u>(209.6)</u> | <u>(193.4)</u> |
| <b>Net assets</b>                                              |      | <u>1,125.5</u> | <u>1,046.9</u> |
| <b>Capital and reserves</b>                                    |      |                |                |
| Called up share capital                                        | 9    | 1,200.0        | 1,200.0        |
| Share premium                                                  | 9    | 91.5           | -              |
| Accumulated loss                                               |      | (166.0)        | (153.1)        |
| <b>Total equity</b>                                            |      | <u>1,125.5</u> | <u>1,046.9</u> |

The notes on pages 88 – 91 form an integral part of these financial statements.

The financial statements of UMV Global Foods Holding Company Ltd (registered number 9289015) on pages 84 to 91 were approved by the Board and signed on its behalf on 30 April 2021.



Murat Ulker

Director

# UMV GLOBAL FOODS HOLDING COMPANY LTD

Parent Company Financial Statements

## Statement of changes in equity

For the year ended 31 December 2020

### Equity attributable to equity holders of the Company

|                             | Share<br>Capital<br>£m | Share<br>Premium<br>£m | Accumulated<br>loss<br>£m | Total Equity<br>£m |
|-----------------------------|------------------------|------------------------|---------------------------|--------------------|
| At 1 January 2020           | 1,200.0                | -                      | (153.1)                   | 1,046.9            |
| Loss for the financial year | -                      | -                      | (12.9)                    | (12.9)             |
| Issue of share premium      | -                      | 91.5                   | -                         | 91.5               |
| <b>At 31 December 2020</b>  | <b>1,291.5</b>         | <b>91.5</b>            | <b>(166.0)</b>            | <b>1,125.5</b>     |

For the year ended 31 December 2019

### Equity attributable to equity holders of the Company

|                             | Share<br>Capital<br>£m | Share<br>Premium<br>£m | Accumulated<br>loss<br>£m | Total Equity<br>£m |
|-----------------------------|------------------------|------------------------|---------------------------|--------------------|
| At 1 January 2019           | 1,200.0                | -                      | (141.2)                   | 1,058.8            |
| Loss for the financial year | -                      | -                      | (11.9)                    | (11.9)             |
| <b>At 31 December 2019</b>  | <b>1,200.0</b>         | <b>-</b>               | <b>(153.1)</b>            | <b>1,046.9</b>     |

The notes on pages 88 – 91 form an integral part of these financial statements.

# UMV GLOBAL FOODS HOLDING COMPANY LTD

## Parent Company Financial Statements

---

### 1 Authorisation of financial statements

---

The financial statements of UMV Global Foods Holding Company Ltd (the "Company") on pages 85 to 91 for the year ended 31 December 2020 were authorised for issue by the board of directors on 30 April 2021 and the balance sheet was signed on the Board's behalf by Murat Ulker. The Company is a private company limited by shares, registered, incorporated and domiciled in England and Wales, United Kingdom. Its registered office is stated on page 16.

---

### 2 Accounting policies

---

#### Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable UK accounting standards.

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

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

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

- a) the requirement to disclose new accounting standards not yet effective;
- b) the requirement of IFRS 7 Financial Instruments: Disclosures;
- c) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- d) the requirements of paragraphs 10(d), 38A – 38D, 111 and 134 - 136 of IAS 1 Presentation of Financial Statements;
- e) the requirements of IAS 7 Statement of Cash Flows;
- f) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- g) the requirements of 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 transactions is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements are prepared on the historical cost basis of accounting. The principal accounting policies adopted are set out below.

#### Significant accounting judgements, estimates, and assumptions

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

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing material adjustment within the next financial year arises in connection with the recoverability of intercompany receivables. Management judgement is necessary in assessing whether debtors are recoverable.

#### Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

#### Financial assets - initial recognition and measurement

The Company's financial assets are all classified as those to be measured at amortised cost.



# UMV GLOBAL FOODS HOLDING COMPANY LTD

## Parent Company Financial Statements

### 2 Accounting policies (continued)

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

#### Financial assets - subsequent measurement

The subsequent measurement of the Company's financial assets (except cash) depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Based on their characteristics, the Company's financial assets are measured at amortised cost.

Assets measured at amortised cost are those which are held to collect cash flows on the repayment of principal or interest. A gain or loss on a financial asset recognised at amortised cost on de-recognition or impairment is recognised in profit or loss. Any interest income is recognised within finance income using the effective interest rate method.

#### Financial assets - impairment

There are no expected credit losses on amounts owed by group undertakings.

#### Interest receivable and payable

Interest is recognised as it accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to its net carrying amount.

### 3 Directors and employees

Directors' remuneration is disclosed in Note 6 to the consolidated financial statements.

The Company has no employees.

### 4 Operating result before interest and tax

The auditors' remuneration is borne by United Biscuits (UK) Limited. Refer to Note 6 of the Group financial statements for details. There is no recharge to the Company.

### 5 Interest receivable and other income

|                                              | 2020<br>£m | 2019<br>£m |
|----------------------------------------------|------------|------------|
| Interest receivable from a group undertaking | 3.3        | 3.0        |

Interest is receivable from UMV Global Foods Company Limited, the direct subsidiary of the Company.

## UMV GLOBAL FOODS HOLDING COMPANY LTD

### Parent Company Financial Statements

---

#### 6 Interest payable and similar expenses

---

|                                    | 2020<br>£m    | 2019<br>£m    |
|------------------------------------|---------------|---------------|
| Interest payable to parent company | <u>(16.2)</u> | <u>(14.9)</u> |

---

#### 7 Tax on loss

---

The current tax credit on the loss before taxation for the year 2020 is lower than (2019: lower than) the average rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are reconciled below:

|                                                          | 2020<br>£m    | 2019<br>£m    |
|----------------------------------------------------------|---------------|---------------|
| Loss before taxation                                     | <u>(12.9)</u> | <u>(11.9)</u> |
| Tax credit at UK statutory rate of 19.00% (2019: 19.00%) | (2.5)         | (2.3)         |
| Group relieved for no consideration                      | <u>2.5</u>    | <u>2.3</u>    |
| Total tax credit                                         | <u>-</u>      | <u>-</u>      |

Refer to Note 9 of the group financial statements for details of changes in tax rates.

---

#### 8 Investments

---

|                                                | £m             |
|------------------------------------------------|----------------|
| Cost and Net Book Value as at 1 January 2020   | 1,200.0        |
| Additions                                      | 91.5           |
| Cost and Net Book Value as at 31 December 2020 | <u>1,291.5</u> |

The Company holds 100% of UMV Global Foods Company Limited's ordinary share capital.

On 31 May 2020, United Biscuits Topco Limited (an indirect subsidiary of the Company) acquired 100% of the shares in Starbrands North America Inc from G-New Inc, a subsidiary of Yildiz Holding A.S, and 100% of the shares in Starbrands Canada Inc from pladis Foods Limited for \$119.0m (c £91.5m), with proceeds left on loan accounts. On 16 September 2020, these loans were capitalised via novation of the loans through the chain of companies. This has resulted in the Company increasing its investment in United Biscuits Topco Limited and issuing share premium to its parent company, pladis Foods Limited

Refer to the Note 12 of the group financial statements for details of all indirect subsidiary companies.

## UMV GLOBAL FOODS HOLDING COMPANY LTD

Parent Company Financial Statements

---

### 9 Called up share capital and share premium

---

#### Share capital

*Ordinary shares Authorised, issued and fully paid*

|                                     | Number of shares     |
|-------------------------------------|----------------------|
| Ordinary shares of £1 Sterling each | <u>1,200,000,002</u> |

|                     | Number of shares     | £                    |
|---------------------|----------------------|----------------------|
| At 1 January 2020   | 1,200,000,001        | 1,200,000,001        |
| Issued in the year  | 1                    | 1                    |
| At 31 December 2020 | <u>1,200,000,002</u> | <u>1,200,000,002</u> |

#### Share premium

|                        |            |            |
|------------------------|------------|------------|
| As at 31 December 2019 | -          | -          |
| As at 31 December 2020 | 91,465,229 | 91,465,229 |

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

See Note 8 for details of the issue of share premium in the year.

---

### 10 Inter-group cross-guarantee

---

The Company has cross-guaranteed the Group's Senior facility, which is held by UMV Global Foods Company Limited. The outstanding principal amount under the facility as at 31 December 2020 was £575.0 million (2019: £575.0 million).

---

### 11 Events after the balance sheet date

---

Refer to Note 24 of the group financial statements for details.

---

### 12 Ultimate parent company

---

In the directors' opinion, the Company's immediate parent undertaking is Pladis Foods Limited, which is incorporated in the UK and whose registered office is Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE, England.

In the directors' opinion, the Company's ultimate parent undertaking as at 31 December 2020 was Yildiz Holding A.S., a company incorporated in Turkey whose registered office is Kısıklı Mahallesi Cesme Cikmazi Sokak No:6/1,34692, Uskudar/Istanbul -Turkey. The ultimate controlling party is Mr Murat Ülker.

The largest group in which the Company's financial statements are included is Yildiz Holding A.S. and the smallest group is Pladis Foods Limited. A copy of the consolidated financial statements of Pladis Foods Limited can be obtained from the company at the above address.