Company registered no: 09289015

UMV GLOBAL FOODS HOLDING COMPANY LIMITED

Annual Report

For the year ended 31 December 2018

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Strategic Report

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

The Group is the leading manufacturer and marketer of biscuits in the UK and also manufactures and markets biscuits under popular local brands in France, the Netherlands, Nigeria, India and until 31 March 2018, the Kingdom of Saudi Arabia. The Group's brands are sold in over 130 countries, with strong consumer bases across Europe, North America, Middle East, Africa, India, Asia and Australia.

The ultimate parent of the Group is Yildiz Holding A.S. (Yıldız Holding). Yıldız Holding together with its subsidiaries is the 3rd largest biscuit manufacturer in the world. It is the owner of the iconic brands Ulker, McVitie's and Godiva and also operates in several other food categories including edible fats and oils and frozen and canned food. Yildiz Holding is also active in non-food categories including retail, personal care and packaging. With a revenue of US$12 billion, the company has 80 factories in 14 countries and exports to over 130 countries.

During 2016 Yildiz Holding brought together its core biscuit and confectionery manufacturing businesses, including its United Biscuits, Ulker, Demet's and Godiva Chocolatier (in food drugs and mass market) brands, under the umbrella of 'pladis'. Pladis' purpose is to promise happiness to the world with every bite and seeks to be the fastest growing global leader in biscuits and confectionery through its ever-evolving entrepreneurial spirit, expertise and iconic brands.

On 2 December 2016, the Group disposed of its interests in N.V. Biscuits Delacre S.A. and United Biscuits Industries SAS which included the Delacre and Delichoc brands.

During 2017, the Group completed the sale of its UK Export business in to the Middle East and North Africa ('MENA') to Amir Global FZE, a subsidiary of Yildiz Holding, for c. $160m.

During 2018, the Group completed the sale of its Saudi Arabian trading company, International Biscuits Company ('IBC'), to Ulker Biskuvi Sanayi A.S., another subsidiary of Yildiz Holding.

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 2018, market conditions continued to be challenging in the Group's largest markets with relatively high commodity prices and adverse foreign currency movements impacting on cost base and margins. The UK Grocery market, in which the Group's largest business operates, experienced a changing retailer landscape of potential mergers and intense competition between established grocers and discount retailers.

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.

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

Our Strategic Framework

The Group's strategic objectives are aligned with those of the pladis group of which the Group is part. pladis promises happiness to the world with every bite and the Group is fully committed to supporting this central idea and the seven priorities for strategic growth that underpin it.

The seven strategic pillars for growth

1. *Create a lean, agile and digital pladis*

The Group is part of a unique, differentiated and vibrant organisation with a culture that energises and motivates its people and a responsible and integrated sustainability strategy that engages our people, our consumers and our communities.

2. *Make McVities, Godiva and Ulker £ billion brands*

pladis supports significant ongoing investment in its global brands. The Group's brand, McVitie's, is the Global Masterbrand of pladis and sits at the core of the pladis business.

3. *Win through consumer driven motivation*

Leveraging its wide portfolio of brands, pladis seeks to deliver products to meet all consumption moments with industry-leading cross-category innovations and hybrid products and to become the fastest in the industry at bringing new products to market.

The Group leverages capability across pladis together with external capability and strategic collaboration to develop strong, global platforms whilst maintaining flexibility for local and new markets.

4. *Strengthen leadership in the UK, Turkey and the Middle East*

pladis holds market leading positions in biscuits in the UK, Turkey and the Middle East and fulfils a significant role in driving the development of the biscuits category in these markets. The Group continues to make significant brand investment across the UK biscuit market, including in respect of new product development, and is now seeking to grow its presence in chocolate and cake.

5. *Accelerate our growth in priority and future markets*

pladis believes North America, Europe, China and Australia, amongst other markets, present good opportunities to develop its business. The Group's brand, McVitie's, as the Global Masterbrand of pladis, will play an instrumental role in delivering this strategic goal.

6. *Become the global cost leader*

pladis is committed to growing gross and operating margins by streamlining supply chain costs and delivering the lowest in market cost per tonne. The Group is committed to maintain its focus on cost reduction and improved efficiency.

7. *Be wherever our consumers are through exceptional service*

pladis is focussed on its consumers and is committed to exceptional sales and distribution service levels and being the supplier of choice to the trade. Accelerating e-commerce is a priority.

The Group has long-standing relationships with key customers and works to deliver impeccable in-store execution by building on shopper insights. In response to key consumer trends, the Group is prioritising development of its offering in the food service area.

Performance Summary

Business overview

The Group experienced challenging market conditions during the year. Rises in commodity prices and foreign exchange fluctuations affected the performance of the Group.

During 2018, the Group continued to invest in its brands, asset base and modernisation of its manufacturing facilities.

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:

	2018 £m	2017 £m
Revenue	1,060.5	1,147.7
EBITDA	106.0	117.9
Adjusted EBITDA	135.8	144.8
Net Debt	472.5	498.3
Capital Expenditure	32.9	68.6

Revenue

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

The Group's revenue for 2018 was £1,060.5 million (2017: £1,147.7 million). Adjusting for revenue relating to the MENA business, which was sold by the Group during 2017 and IBC which was sold during 2018, 2018 underlying revenue was 3% lower than 2017 due to market challenges in the UK and Nigeria and the end of a sales and distribution agreement associated with the sale of Delacre.

The Group's operations continued to comprise three regions: UK, Northern Europe and International.

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!. The Group's branded biscuit sales accounted for 23.2% of the UK biscuit market.

The UK grocery market was characterised in 2018 by a changing retail landscape and competition between established grocery retailers and discounters. New product developments, including Flipz, Jacobs cracker crisps thins, Jacob's sourdough, Digestive Choc filled thins and Mcvitie's Moments performed well in market. After a successful launch in 2017, the Group's UK business extended the range of Godiva branded products available, including tablets and gifting boxes, and distributed to more customers.

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. During early 2018, the Group's sales and distribution contract with Delacre came to an end.

In Northern Europe, underlying revenue (excluding the sales and distribution contract mentioned above) decreased by 3.5% year-on-year in 2018. This was due to intense competition in the Netherlands which is adversely affected pricing and margins.

Over recent years, the Group has increased its presence in international markets particularly in India, Africa and China. Building on its long-established export business to these regions, the Group has established manufacturing hubs in India and Nigeria that enable it to service those local markets more effectively by manufacturing and marketing popular local brands as well as McVitie's branded products customised to suit local tastes and price points.

International revenue in 2018 fell short of 2017 levels (after adjusting for the sale of MENA and IBC) mainly due to performance of the Group's business in Nigeria, where the market conditions continue to be challenging.

During 2017, the Group completed the sale of its UK Export business to the Middle East and North Africa ('MENA') to Amir Global FZE, a subsidiary of Yildiz Holding, for c. $160 million. During 2018, the Group completed its sale of its Saudi Arabian trading company, International Biscuits Company ('IBC'), to Ulker Biskuvi Sanayi A.S., another subsidiary of Yildiz Holding for $40 million.

Adjusted EBITDA and operating (loss)/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 2018 adjusted EBITDA was £135.8 million (2017: £144.8 million), a £9.0 million or 6.2% decline principally due to the MENA and IBC businesses disposed of in 2017 and 2018.

2018 operating loss of £61.7 million was £136.4 million lower than 2017, largely due to a goodwill impairment charge of £125.0 million, business disposals and continued pressure on margins.

During 2018, the Group continued to focus on the cost competitiveness of its manufacturing base, head office functions including the continuation of its supply chain modernisation programme in the UK.

Capital expenditure

Cash investment in plant, equipment and intangibles during 2018 was £32.9 million (2017 £68.6 million) representing 3% of revenue (2017 6%). The Group continued to make investments to support efficiency and growth and to maintain infrastructure, health, safety and environment across its manufacturing portfolio.

Pension

The Group incurs ongoing service costs in connection with its defined benefit pension schemes and makes regular contributions to the defined contribution scheme. In addition to these, the Group makes additional regular contributions designed to eliminate the funding deficit in the UK defined benefit plans (as agreed following the schemes triennial valuations). In 2018, these additional contributions amounted to £29.2 million (2017: £28.3 million) (Note 22).

Cash available for debt servicing

Cash available for debt servicing for 2018 was £68.8 million (2017 £134.8 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 decrease in cash available for debt servicing is explained as follows:

	2018 (£m)	2017 (£m)
Adjusted EBITDA	135.8	144.8
Capital expenditure	(32.9)	(68.6)
Expenditure on restructuring and non-underlying operating costs	(12.6)	(26.3)
Ongoing pension contributions paid in excess of amounts charged to business profit	(25 1)	(24.5)
Improvements in working capital	3.6	109.4
Cash available for debt servicing	**68.8**	**134.8**

The improvement in working capital for 2017 was principally due to the implementation of a UK receivables financing arrangement (implemented in December 2017). The funds inflow resulting from this enabled the Group to prepay £75 million of senior debt in January 2018.

Net debt

As part of the financing arrangements for the acquisition of the Group 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 new facilities comprised Facility A1 of £575 million, Facility A2 of £75 million and a Revolving Facility of £75 million. Repayment is 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.

Aside from debt prepayments, other key movements in net debt during 2018 were interest payments of £28.1 million (2017 £48.2 million) and an increase in cash from proceeds from the disposal of IBC of £29.5 million (2017 £123.9 million proceeds from the disposal of MENA).

Net debt comprises senior bank loans, finance lease obligations and other loans less cash and cash equivalents. At the end of 2018 the net debt outstanding was £472.5 million (2017 £498.3 million).

Other movements on financial position

Other significant changes in the Group's financial position during 2018 included a net decrease in the Group's provision for retirement benefit liabilities of £44.1 million as the decrease in scheme liabilities was greater than the decrease in the value of scheme assets.

During 2018, the Group completed the sale of its Saudi Arabian trading company, International Biscuits Company ('IBC'), to Ulker Biskuvi Sanayi A.S., another subsidiary of Yildiz Holding for £29.5 million.

The Group has recognised a goodwill impairment of its UK CGU of £125.0 million (2017: nil), which has been charged to the income statement.

Corporate Responsibility

The Group now has manufacturing operations in five countries and its brands, as the Group is part of the wider Yildiz Group, are now sold in over 130 countries worldwide. It is therefore important that 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 promises happiness to the world with every bite. Inherent to that promise is building a sustainable business. This impacts every element of our corporate strategy. The Group 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.

The Group's leadership in its business sector requires it to be a pioneer and an example in the field of sustainability.

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.

We are a member of SEDEX, the Supplier Ethical Database Exchange. SEDEX is an organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. All of the Groups production facilities are registered and ethical audits carried out based on risk. The Group also operates an Ethical Sourcing policy based on the Ethical Trading Initiative (ETI) base code, for all suppliers, which is a requirement of ongoing business with the Group. A risk management system is in place to work with suppliers to achieve full compliance with the Group`s Ethical Policy

Our Compliance teams work across all areas of the business to support this philosophy. There are targets for many areas and in FY 18 we made pleasing progress on a number of fronts:

- Safety & Health - the Group continued to see a reduction in Accident Frequency Rates.
- Consumers – the continual focus on product quality resulted in an ongoing reduction in complaints through the period.
- Customers – overall second position in the Advantage Group Survey through which UK retailers benchmark FMCG businesses across a broad spectrum of areas. This included reaching the highest rating for the quality of our personnel and category management.

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.

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

with the same opportunities for training, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

As a business, we recognise that there is an ongoing need to increase our gender splits across the business. Currently, 34% of the workforce is female and there is a broad split of ethnicity across the employee population. Over the next 12 months there will continue to be focus on ensuring all members of our diverse workforce are encouraged and supported to develop their career aspirations.

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 2018, 60 (FY2017: 26) apprentices entered the business and the Group employed a further 11 (2017: 20) graduates and supported 3 (2017: 14) internships. 105 graduates have been recruited since the programme was re-launched in 2010. In FY18, 60 NVQs (2017: 10) were progressed and 21 (2017: 111) completed as part of our ongoing programme of training and development across the workforce.

Human rights have rapidly increased in prevalence and are emerging as a new ethical risk priority. 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 Code of Conduct expects all suppliers to adhere to this code, and also states that we will not work with suppliers who violate human rights.

Environmental Highlights

We have now completed thorough reviews of performance in respect of the Group's carbon footprint, responsible sourcing and human rights. These are key issues for the Group and its stakeholders. We also benchmarked our positions. We now have established targets – as a global business – for energy and water use as well as waste reduction. Each region is now tasked to meet sustainability targets and we are creating a uniform methodology across the Group to monitor compliance.

Our corporate responsibility highlights include:

- Partnering with The Forest Trust (now known as EarthWorm) to help manage our palm oil risk in Southeast Asia.
- Member of the Round Table Sustainable Palm Oil and purchases 100% segregated palm oil for the UK
- Involvement with the World Cocoa Foundation, which promotes sustainable futures for cocoa farmers.
- Extending our Back to Farm agreements in the UK which deliver sustainable long-term supplies of Wheat for the UK.
- Building our relationship with TerraCycle – a company that specialises in recycling hard-to-recycle items. We have been working with them to widen the recycling of our biscuit wrappers in the UK. A new global environmental tracking tool has been set up with global targets.

Health and Nutrition

The Health and Nutrition team have created active work streams which look at product reformulations of some of our iconic and best-selling biscuits and snacks, setting strict nutrition guidelines for all new product launches moving forward. Health and nutrition education is a key focus for the Group 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 focus. We are committed to supporting consumers and during 2018 updated our 123 Healthy Balance website, making it more informative and user friendly. Additionally, in support of the UK government's childhood obesity strategy, we developed an unbranded health education module for use in schools and for those working with children.

The Group is committed to offering products that meet consumers' needs. And their needs are changing.

Health and wellbeing is rapidly rising up the list of consumer concerns and we see this as strategically significant – more a paradigm shift than a trend. So we're responding and have launched a business wide strategy about the future of snacking. In part, it focuses on innovation and on enhancing the nutritional value of existing products, adding ingredients to boost fibre, wholegrains and protein. And as a result of the strategy, we will also be adding new brands and new products to our portfolio and will be reformulating existing products to reduce salt, sugar and fat.

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 achieve moderate calorie consumption;
- Redefinition of our future portfolio – to enhance nutrition credentials; and
- Greater nutritional understanding – to make appropriate choices.

Technical & Innovation

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.

Community Engagement

The Group's "Building Our Community" programme has been running since 2009. The Group and its employees donated a significant amount through local fundraising in communities and charities in 2018. This includes Children in Need, where all employees in the UK & Ireland celebrated Make Happy, Be Happy Day by raising funds for the charity and more recently for Sports Relief. The Group has been involved with its official charity partner Starlight, which aims to brighten the lives of seriously ill children.

In addition, we continue to donate any surplus product via a partner organisation, In Kind Direct.

The methods of fundraising were varied, and included raffles, car boot sales, long distance walks and bike rides. Employees all across the business raised money for national fundraising events, through cake sales and dress down days. In addition to raising money, employees also take time out to help in their local community, such as painting school classrooms. Many of our sites also support their local schools and colleges by offering factory visits and careers advice.

Awards & Accreditation:

Employee Training

Employers Award for Training and Development

The scheme has so far provided training to 120 colleagues. The training provides access to higher-level engineering skills and develops wide technical knowledge to enable employees to gain externally-recognised qualifications suitable for building a successful, long-term career in engineering.

We have over 50 nationalities represented at the factory in London, and the training also includes contextualised English, aimed at improving team communication, relevant compliance, health and safety and general efficiency. The learners also do Functional Maths and ICT.

At the Festival of Learning led by the National Learning and Work Institute, our Advance Team Member Apprentice programme in the UK won the national employer award.

Marketing Excellence

At the Retail Industry Awards in 2018 our UK business won the following awards:

- McVitie's Thins - best biscuits innovation accolade;
- Field sales team - the best team in its category; and
- Supplier initiative of the year for "Better Biscuits".

The Group's Asian business receives Excellent Partner Award from JD.com

At our China distribution partner's annual convention, our Asia team was delighted to feature top selling brands McVitie's and go ahead! and received the 'Annual Excellent Partner award' for sales growth and customer service.

The Group signed a strategic partnership agreement with JD.COM in May 2017. JD.COM is Asia's highest revenue generating e-commerce company in China and has the largest logistics infrastructure and network across the Chinese e-commerce industry.

The Group's UK&I business won the Supplier Collaboration Award at the prestigious HIM Awards which recognise the best of the best across the convenience channel. This award has been nominated and voted by independent retailers. HIM are a shopper research and insight agency who are a well-recognised industry body in the convenience sector.

The Group's UK&I Logistics & Distribution team was awarded Logistics Supplier of the Year at The Grocer Gold Awards.

Women in Sales

The Group's UK&I division received both winners and finalists awards at the prestigious Women in Sales Awards. The awards recognise positive achievements of women within sales roles.

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 19 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:

Substantial leverage and ability to service debt

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

Business strategy implementation

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

Significant competition

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

Dependence on raw materials

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

Continual evolution of retailers

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

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 agreements contain significant restrictions limiting its flexibility in operating its business including, among other things, to: borrow money; pay dividends or make other distributions and make asset dispositions. These covenants 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 Group's funding deficit, which may require it to increase its contributions. The Group works with Trustees of the pension fund to agree future investment and funding strategies.

Changes to taxation or other government regulation

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

Brexit

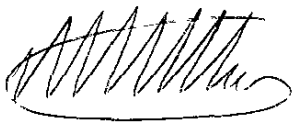
The UK's decision to leave the European Union ("Brexit") could cause disruption and create uncertainty in the Group's business. The uncertainty includes the future legal and regulatory environment, terms of cross-border trade with supplier and customers in the EU and the impact on foreign currency markets.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

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.

This report was approved by the board of directors on 29 May 2019 and signed on its behalf by:



Murat Ulker
Director

29 May 2019

Directors' Report

The directors present their annual report and the audited financial statements of UMV Global Foods Holding Company Limited (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 December 2018.

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 or prior period.

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 Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 22 and 25 and notes 18 and 19 to the financial statements. In addition, Note 19 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 it 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's parent company, Yildiz Holding, has agreed to provide financial support to ensure that it is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors, therefore, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The financial statements have been prepared on a going concern basis as the directors are satisfied that its parental company financial support will mean 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

During the year the Company maintained liability insurance for its directors and officers. The directors who served during the year and subsequently were:

Halil Cem Karakas	*(Resigned 21 Sept 2018)*
Richard Handscombe	
Simon Edward Munir	
Murat Ulker	*(Appointed 1 Oct 2018)*

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. We regularly communicate and consult with employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions, which are likely to affect their interests.

Equal opportunity is offered to disabled persons, whether registered or not, applying for vacancies having regard to their aptitudes and abilities. Arrangements are made to continue the employment, wherever possible, of those employees who have become disabled. Consideration is also given to arranging

appropriate training facilities or providing special aids where necessary. Disabled persons are provided with the same opportunities for training, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

Employee Involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the practice of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Group, has been continued through ongoing internal communications. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are incentivised to contribute to business growth through the Group's remuneration structure.

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.

Directors' Statement as to Disclosure of Information to the Auditor

The Directors who were members of the board at the time of approving the directors' report are listed on page 14.

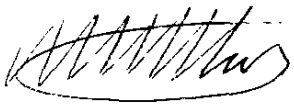
The directors confirm that, in the case of each person who is a director at the time when the directors' report is approved, as far as each director is aware, there is no relevant audit information of which the auditor is unaware and that directors have taken all steps that ought to have been taken to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

Auditor

A resolution to re-appoint Deloitte 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 29 May 2019 and signed on its behalf by:



Murat Ulker
Director
29 May 2019
Registered office: Hayes Park, Hayes End Road, Hayes, Middlesex, UB4 8EE.

Directors' Responsibilities statement in relation to the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of UMV Global Foods Holding Company Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- 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 2018 and of the group's profit and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of UMV Global Foods Holding Company Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated and parent company income statements;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 27 in the consolidated financial statements and the related notes 1 to 10 in the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report

to the members of UMV Global Foods Holding Company Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report

to the members of UMV Global Foods Holding Company Limited (continued)

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

Hadleigh Shekle FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 May 2019

Consolidated income statement

For year ended 31 December 2018

	Note	2018 £m	2017 £m
Revenue	3	1,060.5	1,147.7
Cost of goods sold		(734.8)	(765.7)
Gross profit		325.7	382.0
Distribution, selling and marketing expenses		(170.0)	(215.7)
General and administrative expenses		(69.4)	(70.3)
Operating profit before non-underlying and restructuring operating items		86.3	96.0
Operating profit before non-underlying and restructuring operating items is comprised as follows:			
Adjusted EBITDA		135.8	144.8
Pension administration expense	22	(6.8)	(5.6)
Depreciation and amortisation expense	6	(42.7)	(43.2)
Non-underlying and restructuring operating items	5	(23.0)	(21.3)
Impairment of goodwill	11	(125.0)	-
Operating (loss)/profit	6	(61 7)	74.7
Profit from the disposal of businesses and subsidiaries	4	16.5	69.1
Interest receivable and other financial income	8	0.6	0.6
Interest payable and other financial charges	9	(40.0)	(180.9)
Other finance expense – pensions	22	(4.1)	(5.2)
Loss before tax		(88.7)	(41.7)
Tax	10	(3.2)	2.0
Loss for the year		(91.9)	(39.7)
Attributable to:			
Equity holders of the parent		(91.9)	(39.7)
Non-controlling interests		-	-
		(91.9)	(39.7)

All amounts relate to continuing activities.

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Loss for the year		(91.9)	(39.7)
Items not to be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	12	-	14.9
Remeasurement of net defined benefit pension plan liability	22	32.2	25.7
Tax on items not to be reclassified subsequently to loss or profit	10	(5.5)	(6.9)
Total items not to be reclassified subsequently to profit or loss		26.7	33.7
Items that may be reclassified subsequently to profit or loss			
Gain / (loss) on cash flow hedges arising during the year		9.6	(3.5)
Cash flow hedges transferred to income statement		(3.5)	15.5
Loss on translation of foreign operations transferred to income statement on disposal of foreign operations		-	-
Exchange differences on translation of foreign operations		(5.4)	(4.5)
Tax on items that may be reclassified subsequently to profit or loss	10	1.4	-
Total items that may be reclassified subsequently to profit or loss		2.1	7.5
Other comprehensive income for the year after tax		28.6	41.2
Total comprehensive (loss)/income for the year after tax		(63.1)	1.5
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(63.1)	1.5
		(63.1)	1.5

Consolidated balance sheet

As at 31 December 2018

	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Intangible assets	11	1,799.2	1,914.4
Property, plant and equipment	12	369.1	393.4
Total non-current assets		2,168.3	2,307.8
Current assets			
Inventories	14	66.0	67.6
Trade and other receivables	15	135.2	161.4
Derivative financial instruments	19	0.1	0.1
Cash and cash equivalents	16	160.2	184.0
Total current assets		361.5	413.1
Assets held for sale	25	-	33.6
TOTAL ASSETS		2,529.8	2,754.5
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	21	1,200.0	1,200.0
Other reserves	21	(6.5)	(8.6)
Retained earnings		(150.2)	(85.0)
Equity attributable to equity holders of the parent		1,043.3	1,106.4
Non-controlling interests		-	-
Total equity		1,043.3	1,106.4
Non-current liabilities			
Borrowings	18	591.1	575.4
Amount due to parent company	24	185.2	209.8
Retirement benefit liability	22	148.4	194.0
Derivative financial instruments	19	8.0	12.4
Provisions	20	1.0	1.5
Other non-current liabilities		-	-
Deferred tax	10	164.4	158.3
Total non-current liabilities		1,098.1	1,151.4
Current liabilities			
Borrowings	18	41.6	106.9
Trade and other payables	17	339.4	362.3
Derivative financial instruments	19	0.9	0.3
Provisions	20	6.5	4.2
Total current liabilities		388.4	473.7
Liabilities directly associated with assets classified as held for sale	25	-	23.0
Total liabilities		1,486.6	1,648.1
TOTAL EQUITY AND LIABILITIES		2,529.8	2,754.5

The consolidated financial statements of UMV Global Foods Holding Company Limited (registered number: 9289015) were approved by the Board and signed on its behalf on 29 May 2019.

Murat Ulker
Director

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Share Capital £m	Currency Translation Reserve £m	Properties Revaluation Reserve £m	Hedging Reserves £m	Retained Earnings £m	Total £m	Non-Controlling Interest £m	Total Equity £m
At 1 January 2018	1,200.0	(16.3)	**12.4**	(4.7)	(85.0)	1,106.4		1,106.4
Comprehensive (loss)/ income in the year:								
Loss for the year	-	-	-	-	(91.9)	(91.9)	-	(91.9)
Revaluation of PPE	-	-	-	-	-	-	-	-
Re-measurement gain on defined benefit pension plans net of tax	-	-	-	-	26.7	26.7	-	26.7
Exchange difference on translation of foreign operations (Note 21)	-	(4.0)	-	-	-	(4.0)	-	(4.0)
Net gain on cash flow hedges (Note 21)	-	-	-	6.1	-	6.1	-	6 1
Total comprehensive (loss)/income for the year	-	(4.0)	-	6 1	(65.2)	(63.1)	-	(63.1)
At 31 December 2018	**1,200.0**	**(20.3)**	**12.4**	**1.4**	**(150.2)**	**1,043.3**	**-**	**(1,043.3)**

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share Capital £m	Currency Translation Reserve £m	Properties Revaluation Reserve £m	Hedging Reserves £m	Retained Earnings £m	Total £m	Non-Controlling Interest £m	Total Equity £m
At 1 January 2017	-	(11.8)	-	(16.7)	(28.2)	(56.7)	4 2	(52.5)
Comprehensive (loss)/income in the year:								
Loss for the year	-	-	-	-	(39.7)	(39 7)	-	(39.7)
Revaluation of PPE	-	-	12.4	-	-	12.4	-	12.4
Re-measurement loss on defined benefit pension plans net of tax	-	-	-	-	21.3	21.3	-	21 3
Exchange difference on translation of foreign operations (Note 21)	-	(4 5)	-	-	-	(4.5)	-	(4.5)
Net gain on cash flow hedges (Note 21)	-	-	-	12.0	-	12 0	-	12 0
Total comprehensive (loss)/income for the year	-	(4.5)	12.4	12.0	(18.4)	1 5	-	1 5
Increase in capital (Note 21)	1,200 0	-	-	-	-	1,200 0	-	1,200.0
Acquisition of non-controlling interest (Note 4)	-	-	-	-	(38.4)	(38.4)	(4.2)	(42.6)
At 31 December 2017	**1,200.0**	**(16.3)**	**12.4**	**(4.7)**	**(85.0)**	**1,106.4**	**-**	**1,106.4**

Consolidated cash flow statement

For the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Operating activities			
Operating (loss)/profit		(61.7)	74.7
Adjustments for:			
Depreciation and amortisation	6,11, 12	42.7	43.2
Impairment of goodwill	11	125.0	-
Non-underlying and restructuring operating expenses	5	23.0	21.3
Cash flows related to commodity-related financial derivatives		(0.3)	3.3
Cash flows relating to non-underlying and restructuring operating expenses		(12.6)	(26.3)
Difference between pension contributions paid and amounts recognised in operating profit		(25.1)	(24.5)
		91.0	91.7
Decrease / (increase) in inventories		1.5	(5.5)
Decrease in receivables		24.9	98.7
(Decrease) / increase in payables		(22.8)	22.8
Cash generated from operations		94.6	207.7
Interest paid		(28.1)	(48.2)
Interest received		-	0.5
Income taxes paid		(1.1)	(2.3)
Net cash inflow from operating activities		65.4	157.7
Investing activities			
Capital expenditure and purchases of intangible assets	11, 12	(32.9)	(68.6)
Net cash inflow on disposal of businesses and subsidiaries, net of cash disposed	4	29.0	117.1
Net cash outflow on acquisition of additional interests in subsidiaries	4	-	(42.6)
Net cash (outflow)/inflow from investing activities		(3.9)	5.9
Financing activities			
Cash proceeds from borrowings		19.4	739.9
Repayment of borrowings		(105.1)	(921.2)
Net cash outflow from financing activities		(85.7)	(181.3)
Decrease in cash and cash equivalents in the year		(24.2)	(17.7)
Currency translation differences		0.4	0.2
Cash reclassified as assets held for sale		-	(1.7)
Cash and cash equivalents at beginning of year		184.0	203.2
Cash and cash equivalents at end of year	16	160.2	184.0

1 Authorisation of financial statements

The financial statements of UMV Global Foods Holding Company Limited and its subsidiaries (the "Group") for the year ended 31 December 2018 were authorised for issue by the board of directors on May 2019 and the balance sheet was signed on the Board's behalf by Murat Ulker. UMV Global Foods Holding Company Limited is a company limited by shares, registered in England and Wales. Its registered office is stated on page 15.

2 Accounting policies

Basis of preparation

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 IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Unless the context indicates otherwise, "2018" means year ended 31 December 2018.

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 Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2018 as permitted by 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 Limited 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 affects 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 13 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 11.

Defined benefit pension obligations – The cost of pension benefit plans and post-retirement healthcare benefits is determined using actuarial valuations. This involves making assumptions about future changes in salaries, future pension increases, mortality rates and discount rates. Due to the long term nature of these plans, considerable management judgement is necessary and estimates are subject to significant uncertainty. Further details about the assumptions used are given in Note 22.

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 £38.3m (2017: £43.4 m) 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 and sales between Group companies. Trade discounts include sales incentives, up-front payments and other non-discretionary payments. 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 inventory. 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.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement on a point in time basis.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of interest can be measured reliably. Interest income is accrued on a time 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.

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.

2 Accounting policies (continued)

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 period.

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 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, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. 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 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.

2 Accounting policies (continued)

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 scrappage of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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:

Freehold buildings and long leaseholds	1.5% p.a.
Leasehold improvements	Shorter of the lease term and useful life of asset
Plant, machinery and vehicles	3 – 20% p.a.
Fixtures and fittings	10 – 33% p.a.

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.

2 Accounting policies (continued)

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 11). 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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group and capitalised at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments within property, plant and equipment and depreciated over the shorter of the lease term and estimated useful life. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Lease payments relating to operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

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.

Inventory held as consignment stock is recognised as an asset in the balance sheet at cost, as the risks and rewards of ownership have been transferred to the Group. A corresponding liability is also recognised in the balance sheet.

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 on trade and other debtors. The amount of expected credit losses 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 and other debtors. The expected credit losses 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 debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

The 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 includes cash in hand and deposits repayable on demand with any qualifying financial institutions, less overdrafts from any qualifying institution repayable on demand. Cash equivalents are bank deposits which mature in three months or less at the date of acquisition.

Government grants

The Group has received grants from Government agencies in the United Kingdom as well as from the European Union to assist with the purchase of property, plant and equipment and costs of staff training.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants are deferred and recognised in the income statement over the period necessary to match them with the related costs they are intended to compensate for.

Grants relating to the purchase of property, plant and equipment are deducted in calculating the carrying amount of the associated asset. The grant is recognised in the income statement over the expected useful life of the associated asset by way of a reduced depreciation expense.

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

Contingencies and 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. Contingent assets are not recognised in the financial statements.

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.

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

2 Accounting policies (continued)

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.

(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.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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 2018, including:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The Group's adoption of the Annual Improvements to IFRSs 2014-2016 Cycle, and IFRIC 22 Foreign Currency Transactions and Advanced Consideration had no impact on the Group.

2 Accounting policies (continued)

a) Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives, which the Group has elected to take.

IFRS 9 introduced new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets; and
- *general hedge accounting.*

Details of these new requirements as well as their impact on the financial statements are described below.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets *and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group* has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- loans and receivables that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- loans and receivables that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income ("FVTOCI");
- loans and receivables that are held within a business model whose objective is to sell the debt instruments are subsequently measured at fair value through profit and loss.

2 Accounting policies (continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates to the reclassification of certain financial assets into different measurement categories which had no significant remeasurement impact on adoption.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 £m	Additional loss allowance recognised under IFRS 9 £m	New carrying amount under IFRS 9 £m
Foreign currency forward contracts	Derivatives designated as hedging instruments	Derivatives designated as hedging instruments	(0.2)	-	(0.2)
Interest rate swaps	Financial instruments at FVTPL	Financial instruments at FVTPL	(12.4)	-	(12.4)
Loans to related parties	Loans and receivables	Financial assets at amortised cost	-	-	-
Trade receivables subject to the Group's factoring arrangements	Loans and receivables	Financial assets at FVTPL	9.9	-	9.9
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	132.3	-	132.3
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	184.0	-	184.0
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(269.5)	-	(269.5)
Borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(682.3)	-	(682.3)

The Group's financial assets were classified as loans and receivables under IAS 39 and were measured at amortised cost. With the exception of derivative financial instruments and the Group's trade debtors that are subject to factoring arrangements, all other non-cash financial assets continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

For qualifying loans and receivables that are subject to the Group's factoring arrangements which do not meet the de-recognition criteria, the Company re-measures such assets at fair value through profit and loss.

Freestanding derivative financial instruments continue to be recognised at fair value on inception and re-measured to fair value through profit and loss.

2 Accounting policies (continued)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	FVTPL	FVTOCI (IAS 39 Available for sale)	Held-to-maturity	Amortised cost (IAS 39 loans and receivables)
	£m	£m	£m	£m
Financial assets				
Financial assets at 1 January 2018 – IAS 39	-	-	-	326.2
Reclassification of trade *receivables subject to the* group's factoring arrangements to FVTPL	9.9	-	-	(9.9)
Financial assets at 1 January 2018 – IFRS 9	9.9	-	-	316 3

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss ("ECL") model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on its trade and other debtors. The amount of expected credit losses 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 and other debtors. The expected credit losses 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 debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

The assessment did not result in the identification of additional credit loss allowances at the date of adoption, with an amount of £0.3m recognised as at 31 December 2018.

The directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no material measurement impact on the Company's financial position at that date. Certain financial assets have been reclassified from loans and receivables to financial assets to fair value through profit and loss.

The changes introduced by IFRS 9 relating to the classification and measurement of financial liabilities designated as at fair value through profit and loss ("FVTPL") had no impact as none of the Group's financial liabilities were recognised at FVTPL.

2 Accounting policies (continued)

Hedge accounting

IFRS 9 introduced new general hedge accounting requirements that allow hedge accounting based on the Group's risk management policies rather than only prescribed scenarios. The Group applied the hedge accounting requirements of IFRS 9 prospectively. At the date of initial application, all of the Group's existing hedge relationships were eligible to be treated as continuing hedge relationships.

b) Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. The Group's date of initial application is 1 January 2018.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 introduced a 5□step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The Group has applied the modified approach permitted by paragraph C7 and C8 of IFRS 15.

On 1 January 2018, the Group adopted IFRS 15. Following adoption, display and feature costs of £10.9 million were reclassified from marketing, selling and distribution to revenue. If this standard would have been adopted in the prior year, £9.4 million would have been reclassified.

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 2018 but are not yet effective and which are relevant to the Group:

		Effective for accounting periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 11 Re-measurement of Previously Held Interests, IAS 12 Taxes and IAS 23 Borrowing Costs	1 January 2019
IAS 19	Employee Benefits - amendments regarding plan amendments, curtailments or settlements	1 January 2019

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, except as noted below:

- IFRS 16 will have an impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

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

	2018 £m	2017 £m
United Kingdom	735.7	766.5
Rest of World	324.8	381.2
	1,060.5	1,147.7

Timing of revenue recognition

	2018 £m	2017 £m
Point in time	1,037.3	1,128.9
Over time	23.2	18.8
	1,060.5	1,147.7

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

Disposal of International Biscuits Company

On 31 March 2018, the Group sold its Saudi Arabian trading company, IBC, to Ulker Biskuvi Sanayi A.S., another subsidiary of Yildiz Holding. IBC was presented in the prior year's financial statements as an asset held for sale.

	2018 £m
Cash proceeds	**29.5**
Less: costs of disposal	(0.5)
Net proceeds	**29.0**
Less: assets disposed of	(12.5)
Gain on disposal	**16.5**

Acquisition of non-controlling interest in International Biscuits Company

The Group acquired the remaining 35% interest in International Biscuits Company Limited on 11 January 2017 for consideration of £42.6 million. The transaction has been accounted for within equity. The carrying amounts of the controlling and non-controlling interests have been adjusted to reflect the changes in their relative interests in International Biscuits Company Limited and the difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid of £38.4 million has been recognised directly in equity and attributed to the owners of the parent.

During 2017 the Group agreed to sell its Middle East and North Africa and Saudi exports businesses and IBC to Ulker Biskuvi Sanayi A.S or its subsidiaries. The purchase of the non-controlling interest facilitated the sale of the Group's total interest in the MENA and Saudi regions to Ulker for an EBITDA multiple of 14.

4 Business Combinations and Divestments (continued)

Business Disposals

On 31 March 2017 the Group sold its Middle East and North Africa ("MENA") Exports business to Amir Global Trading Fze, a subsidiary of Ulker Biskuvi Sanayi A.S, for $130.0 million and on 12 December 2017 its Saudi Arabia Exports business for $29.0 million.

During 2017 further proceeds of £0.6m were received and costs of £2.4m were paid in connection with the disposal of Delacre in the prior year.

	2017 £m
Proceeds	**123.9**
Less: costs of disposal	(6.8)
Net proceeds	**117.1**
Less: assets disposed of: Intangible assets	(48.0)
Gain on disposal	**69.1**

5 Non-underlying and restructuring operating items

	Restructuring and non-underlying operating costs £m	Non-underlying amounts related to the Carlisle Flood £m	Total £m
2018			
Restructuring costs [1]	7.2	-	7.2
Other non-underlying costs [2]	15.8	-	15.8
Non-underlying and restructuring operating items	23.0	-	23.0

	Restructuring and non-underlying operating costs	Non-underlying amounts related to the Carlisle Flood	Total
2017			
Carlisle flood related		(1.3)	(1.3)
Restructuring costs [1]	18.3	-	18.3
Other non-underlying costs [2]	*6.2*	-	*6.2*
Refund on VAT on acquisition costs	(1.9)	-	(1.9)
Non-underlying and restructuring operating items	22.6	(1.3)	21.3

[1] The Group continues to undertake a multi-year programme of modernisation in its factories. Furthermore, the Company has undertaken a restructuring programme to reduce costs to reflect its current strategic plan. Expenses incurred within restructuring costs in both 2017 and 2018 therefore include amounts due to or paid to employees for severance costs and other expenses in connection with restructuring manufacturing operations. The Group expects to utilise the provisions associated with these expenses within the next 12 months.

5 Non-underlying and restructuring operating items (continued)

(2) Other non-underlying costs for 2018 comprise guaranteed minimum pension ("GMP") equalisation expense in connection with the Group's defined benefits pension scheme of £8.7m (2017: nil). Other non-underlying costs in 2018 include costs related to trade disputes (£3.0m), professional fees on potential business restructuring (£2.2m) and other non-underlying professional costs (£1.9m). In 2017 expenses related to a specific member related project for the Company's pension scheme and costs associated with a major ERP upgrade.

6 Operating profit

	2018 £m	2017 £m
Operating profit is stated after charging:		
Depreciation and amortisation expense:		
Depreciation of property, plant and equipment	42.5	42.9
Amortisation of computer software	0.2	0.3
	42.7	43.2
The depreciation and amortisation expense by function was as follows:		
Cost of goods sold	35.6	36.4
Distribution, selling and marketing expenses	1.8	1.9
General and administrative expenses	5.3	4.9
	42.7	43.2
Operating lease rentals:		
Property	5.9	5.8
Plant and equipment	4.4	4.5
	13.2	10.3
Shareholder fees	2.0	2.0
Product research and development	5.4	6.5
Advertising expenditure	16.6	25.1
Staff costs and directors' emoluments		
Gross wages and salaries, holiday pay and sick pay	176.7	198.5
Social security costs	18.4	20.4
Pension costs	30.4	18.2
	225.5	237.1
Directors' emoluments[1]		

(1) One director of UMV Global Foods Holding Company Limited holds an executive position with the Yildiz Group and received £1.4m for his services to the Group. The directors do not believe that it is practicable to apportion this amount between services as a director of the Company and services as a director of other group companies. The remaining 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 2018 amounts totalling £2.0m (2017: £2.0m) were payable by UMV Global Foods Holding Company Limited 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.

6 Operating profit (continued)

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

	2018 No.	2017 No.
Manufacturing and production	5,263	6,505
Logistics and site service	650	438
Sales, marketing and administration	971	1,150
	6,884	8,093

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

	2018 £m	2017 £m
Fees payable to the company's auditor for the audit of the company's and its subsidiaries' annual accounts	0.4	0.5
• Audit related assurance services	-	-
• Tax compliance services	-	-
• Tax advisory services	-	-
• Corporate finance services	-	-
	0.4	0.5

7 Carlisle factory flood

The Group's biscuit factory in Carlisle was subject to heavy flooding in December 2015. The Group carries material damage and business interruption insurance to cover such occurrences. Material damage insurance covers the cost of clean-up and repair or replacement of plant and machinery. The Group's business interruption insurance covers loss of profits as a consequence of such an event and allows claims for a period of up to 30 months after an event.

The Group worked closely with its advisors and insurers to ensure claims to cover losses were processed on a timely basis to minimise the impact on the Group's cash flows.

Business interruption insurance income

	2018 £m	2017 £m
Business interruption insurance income	-	6.2

During the year ended 31 December 2018, the Group recognised £nil (2017 £6.2 million) of business interruption income.

8 Interest receivable and other financial income

	2018 £m	2017 £m
Interest income on bank deposits	0.3	0.6
Foreign exchange gain	0.3	-
	0.6	0.6

9 Interest payable and other financial charges

	2018 £m	2017 £m
Bank credit facility	24.3	64.4
Interest payable to fellow group company	13.7	106.0
Foreign exchange loss on borrowings	-	9.5
Finance lease costs	0.6	-
Other financial charges	1.4	1.0
	40.0	180.9

10 Taxes

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

	2018 £m	2017 £m
Current income tax		
UK corporation tax	-	-
Foreign tax	1.1	0.6
Adjustments relating to prior years	(0.5)	-
Total current income tax	0.6	0.6
Deferred tax		
Origination and reversal of temporary differences	5.7	(1.5)
Changes in the corporation tax rate	(2.7)	-
Adjustments relating to prior years	(0.4)	(1.1)
Total deferred tax	2.6	(2.6)
Tax charge/(credit) in the income statement	3.2	(2.0)

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

	2018 £m	2017 £m
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Tax on defined benefit pension plan remeasurements	5.5	4.4
Tax on revaluation of property	-	2.5
Tax on foreign exchange movements on brands	(1.4)	-
Tax debit in the statement of comprehensive income	4.1	6.9

Reconciliation of the total tax charge/(credit)

The tax charge/(credit) in the income statement is reconciled below:

	2018 £m	2017 £m
Loss before taxation	(88.7)	(41.7)
Tax credit at the statutory rate of 19.00% (2017 – 19.25%)	(16.9)	(8.0)
Expenses not deductible for tax purposes	29.6	24.6
Deductions and exemptions	(3.1)	(7.9)
Adjustments relating to prior years	(0.9)	(1.0)
Effect of overseas tax rates	1.8	1.2
Loss carried forward for which no deferred tax asset was recognised	1.5	10.8
Taxes losses utilised for which no deferred tax asset was recognised	(5.4)	(22.4)
Changes in the tax rate	(3.4)	0.7
Tax charge/(credit) in the income statement	3.2	(2.0)

10 Taxes (continued)

The Finance (No.2) Act 2016, which received Royal Assent on 15 September 2016, states that UK corporation tax rate will be further reduced to 17% effective from 1 April 2020. The reduction to the tax rate included in the Finance (No. 2) Act 2016 was enacted at the balance sheet date and the effect thereof is therefore reflected in these financial statements. Accordingly, a rate of 17% has been applied in the measurement of the Group's deferred tax assets and liabilities as at 31 December 2018.

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 £135.5 million (2017: £135.5 million) has not been recognised on tax losses arising in India and capital losses in United Kingdom at 31 December 2018, 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 2018, 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.

Deferred tax	**2018 £m**	**2017 £m**
Deferred tax assets		
Decelerated capital allowances	36.0	39.8
Pensions and retirement healthcare benefits	26.2	33.9
Other short-term temporary differences	-	-
Losses carried forward	10.4	11.1
Deferred tax asset	72.6	84.8
Deferred tax liability		
Intangible assets	233.6	239.7
Other short-term temporary differences	3.4	3.4
Deferred tax liability	237.0	243.1
Net deferred tax liability	164.4	158.3
Reflected in the balance sheet as follows:		
Deferred tax asset	-	-
Deferred tax liability	164.4	158.3
	164.4	158.3
Deferred tax in the income statement		
Accelerated capital allowances	4.7	(4.7)
Net reversal of deferred tax asset	(1.1)	(0.9)
Pensions and retirement healthcare benefits	2.2	3.4
Prior year adjustment	(0.4)	(0.4)
Changes in the corporation tax rate	(2.8)	-
	2.6	(2.6)

11 Intangible assets

	Goodwill £m	Purchased Brands £m	Computer Software £m	Total £m
Cost				
At 1 January 2018	572.5	1,332.4	10.2	1,915.1
Additions	-	-	4.7	4.7
Transfer from property, plant and equipment	-	-	8.4	8.4
Foreign exchange	(0.7)	(2.4)	-	(3.1)
At 31 December 2018	571.8	1,330.0	23.3	1,925.1
Amortisation				
At 1 January 2018	-	-	(0.7)	(0.7)
Impairment	(125.0)			(125.0)
Amortisation charge for the year	-	-	(0.2)	(0.2)
At 31 December 2018	(125.0)	-	(0.9)	(125 9)
Carrying amount				
At 31 December 2018	446.8	1,330.0	22.4	1,799.2

	Goodwill £m	Purchased Brands £m	Computer Software £m	Total £m
Cost				
At 1 January 2017	622.4	1,338.0	7.4	1,967.8
Additions	-	-	1.0	1.0
Business disposals	(48.0)	-	(0.3)	(48.3)
Assets held for sale	(1.9)	(6.0)	-	(7.9)
Reclassifications	-	-	2.0	2.0
Foreign exchange	-	0.4	0.1	0.5
At 31 December 2017	572.5	1,332.4	10.2	1,915.1
Amortisation				
At 1 January 2017	-	-	(0.6)	(0.6)
Amortisation charge for the year	-	-	(0.3)	(0.3)
Business disposals	-	-	0.3	0.3
Foreign exchange	-	-	(0.1)	(0.1)
At 31 December 2017	-	-	(0.7)	(0.7)
Carrying amount				
At 31 December 2017	572.5	1,332.4	9.5	1,914.4

11 Intangible assets (continued)

The Group manufactures and markets a wide range of products in Northern Europe 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 and Mini Cheddars.*

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.

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 7.5% (2017 7.5%), which is equivalent to a pre-tax WACC of 8.2% (2017 9.0%). A short-term EBITDA growth rate of 1.7% (2017 1.6% to 7.8%) was applied for each year modelled. A long-term EBITDA growth rate assumption of 1.7% (2017 2.0%) was applied in perpetuity.

Based on the above calculation, the Group has recognised an impairment of its UK CGU of £125.0m (2017: nil), which has been charged to the income statement. This reflects the challenging market conditions and continued pressure on margins.

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 14.0% (2017 14.0%), which is equivalent to a pre-tax WACC of 16.2% (2017 16.9%). Short-term EBITDA growth rates applied ranged from 17.8% to 51.4% (2017 14.0% to 34.5%) for each year modelled. A long-term EBITDA growth rate assumption of 3.0% (2017: 2.0%) 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 6.8% (2017 7.0%), which is equivalent to a pre-tax WACC of 7.7% (2017 10.0%). Short-term EBITDA growth rates applied ranged from 5.0% to 17.6% (2017 (10.5)% to 19.7%) for each year modelled A long-term EBITDA growth rate assumption of 2.0% (2017 2.0%) was applied in perpetuity.

11 Intangible assets (continued)

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

	2018 £m	2017 £m
Goodwill		
UK	337.6	462.6
Northern Europe	15.8	15.7
International Sales	93.4	94.2
Total	446.8	572.5
Brands		
UK	1,241.0	1,241.0
Northern Europe	62.0	61 3
International Sales	27.0	30.1
Total	1,330.0	1,332.4

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 2019 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 its Northern Europe cash generating unit. Any adverse change in assumptions would result in further impairment to the UK cash generating unit.

If the recoverable value of its International Sales cash-generating unit were to decrease by £ 12.3 million it would be below its carrying value. The change in assumptions required for this to happen would be either a decrease in the EBITDA growth rate of 7.5 percentage points in each year or an increase in the annual discount rate of 1 percentage point post tax or a reduction in the terminal growth rate of 1.5 percentage points.

12 Property, plant and equipment

	Freehold £m	Leasehold Improvement £m	Plant, Machinery & Vehicles £m	Leased plant & machinery £'m	Fixtures & Fittings £m	Assets Under Construction £m	Total £m
Cost or valuation							
At 1 January 2018	110.4	5.7	249.2	-	6.6	80.7	452.6
Exchange adjustments	0.1	(0.2)	(0.6)	-	0.5	(1.4)	(1.6)
Additions	2.2	2.1	21.7	-	1.1	1 1	28.2
Sale and leaseback	-	-	(18.6)	18.6			-
Transfer from AUC	6.6	-	32.4	-	0.2	(47.6)	(8.4)
At 31 December 2018	119.3	7.6	284.1	18.6	8.4	32.8	470.8
Depreciation and Impairment							
At 1 January 2018	(6.6)	(1.2)	(50.2)	-	(1.2)	-	(59.2)
Charge for the year	(4.0)	(0.7)	(35.9)	(1.5)	(0.4)	-	(42.5)
At 31 December 2018	(10.6)	(1.9)	(86.1)	(1.5)	(1.6)	-	(101.7)
Net book value							
At 31 December 2018	108.7	5.6	198.6	17.1	6.3	32.8	369.1

	Freehold £m	Leasehold Improvement £m	Plant, Machinery & Vehicles £m	Fixtures & Fittings £m	Assets Under Construction £m	Total £m
Cost or valuation						
At 1 January 2017	86 6	10.8	240.5	5.1	51.0	394.0
Exchange adjustments	0.9	(0.6)	1.6	0.1	(2.4)	(0.4)
Additions	1.0	0.1	6.0	2.0	58.5	67.6
Revaluation of freeholds	14.9	-	-	-	-	14.9
Reclassifications	7.0	-	16.6	-	(25.6)	(2.0)
Assets held for sale	-	(4.6)	(15.5)	(0.6)	(0.8)	(21.5)
At 31 December 2017	110.4	5.7	249.2	6.6	80.7	452.6
Depreciation and Impairment						
At 1 January 2017	(1.7)	(1.4)	(15.9)	(1.0)	-	(20.0)
Exchange adjustments	(0.9)	-	(2.8)	(0.1)	-	(3.8)
Charge for the year	(4.0)	(1.0)	(37.7)	(0.2)	-	(42.9)
Assets held for sale	-	1.2	6.2	0.1	-	7.5
At 31 December 2017	(6.6)	(1.2)	(50.2)	(1.2)		(59.2)
Net book value						
At 31 December 2017	103.8	4.5	199.0	5.4	80.7	393.4

The net book value of leasehold improvements of £5.6 million (2017 £4.5 million) is in respect of properties held under operating leases with remaining lease terms of under 50 years as at 31 December 2018.

During the year the Group entered into a sale and leaseback transaction for certain plant and machinery at its Harlesden factory. The net book value of that plant and machinery now held under finance leases at 31 December 2018 is £17.1 million. See Note 18 for further details.

12 Property, plant and equipment (continued)

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 2017 was performed by an independent valuer, not related to the Group. The directors have assessed that there has been no material change in fair value since this date.

At 31 December 2018, had the freehold land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been £93.8 million (2017: £88.9 million). The revaluation surplus as at 31 December 2018 is £14.9 million (2017: £14.9 million).

13 Investments

Details of Group undertakings

At 31 December 2018 all the subsidiaries were indirectly wholly owned, via ordinary shares, except where indicated.

Subsidiary	Country of incorporation and Operation	Registered address	Activity
UMV Global Foods Company Ltd (1 *)	England	(**)	Holding Company
United Biscuits Luxco SCA	Luxembourg	2-4 rue Eugene Ruppert, L-2453	Holding Company
United Biscuits Luxco GP SARL	Luxembourg	2-4 rue Eugene Ruppert, L-2453	Holding Company
United Biscuits Topco Ltd	England	(**)	Holding Company
United Biscuits Bondco Ltd	England	(**)	Holding Company
United Biscuits VLNCo Ltd	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
United Biscuits Dutchco BV	Netherlands	Westzijde 103, 1506GA Zaandam	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, Grand Cayman KY1-9005, Cayman Islands	Holding Company
United Biscuits Group (Investments) Ltd	England	(**)	Holding Company
Deluxestar Ltd	England	(**)	Holding Company
Solvecorp Ltd	England	(**)	Holding Company
Runecorp Ltd	England	(**)	Holding Company
Burlington Biscuits (Cayman) Ltd	Cayman Islands	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman 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 (*)	England	(**)	Food manufacturer
Pladis Australia Pty Ltd	Australia	RSM Australia, Level 13, 60 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

13 Investments (continued)

Subsidiary	Country of incorporation and Operation	Registered address	Activity
United Biscuits France SAS	France	Route de Mortier, Vannerie, 44120 Vertou	Biscuit manufacturer
United Biscuits (Pensions Trustees) Ltd	Scotland	(***)	*Pension scheme* trustee company
UB Foods US Ltd	England	(**)	Holding Company
UB Investments Ltd	Scotland	(***)	Holding Company
UB International Sales Ltd	England	(**)	Holding Company
UB Overseas Ltd	England	(**)	Holding Company
UB Snackfoods Ireland Ltd	Ireland	Exchange Place International Financial Services Centre, Dublin 1, D01 X8H2	Trading Company
United Biscuits Italy SRL	Italy	Viale Andrea Doria 48/A, Cap 20124, Milan	Trading Company
United Biscuits Germany GmbH	*Germany*	c/o BDO AG Wirtschaftsprüfungsgesellschaft, *Landaubogen 10, 81373 Munchen*	*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,* Victoria Island, Lagos	Trading company
Taiwan United Biscuits Food Company Limited	Taiwan	27F., No.9, Songgao Rd , Xinyi Dist., Taipei City 110, Taiwan (R O.C)	Trading company
Irish Biscuits (NI) Ltd	Northern Ireland	Culcavey, Hillsborough, County Down BT26 6JU	Holding Company
W&R Jacob & Co (Northern Ireland) Limited	Northern Ireland	Culcavey, Hillsborough, County Down BT26 6JU	Dormant company
United Biscuits Humber Limited	England	(**)	Holding company
United Biscuits Cyprus Limited	Cyprus	Spyrou Kyprianou 20, Chapo Central, 3rd Floor, PC 1075, Nicosia	Holding company
United Biscuits Private Ltd	India	S-15A, 2nd Floor, Vasant Square Mall, Pocket V, Sector B, Vasant Kunj, New 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 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
Ross Young's Holdings Ltd	England	(**)	Dormant company
Glory Alliance Investment Ltd	BVI	OMC Chambers, PO Box 3152, Road Town, Tortola	Dormant company
The Derwent Valley Group Ltd	England	(**)	Dormant company
Titan Properties Ltd	Nigeria	76/94, Abeokuta Expressway, Agege, Dopemu, Lagos	Dormant company
Derwent Valley Foods Ltd	England	(**)	Dormant company
Derwent Valley (Sales) Ltd	England	(**)	Dormant company

13 Investments (continued)

Subsidiary	Country of incorporation and Operation	Registered address	Activity
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
KP Foods Ltd	England	(**)	Dormant company
United Biscuits (Lands) Ltd	Scotland	(***)	Dormant company
United Biscuits (Leasing) Ltd	Scotland	(***)	Dormant company
UB Snackfoods Ltd	England	(**)	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, Freen & 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 Company Ltd	Scotland	(***)	Dormant company
Chiltonian Ltd	England	(**)	Dormant company
Hills Road 5 Ltd	England	(**)	Dormant company
Forbes Simmers Ltd	Scotland	(***)	Dormant company

[1] 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.

14 Inventories

	2018 £m	2017 £m
Raw materials and consumables	21.9	17.5
Work in progress	3.5	3.6
Finished goods	40.6	46.5
	66.0	67.6

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

Raw materials and consumables at 31 December 2018 included £nil (2017 £nil) in respect of consignment stock.

The amount of inventories written down and recognised as an expense within operating profit during the year was £3.8 million (2017: £1.0 million).

15 Trade and other receivables

	2018 £m	2017 £m
Trade receivables	84.8	105.1
Other receivables	15.4	37.1
Prepayments and accrued income	15.1	15.7
Due from related parties	19 9	-
Other taxes and social security receivable	-	3.5
	135.2	161.4

Trade receivables are stated net of allowances for bad and doubtful debts of £1.0 million (2017: £1.3 million).

Trade and other receivables are all expected to be settled within one year. Trade receivables are non-interest bearing and represent an average of 23 days sales (2017: 28 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 19 (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 £86.6 million (2017: £90.4 million) for immediate cash proceeds of £75.9 million (2017: £83.0 million), received on a non-recourse basis, with a further £10.7 million (2017: £7.4 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 £4.3 million (2017: £4.5 million), and the carrying amount of the associated liabilities is £4.3 million (2017: £4.5 million).

£9 5 million (2017: £9.9 million) of qualifying trade debtors remains on the balance sheet as only 89% is eligible for de-recognition.

16 Cash and cash equivalents

	2018 £m	2017 £m
Cash in hand	1.7	1.1
Cash or cash equivalent in bank	158.5	182.9
	160.2	184.0

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between two days and two weeks depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents at 31 December 2018 was £161.4 million (2017 £184.0 million).

17 Trade and other payables

	2018 £m	2017 £m
Trade payables	251.5	269.5
Other taxes and social security costs	37.1	21.2
Accruals and deferred income	50.8	71.6
	339.4	362.3

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

18 Borrowings

	2018 £m	2017 £m
Current		
Senior facilities	7.3	75.4
Finance lease liability	2.8	-
Revolving facilities	31.5	31.5
	41.6	106.9
Non-current		
Senior facilities	570.0	570.9
Finance lease liability	15.4	-
Other borrowings	5.7	4.5
	591.1	575.4

18 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 new facilities comprise Facility A1 of £575 million, Facility A2 of £75 million and a Revolving Facility of £75 million. Repayment is 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 2018 the net debt outstanding was £472.5 million (FY17 £498.3 million).

Details of the senior facilities amounts outstanding as at 31 December 2018 are set out below:

2018	Amortised Debt £m	Principal £m	Margin %	Type	Maturity
Current					
Revolving Facilities	31 5	31.5	LIBOR + 2 90	Bullet	24 January 2019
Interest accrual	7.3	7 3			
Non-current					
Term Loan A1	570.0	575.0	LIBOR + 2.90	Bullet	30 August 2022
Total Term Loans	608.8	613.8			

2017	Amortised Debt £m	Principal £m	Margin %	Type	Maturity
Current					
Term Loan A2	73.6	*75.0*	LIBOR + 2.90	*Bullet*	*30 August 2022*
Revolving Facilities	31.5	31.5	LIBOR + 2.90	Bullet	4 January 2018
Interest accrual	1 8	1.8			
Non-current					
Term Loan A1	570 9	575 0	LIBOR + 2.90	Bullet	30 August 2022
Total Term Loans	677 8	683.3			

The maturity of Term Loan A2 is 30 August 2022 unless a mandatory prepayment feature is triggered arising from the completion by a Group company of a receivables financing arrangement. Such an arrangement was entered into by a Group company in the year, and hence Term Loan A2 has become repayable and has been classified as repayable within one year. The loan was repaid on 4 January 2018.

Finance lease liability

During the year the Group entered into a sale and leaseback transaction for certain plant and machinery at its Harlesden factory (see Note 12). The resulting finance lease creditor of £18.2 million, as classified above, represents the cash proceeds received for the assets net of lease payments made during the year. The lease agreement is for a term of 7 years and contains an option for the Group to purchase the equipment at the end of the lease term for the nominal sum of £1. The Group's obligations under the finance lease are secured by the lessor's rights over the leased assets.

18 Borrowings (continued)

Revolving Credit Facility of £75 million (2017 £75 million)

The Group has access to a £75.0 million (2017 £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 (2017 £75 million) outstanding at any time. Each advance made under the revolving facility must be repaid on the last day of the 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 2018 an amount of £13.0 million (2017 £13.0 million) of the Revolving Credit Facility had been arranged as ancillary facilities under the revolving facility to cover day to day requirements of the UK business, £13.0 million (2017 £13.0 million) of this being for the provision of overdraft facilities and £nil (2017 nil) for bank guarantees. As at 31 December 2018, drawings of £nil million (2017 £6.5 million) of the ancillary facilities and £nil (2017 £nil) had been utilised in respect of bank guarantees.

In addition to the amounts outlined above, there were bank guarantees outstanding of £1.0 million at 31 December 2018 (2017 £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 been compliant with all covenants throughout the year ended 31 December 2018.

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 24, 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.

19 Financial instruments

Financial risk management

The Group is exposed to a variety of financial risks through its activities. The Group's Treasury Management Committee establishes the Group's financial risk strategy. The strategy is implemented by a central treasury department (Group Treasury), which identifies, evaluates and hedges financial risks, working closely with the Group's operating units. The Treasury Management Committee ensures that critical controls exist and are operating correctly within Group Treasury. Written policies, approved by the Treasury Management Committee, provide the framework for the management of the Group's financial risks, and provide specific guidance on areas such as foreign exchange risk, interest rate risk and liquidity 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.

19 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.

2018	Carrying Value £m	Fair Value £m	USD £m	EURO £m	GBP £m	Other £m
Financial assets						
Cash and short-term deposits	160.2	160.2	2.5	34.1	114.1	9.5
Trade receivables	84.8	84.8	5.7	17.5	52.8	8.8
Other receivables	15.4	15.4	-	5.7	7.6	2.1
Due from related parties	19.9	19.9	-	3.6	16.3	-
	280.3	280.3	8.2	60.9	190.8	20.4
Derivative assets						
Cash flow hedges:						
Forward currency contracts	0.1	0.1	-	0.1	-	-
	0.1	0.1	-	0.1	-	-
Of which:						
Current assets	0.1	0.1				
Non-current assets	-	-				
	0.1	0.1				
Financial liabilities						
Trade payables	251.5	251.5	3.4	27.2	210.7	10.2
Other payables	50.8	50.8	-	4.5	35.9	10.4
Amounts due to fellow group company	185.2	185.2	1.6		183.6	-
Loans and borrowings	632.7	637.7	-	-	632.0	5.7
	1,120.2	1,125.2	5.0	31.7	1,062.2	26.3
Derivative liabilities						
Cash flow hedges:						
Forward currency contracts	0.5	0.5	0.5	-	-	-
Commodity options	0.5	0.5	0.3	0.2	-	-
Interest rate swaps	7.9	7.9	-	1.4	6.5	-
	8.9	8.9	0.8	1.6	6.5	-
Of which:						
Current liabilities	0.9	0.9				
Non-current liabilities	8.0	8.0				
	8.9	8.9				

19 Financial instruments (continued)

2017	Carrying Value £m	Fair Value £m	USD £m	EURO £m	GBP £m	Other £m
Financial assets						
Cash and short-term deposits	184.0	184.0	16.1	33.4	127.0	7.5
Trade receivables	105.1	105.1	11.4	30.5	55.5	7.7
Other receivables	37.1	37.1	-	-	37.1	-
	326.2	326.2	27.5	63.9	219.6	15.2
Derivative assets						
Cash flow hedges:						
Forward currency contracts	0.1	0.1	-	0.1	-	-
	0.1	0.1	-	0.1	-	-
Of which:						
Current assets	0.1	0.1				
Non-current assets	-	-				
	0.1	0 1				
Financial liabilities						
Trade payables	269.5	269.5	2.1	40.1	220.3	7.0
Other payables	60.8	60.8	-	2.3	56.3	2.2
Amounts due to fellow group company	209.8	209.8	94.3	-	115.5	-
Loans and borrowings	682.3	687.8	-	-	687.8	-
	1,222.4	1,227.9	96.4	42.4	1,079.9	9.2
Derivative liabilities						
Cash flow hedges:						
Forward currency contracts	0.3	0.3	0.1	0.2	-	-
Interest rate swaps	12.4	12.4	-	0.9	11.5	-
	12.7	12.7	0.1	1.1	11.5	-
Of which:						
Current liabilities	0.3	0.3				
Non-current liabilities	12.4	12.4				
	12.7	12.7				

19 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. 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.

19 Financial instruments (continued)

Cash flow hedges

At 31 December 2018, 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.

2018	Committed outstanding FX contracts £m	Average Rates USD	Average Rates EUR	Average Rates CHF	Average Rates AUD
Euro	41.0	-	1.11	-	-
US Dollar	1.7	1.36	-	-	-
Other currencies	-	-	-	-	-
	42.7				
2017					
	£m	**USD**	**EUR**	**CHF**	**AUD**
Euro	43.1	-	1.11	-	-
US Dollar	0.8	1.31	-	-	-
Other currencies	1.0	-	-	1.24	-
	44.9				

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.

	Impact on the income statement arising from:		Impact on reserves arising from:	
2018	10% weakening against US Dollar £m	10% weakening against Euro £m	10% weakening against US Dollar £m	10% weakening against Euro £m
Cash and short-term deposits	0.3	3.8	-	-
Trade receivables	0.6	1.9	-	-
Trade payables	(0.4)	(3.0)	-	-
Loans and borrowings	(0.2)	-	-	-
Currency exchange contracts (assets)	-	(0.2)	-	-
Currency exchange contracts (liabilities)	(0.1)	-	-	-
	0.2	2.5	-	

19 Financial instruments (continued)

	Impact on the income statement arising from:		Impact on reserves arising from:	
2017	10% weakening against US Dollar £m	10% weakening against Euro £m	10% weakening against US Dollar £m	10% weakening against Euro £m
Cash and short-term deposits	1.8	3.7	-	-
Trade receivables	1.3	3.4	-	-
Trade payables	(0.3)	(4.4)	-	-
Loans and borrowings	(10.5)	-	-	-
Currency exchange contracts (assets)	-	-	-	-
Currency exchange contracts (liabilities)	-	-	-	-
	(7.7)	2.7	-	-

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:	
2018	10% strengthening against US Dollar £m	10% strengthening against Euro £m	10% strengthening against US Dollar £m	10% strengthening against Euro £m
Cash and short term deposits	(0.2)	(3.0)	-	-
Trade receivables	(0.5)	(2.0)	-	-
Trade payables	-	2.0	-	-
Loans and borrowings	0.2	-	-	-
Currency exchange contracts (assets)	-	-	-	-
Currency exchange contracts (liabilities)	0.1	0.1	-	-
Total	(0.4)	(2.9)	-	-
2017	**£m**	**£m**	**£m**	**£m**
Cash and short term deposits	(1.5)	(3.0)	-	-
Trade receivables	(1.1)	(2.7)	-	-
Trade payables	0.2	5.9	-	-
Loans and borrowings	8.6	-	-	-
Currency exchange contracts (assets)	-	-	-	-
Currency exchange contracts (liabilities)	-	-	-	-
Total	6.2	0.2	-	-

19 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 will be disclosed 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.

2018	Fixed rate borrowings £m	Effect of interest rate swaps £m	Effective fixed rate borrowings £m	Swap rate %
Sterling – fellow group company	185.2	-	-	
Sterling – third parties	-	632.7	632.7	1.81
Euro	-	-	-	-
	185.2	632.7	632.7	

2017	Fixed rate borrowings £m	Effect of interest rate swaps £m	Effective fixed rate borrowings £m	Swap rate %
Sterling – fellow group company	209.8	-	-	
Sterling – third parties	-	686.0	686.0	1.81
Euro	-	-	-	0.0065
	209.8	686.0	686.0	

19 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 interest rates 2018 £m	Decrease in interest rates 2018 £m
Interest rate swaps (liabilities)	6.3	(6.3)
Unhedged borrowings[1]	(6.2)	6.2

	Increase in interest rates 2017 £m	Decrease in interest rates 2017 £m
Interest rate swaps (liabilities)	6.2	(6.2)
Unhedged borrowings[1]	(6.8)	6.8

[1] 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:

	2018 £m	2017 £m
Trade receivables	80.3	105.1
Total	80.3	105.1

19 Financial instruments (continued)

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

	2018 £m	2017 £m
UK	47.2	59.5
Europe	18.1	26.2
Rest of the World	15.0	19.4
Total	80.3	105.1

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

	2018 £m	2017 £m
Not past due or impaired	18.8	48.6
Past due 0 – 30 days but not impaired	36.2	36.2
Past due more than 30 days but not impaired	26.3	20.3
Individually impaired	(1.0)	-
Total	80.3	105.1

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

	2018 £m	2017 £m
Balance at the beginning of the year	1.3	0.9
Charge for the year	-	0.4
Amounts utilised	(0.3)	-
Currency translation	-	-
Balance at end of the year	1.0	1.3

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 £nil (2017 £0.4 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.

19 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 borrowings £m	Trade Payables £m	Derivative liabilities £m	Total £m
2018				
Within one year or on demand	41.6	246.6	1.0	289.2
Between one and two years	8.5	-	7.9	16.4
Between two and three years	2.8	-	-	2.8
Between three and four years	577.8	-	-	577.8
Between four and five years	2.8	-	-	2.8
After five years	4.2	-	-	4.2
	637.7	246.6	8.9	893.2
2017				
Within one year or on demand	106.9	269.5	4.5	380.9
Between one and two years	-	-	-	-
Between two and three years	-	-	-	-
Between three and four years	-	-	-	-
Between four and five years	570.9	-	-	570.9
After five years	-	-	-	-
	677.8	269.5	4.5	951.8

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

	Parent company loan £m
2018	
8% Interest due 2023	274.1

	£m
2017	
8% Interest due 2023	332.9

19 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:

2018	Interest rate swaps		Forward exchange contracts	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Within one year or on demand	-	-	0.2	0.5
Between one and two years	-	-	-	-
More than two years	-	7.9	-	-
	-	7.9	0.2	0.5

2017	Interest rate swaps		Forward exchange contracts	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Within one year or on demand	-	-	0.1	0.3
Between one and two years	-	-	-	-
More than two years	-	12.4	-	-
	-	12.4	0.1	0.3

(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, forward foreign exchange contracts and, in the prior year, interest rate swaps until the hedging relationship was de-designated.

An aggregate gain of £9.6 million (2017 loss of £3.5 million) relating to commodity and foreign exchange contracts was recognised directly in other comprehensive income during the year ended 31 December 2018.

A gain of £3.5 million (2017 loss of £15.5 million) was transferred to the income statement in relation to cash flow hedges of which a gain of £3.9 million (2017 loss of £2.7 million) related to commodity contracts and was recognised in cost of goods sold, a loss of £0.4 million (2017 gain of £0.7 million) related to forward foreign exchange contracts was recognised in operating profit, and nil in respect of interest rate swaps (2017 loss of £13.5 million).

19 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.

			Non-cash movements				
	As at 1 January 2018	Financing cash flows	FX revaluation	Change in deferred debt issue cost	Interest Accrual	Other	As at 31 December 2018
	£	£	£	£	£	£	£
Bank loans (Note 18)	682.3	(74.4)	-	0.5	5.5	0.6	614.5
Finance lease obligations (Note 18)	-	18.2	-	-	-	-	18.2
Loans from related parties (Note 24)	209.8	(29.5)	(1 0)	-	9.0	(3.1)	185 2
Total liabilities from financing activities	892.1	(85.7)	(1.0)	0.5	14.5	(2.5)	817.9

			Non-cash movements						
	As at 1 January 2017	Financing cash flows	Liabilities reclassified as held for sale	FX revaluation	Change in deferred debt issue cost	Interest Accrual	Conversion of loan to share capital	Other	As at 31 December 2017
	£	£	£	£	£	£	£	£	£
Bank loans (Note 18)	886.4	(226.5)	(3.6)	16 6	11.6	(2.2)	-	-	682.3
Loans from related parties (Note 24)	1,275.3	45.2	(10.2)	(1.2)	-	106.0	(1,200.0)	(5.3)	209.8
Total liabilities *from financing* activities	2,161.7	(181.3)	(13.8)	15.4	11.6	103 8	(1,200.0)	(5.3)	892 1

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.

20 Provisions

	Rationalisation Provisions £m	Onerous Contracts £m	Total £m
At 1 January 2018	4.2	1.5	5.7
Income statement charge	15.8	-	15.8
Unused amounts reversed during the reporting period	-	(0.5)	(0.5)
Amounts utilised	(13.5)	-	(13.5)
At 31 December 2018	6.5	1.0	7.5
At 31 December 2018			
Current	6.5	-	6.5
Non-current	-	1.0	1.0
	6.5	1.0	7.5

	£m	£m	£m
At 1 January 2017	8.5	2.0	10.5
Income statement charge	3.8	-	3.8
Unused amounts reversed during the reporting period	-	(0.5)	(0.5)
Amounts utilised	(8.1)	-	(8.1)
At 31 December 2017	4.2	1.5	5.7
At 31 December 2017			
Current	4.2	-	4.2
Non-current	0.3	1.2	1.5
	4.5	1.2	5.7

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

Rationalisation provisions principally comprise obligations in relation to overhead reduction and manufacturing efficiency programs 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.

21 Share capital and reserves

Share capital

Ordinary shares authorised, issued and fully paid

	Number of shares
Ordinary shares of 1 pence each	120,001,000,000

	Number of shares	£000
1,201 million ordinary shares	120,001,000,000	1,200,010
At 31 December 2018	120,001,000,000	1,200,010

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

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 2018 the balance on the reserve amounted to a loss of £20.3 million (2017 loss of £16.3 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 2018 the balance on the reserve amounted to a gain of £1.4 million (2017 loss of £4.8 million).

Property revaluation reserves

The property revaluation reserve records the surplus arising over cost on the revaluation of freehold land and buildings. See Note 12.

22 Pensions and other post-retirement benefits

The Group has defined benefit type post-retirement arrangements in the United Kingdom, for which contributions are paid into separately administered funds. 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, indemnite de depart en retraite ("IDR").

22 Pensions and other post-retirement benefits (continued)

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

	2018 £m	2017 £m
UK		
Pension - Funded		
UBUK	21.9	(35.7)
Jacob's Bakery	(5.9)	(26.3)
Pension - Unfunded	(22.5)	(23.0)
	(6.5)	(85.0)
IFRIC 14 adjustment for minimum funding requirement	(136.9)	(103 6)
Total UK Schemes	(143.4)	(188.6)
France		
IDR - Unfunded	(3.0)	(3.2)
	(146.4)	(191.8)
Netherlands		
Post-retirement healthcare scheme – unfunded	(1.8)	(1.9)
A&P Foods Nigeria		
Pension scheme	(0.2)	(0.3)
Post-retirement benefit liability	(148.4)	(194.0)

The total amount relating to pensions recognised in operating profit for the year ended 31 December 2018 was £30.4 million (2017: £18.2 million), of which £8.8 million (2017: £5.8 million) related to defined contribution plans.

The total amount relating to IDR recognised in operating profit for the year ended 31 December 2018 was £nil (2017 £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:

At 31 December 2018	Pension £m	IDR £m	Healthcare £m	A&P Foods £m	Total £m
Assets with a quoted market price					
Equities	562.4	-	-	-	562.4
Bonds	217.3	-	-	-	217.4
Hedge funds, currency and infrastructure	344.9	-	-	-	344.9
Cash	20.5	-	-	-	20.5
Assets not quoted in an active market		-	-	-	
Property, infrastructure and hedge funds	873.7	-	-	-	873.7
Total market value of assets	2,018.8	-	-	-	2,018.8
Present value of scheme liabilities	(2,025.3)	(3.0)	(1.8)	(0.2)	(2,030.3)
Deficit in the scheme	(6.5)	(3.0)	(1.8)	(0.2)	(11.5)
Additional liability due to minimum funding requirements	(136.9)	-	-	-	(136.9)
Net Pension Deficit	(143.4)	(3.0)	(1.8)	(0.2)	(148.4)

22 Pensions and other post-retirement benefits (continued)

At 31 December 2017	Pension £m	IDR £m	Healthcare £m	A&P Foods £m	Total £m
Assets with a quoted market price					
Equities	643.2	-	-	-	643.2
Bonds	116.8	-	-	-	116.8
Hedge funds, currency and infrastructure	464.5	-	-	-	464.5
Cash	64.3	-	-	-	64.3
Assets not quoted in an active market		-	-	-	
Property, infrastructure and hedge funds	865.4	-	-	-	865.4
Total market value of assets	2,154.2	-	-	-	2,154.2
Present value of scheme liabilities	(2,239.3)	(3.2)	(1.8)	(0.3)	(2,244.6)
Deficit in the scheme	(85.1)	(3.2)	(1.8)	(0.3)	(90.4)
Additional liability due to minimum funding requirements	(103.6)				(103.6)
Net Pension Deficit	(188.7)	(3.2)	(1.8)	(0.3)	(194.0)

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.

22 Pensions and other post-retirement benefits (continued)

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:

2018	Pension £m	IDR £m	Healthcare £m	Total £m
Income statement				
Current service cost[1]	(5.9)	-	-	(5.9)
Past service cost	(8.7)	-	-	(8.7)
Settlement costs	(0.2)			(0.2)
Scheme administration costs	(4.1)	-	-	(4.1)
Company administration costs	(2.7)	-	-	(2.7)
Curtailment gain	-	-	-	-
Operating profit	(21.6)	-	-	(21.6)
Net interest on adjustment in respect to minimum funding requirement	(2.4)	-	-	(2.4)
Net interest expense	(1.7)	-	-	(1.7)
Other finance income – pensions	(4.1)	-	-	(4.1)
Statement of other comprehensive income				
Return on plan assets excluding amounts included in interest expense	(77.4)	-	-	77.4
Experience losses on scheme liabilities	(13.9)	-	-	13.9
IFRIC 14 minimum funding adjustment	(30.9)	-	-	(30.9)
Actuarial gains due to changes in financial assumptions	141.7	-	-	141.7
Actuarial gains due to changes in demographic assumptions	12.7	-	-	12.7
Remeasurement gains and losses recognised in the statement of other comprehensive income	32.2	-	-	32.2

2017	Pension £m	IDR £m	Healthcare £m	Total £m
Income statement				
Current service cost[1]	(6.8)	-	-	(6.8)
Scheme administration costs	(3.8)	-	-	(3.8)
Company administration costs	(1.8)	-	-	(1.8)
Curtailment gain	-	-	-	-
Operating profit	(12.4)	-	-	(12.4)
Net interest cost on scheme liabilities/assets	(5.2)	-	-	(5.2)
Other finance income – pensions	(5.2)	-	-	(5.2)
Statement of other comprehensive income				
Return on plan assets excluding amounts included in interest expense	148.6	-	-	148.6
Experience losses on scheme liabilities	10.0	-	-	10.0
IFRIC 14 minimum funding adjustment	(103.6)	-	-	(103.6)
Actuarial losses due to changes in financial assumptions	(45.3)	-	-	(45.3)
Actuarial losses due to changes in demographic assumptions	16.0	-	-	16.0
Remeasurement gains and losses recognised in the statement of other comprehensive income	25.7	-	-	25.7

22 Pensions and other post-retirement benefits (continued)

(1) 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

	2018 %	2017 %
Rate of salary increases		
Final salary	3.00	3.00
CARE	3.00	3.00
Rate of increase of pensions in payment	3.00	3.00
Discount rate	3.00	2.60
Inflation	3.10	3.10

The average life expectancy assumed for the UBUK plan for a current male pensioner aged 65 is 21.5 years (2017: 21.7 years) and for a current female pensioner aged 65 is 23.2 years (2017: 23.3 years); for a future male pensioner aged 65 in 2038 it is 22.6 years (2017: 22.8 years) and for a future female pensioner aged 65 in 2038 it is 24.4 years (2017: 24.5 years).

The weighted average duration of the schemes is 15 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 £29.2 million (2017 £28.3 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 2019 are expected to be approximately £36.4 million (2018 £39.5 million).

(b) Post-retirement healthcare

	2018 %	2017 %
Discount rate	1.0	0.8
Inflation	2.0	2.0
Rate of increase in healthcare costs	2.0	2.0

(c) IDR

	2018 %	2017 %
Discount rate	1.65	1.35
Salary increase	2.5	2.5

22 Pensions and other post-retirement benefits (continued)

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 £33.7 million (2017 £37.4 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 £27.1 million (2017 £26.3 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 £81.9 million (2017 £103.5 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 £30.7 million (2017 £36.8 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 £22.4 million (2017 £25.9 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 £82.2 million (2017 £103.5 million).

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

	Pension £m	IDR £m	Healthcare £m	A&P £m	Total £m
As at 1 January 2018	2,239.2	3.2	1.9	0.3	2,244.6
Current service cost	5.9	0.2	-	-	6.1
Past service cost	8.7				8.7
Interest cost	50.0	-	-	-	50.0
Settlements	(24.7)	-	-	-	(24.7)
Employee contributions	-	-	-	-	-
Benefits paid	(113.3)	(0.2)	(0.1)	-	(113.6)
Re-measurement losses	(140.5)	-			(140.5)
Change in scope of consolidation		(0.2)	-	(0.1)	(0.3)
As at 31 December 2018	2,025.3	3.0	1.8	0.2	2,030.3

	Pension £m	IDR £m	Healthcare £m	A&P £m	Total £m
As at 1 January 2017	2,266.3	3.0	1.9	0.5	2,271.7
Current service cost	6.8	0.2	-	-	7.0
Interest cost	51.1	-	-	-	51.1
Curtailment gain	-	-	-	-	-
Employee contributions	-	-	-	-	-
Benefits paid	(104.2)	-	(0.1)	-	(104.3)
Re-measurement losses	19.2	-			19.2
Change in scope of consolidation		-	0.1	(0.2)	(0.1)
As at 31 December 2017	2,239.2	3.2	1.9	0.3	2,244.6

The defined benefit obligation comprises £1,999.6 million (2017 £2,216.3 million) arising from funded plans and £30.7 million (2017 £28.3 million) from plans or arrangements that are unfunded.

22 Pensions and other post-retirement benefits (continued)

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

	Total £m
As at 1 January 2018	2,154.2
Interest income	48.3
Employer contributions	35.3
Employee contributions	-
Settlements	(25.0)
Benefits paid	(112.6)
Administration expenses	(4.1)
Remeasurement gains	(77.4)
As at 31 December 2018	2,018.8

	Total £m
As at 1 January 2017	2,032.0
Interest income	45.9
Employer contributions	35.3
Employee contributions	-
Benefits paid	(103.6)
Administration expenses	(3.8)
Remeasurement gains	148.4
As at 31 December 2017	2,154.2

23 Financial commitments

The Group's financial commitments in respect of retirement benefits are set out in Note 22. The Group's financial commitments in respect of capital expenditure and commitments are summarised below.

As at 31 December 2018 and 31 December 2017 the Group's financial commitments in respect of capital expenditure and rentals for leasehold property, plant and equipment are summarised below:

	2018 £m	2017 £m
Contracted capital expenditure	7.8	11.9

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

	2018 £m	2017 £m
Not later than one year	9.3	8.7
Later than one year but not later than five years	19.9	22.4
Later than five years	10.2	15.2
	39.4	46.3

23 Financial commitments (continued)

The Senior Facilities Agreement entered during the year places certain restrictions on the distribution of capital, similar to the restrictions that existed under the previous SFA. The Group is restricted from 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.

24 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:

	2018 £m	2017 £m
Loan	70.9	103.8
Accrued interest	114.3	106.0
	185.2	209.8

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:

	2018 £m	2017 £m
Ulker Biskuvi Sanayi ve Ticaret A.S.		
Sales	14.9	0.4
Purchases	12.5	13.2
Godiva Belgium		
Purchases	2.6	2.1
Starbrands North America		
Sales	1.0	-

24 Related party disclosures (continued)

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:

	2018 £m	2017 £m
Pladis Foods		
Receivable*	16.3	-
Pladis Europe BV		
Receivable**	3.6	-
Ulker Biskuvi Sanayi ve Ticaret A.S.		
Receivable	6.5	-
Payable	5.7	1.2
Godiva Belgium		
Receivable	4.5	-
Payable	4.7	-
Starbrands North America		
Receivable***	2.4	-
Payable	7.6	-

* This relates to operational and management costs.

** This relates to a non-trading loan which is repayable on demand and earns interest of Euribor + 3.6%.

*** This relates to a non-trading loan which is repayable on demand and earns interest of 7.0%.

Short-term employee benefits paid to key management personnel, including directors, for the year ended 31 December 2017 totalled £4.6 million (2017: £4.8 million), which includes termination benefits of nil (2017: £0.7 million).

Other

Fees totalling £2.0 million (2017 £2.0 million) were payable by the Group to Yildiz Holding A.S. for the year ended 31 December 2018. These fees are payable in respect of the provision of corporate governance services, including directors' fees.

25 Assets held for sale

On 15 December 2017, the Group entered into a sale and purchase agreement to dispose of its entire shareholding in International Biscuits Company Limited for consideration of $40 million. Closing of the sale is conditional on receipt of certain regulatory approvals. The sale is expected to be completed within 12 months, and hence the assets and liabilities of International Biscuits Company Limited have been classified as a disposal group held for sale and presented separately in the balance sheet. The proceeds of disposal are expected to substantially exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2017 £m
Intangible assets	
-Goodwill	1.9
-Brands	6.0
Property, plant and equipment	14.0
Inventories	3.8
Trade receivables	6.2
Cash and cash equivalents	1.7
Total assets held for sale	33.6
Borrowings	3.6
Other non-current liabilities	10.2
Trade and other payables	4.7
Other payables to non-related parties	4.5
Liabilities related to assets held for sale	23.0
Net assets	10.6

26 Ultimate parent company

In the directors' opinion, the Company's ultimate parent undertaking as at 31 December 2018 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.

27 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 2017.

Name	Registration number
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 VLNco Limited	5957560

Company registered no: 09295357

UMV GLOBAL FOODS HOLDING COMPANY LIMITED

Parent Company Financial Statements

For the year ended 31 December 2018

Income statement

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Operating profit before interest and tax	3	-	-
Interest receivable and other income	4	2.8	54.9
Interest payable and other financial charges	5	(8.7)	(101.4)
Loss before tax		**(5.9)**	**(46.5)**
Tax charge on loss		-	-
Loss for the financial year		**(5.9)**	**(46.5)**

All amounts relate to continuing activities.

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

Balance sheet

As at 31 December 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investment in subsidiary	7	1,200.0	1,200.0
		1,200.0	1,200.0
Debtors: amounts falling due in more than one year			
Amounts due from subsidiary company		37.3	34.6
Net current assets		37.3	34.6
Total assets less current liabilities		1,237.3	1,234.6
Creditors: amounts falling due after more than one year			
Amounts owed to parent company		(178.5)	(169.9)
		(178.5)	(169.9)
Net assets		1,058.8	1,064.7
Capital and reserves			
Called up share capital	8	1,200.0	1,200.0
Retained earnings		(141.2)	(135.3)
Total equity		1,058.8	1,064.7

The financial statements of UMV Global Foods Holding Company Limited (registered number 9289015) were approved by the Board and signed on its behalf on May 2019.

Murat Ulker
Director

Statement of changes in equity

As at 31 December 2018

	Equity attributable to equity holders of the Company		
	Share Capital £m	**Retained Earnings £m**	**Total Equity £m**
At 1 January 2018	1,200.0	(135.3)	1,064.7
Loss for the financial year	-	(5.9)	(5.9)
At 31 December 2018	1,200.0	(141.2)	1,058.8

	Equity attributable to equity holders of the Company		
	Share Capital £m	**Retained Earnings £m**	**Total Equity £m**
At 1 January 2017	-	(88.8)	(88.8)
Increase in capital	1,200.0	-	-
Loss for the financial year	-	*(46.5)*	(46.5)
At 31 December 2017	1,200.0	(135.3)	1,064.7

1 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.

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), 10(f) 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 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

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.

2 Accounting policies (continued)

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 Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. See note 2 to the consolidated financial statements. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

3 Directors and employees

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

The Company has no employees.

4 Profit before taxation

The auditor's remuneration is borne by United Biscuits (UK) Limited. Refer to Note 6 of the Group accounts for details.

5 Interest receivable

	2018 £m	2017 £m
Interest receivable from a group undertaking	2.8	54.9

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

6 Interest payable

	2018 £m	2017 £m
Interest payable to parent company	(8.7)	(101.4)

7 Taxation

The current tax credit on the loss before taxation for the year 2018 is lower than the average rate of corporation tax in the UK of 19.00% (2017 – 19.25%). The differences are reconciled below:

	2018	2017
	£m	£m
Loss before taxation	(5.9)	(46.5)
Tax credit at UK statutory rate of 19.00% (2017:19.25%)	(1.1)	(8.9)
Group relieved	1.1	8.9
Total tax credit	-	-

Refer to Note 10 of the group accounts for details of changes in tax rates.

7 Investments in subsidiary undertakings

	£m
Cost and Net Book Value as at 1 January 2018	1,200.0
Additions	-
Cost and Net Book Value as at 31 December 2018	1,200.0

The Company holds 100% of UMV Global Foods Company Limited's ordinary share capital.
Refer to the Note 13 of the group accounts for details of all indirect subsidiary companies.

8 Share capital

Share capital

Ordinary shares Authorised, issued and fully paid

	Number of shares
Ordinary shares of £1 Sterling each	1,200,000,001

	Number of shares	£
At 1 January 2018 and 31 December 2018	1,200,000,001	1,200,000,001

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

9 *Inter-group cross-guarantee*

The Company has cross-guaranteed the Group's Senior facility, which is held by UMV Global Foods Company Ltd. The outstanding principal amount under the facility as at 31 December 2018 was £606.5 million (2017 - £681.5 million).

10 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 2018 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.