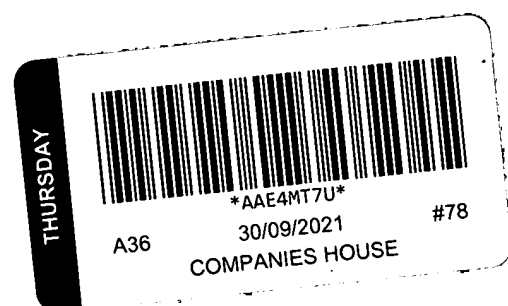


**Glanbia Performance Nutrition (UK) Limited**

**Director's report and financial statements**

**Registered number: 02828321**

**2 January 2021**



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**Company information**

<b>Director</b>	N O'Dwyer
<b>Company secretary</b>	N O'Dwyer
<b>Registered number</b>	02828321
<b>Registered office</b>	One Victoria Square Birmingham B1 1BD United Kingdom
<b>Independent auditor</b>	Deloitte Ireland LLP Chartered Accountants & Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
<b>Solicitors</b>	Pinsent Masons LLP 55 Colmore Row Birmingham B3 2FG United Kingdom

## **Strategic report**

The Director presents his strategic report for the financial year ended 2 January 2021 (referred to as 2020 throughout these financial statements).

### **Business review**

The Company's business, the manufacture of performance nutrition and wellness products, performed favourably during the financial year. Highlights of the results are as follows:

Turnover increased by 12.2% to £72.6 million (2019: £64.7 million)

Gross profit increased by 4.4% to £7.4 million (2019: £7.1 million)

Average number of employees in 2020: 187 (2019: 164 employees)

At the financial year end the Company had net current assets of £7.1 million (2019: £7.8 million) and net assets of £15.9 million (2019: £16.4 million).

On 1 November 2020, KSF Acquisition UK Limited ("SlimFast"), a fellow subsidiary undertaking, transferred part of its employees, business, assets and liabilities to the Company under a business and asset purchase agreement dated 30 October 2020 for cash consideration of £2,539,945 being the net book value in the books of SlimFast. The business acquired is the management of the contract manufacturing of weight management products under the 'SlimFast' brand. The Company incurred organisation redesign costs of £0.7 million (2019: nil) associated with the integration of the SlimFast business (note 6 (a) to the financial statements).

The increase in turnover is primarily related to the above mentioned acquisition of part of the business of SlimFast and increased sales to Body & Fit Sportsnutrition B.V, a fellow subsidiary undertaking. The business performed more favourably in 2020 versus 2019 as a result.

### **Principal risks and uncertainties**

There is an ongoing process for the identification, evaluation and management of the significant risks faced by the Company. The performance of the Company may also be affected by general economic conditions.

The principal risks affecting the Company include the following:

#### **(i) Product demand**

Consumers are becoming ever more demanding regarding product functionality and appearance and, consequently, product lives are becoming shorter. There is a risk that the Company's manufacturing capabilities will not evolve at the same pace or in the same direction as consumer demands.

#### **(ii) Foreign currency exchange rate fluctuations**

The Company is exposed to fluctuation in foreign currency exchange rates as it has significant currency flows in euro and US dollars which are not naturally hedged.

#### **(iii) Impact of Coronavirus**

The Company continues to monitor the coronavirus (COVID-19) pandemic situation closely. The COVID-19 outbreak and related uncertainties have increased risk to the global economy. The Company has implemented appropriate contingency and business continuity plans in order to safeguard that our production plants and supply chain remain fully operational. The Company has implemented global best-practice precautionary and hygiene measures at all our locations, including even stricter sanitation protocols, social distancing, travel restrictions and, where possible, our people are working from home. The Company will continue to respond to the situation as it evolves.

**Strategic report (continued)**

**Principal risks and uncertainties (continued)**

**(iv) Financial instrument risks**

**(a) Credit risk**

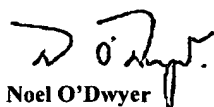
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's objective is to minimise credit risk. The Company is mainly exposed to credit risk from credit sales. The Company's credit risk management policy requires that, where possible, all debt is insured with an external credit insurance underwriter. No goods are dispatched on credit until the credit controller has authorised the application confirming all necessary procedures have been complied with. The Company's authorisation review includes external credit agency reports, the trading and financial history and position of the customer, the business case, the country in which the customer operates and any other available information. The utilisation of credit limits is actively managed and reviewed formally on an annual basis. Where the extension of credit is not appropriate, payment in advance is required. Outstanding customer balances are regularly monitored and reviewed for credit losses by consideration of information such as evidence of financial difficulty of the customer, payment default, and breach of contract.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective is to ensure that it does not encounter difficulties in meeting obligations associated with financial liabilities as they become due. The Company aims to manage liquidity risk by managing its working capital requirements and via intercompany funding where appropriate. The Company uses cash flow forecasts on a regular basis to monitor the funding requirements.

The Company has a long and successful track record of managing risks. The Director is confident that there is a strong management team in place capable of dealing with any issues that may arise.

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



**Noel O'Dwyer**  
**Director**

Date: 21 September 2021

## **Director's report**

The Director presents his report and the financial statements for the financial year ended 2 January 2021.

### **Director's responsibilities statement**

The Director is responsible for preparing the strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Director must not approve the financial statements unless he is 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 these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

### **Principal activity**

The Company is primarily engaged in the manufacture of performance nutrition and wellness products. The Company is also engaged in the provision of research and development services.

### **Results and dividends**

The profit for the financial year, after taxation, amounted to £2,528,278 (2019: £3,921,249).

During the financial year the Company paid an interim ordinary dividend of £3,000,000 (2019: £9,000,000) to Glanbia (UK) Limited (note 9 to the financial statements).

### **Going concern**

In considering the appropriateness of preparing the financial statements on a going concern basis, the Directors note the Company's net asset position of £15,865,654. The Directors have also considered the effect of COVID-19 on the Company and they do not expect it to have an impact on the financial position and results of the Company for future periods.

Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

### **Director**

The Director who served during the financial year was:

Noel O'Dwyer

### **Director's interests**

The Director does not hold any beneficial interest (as defined by the Companies Act 2006) in the shares of the Company. In accordance with the Companies (Disclosure of Director's Interests) (Exceptions) Regulations 2006, as the Company is a wholly owned subsidiary of Glanbia plc, a body incorporated outside Great Britain, no director's interests in that company are required to be disclosed.

### **Future developments**

The Director expects that the Company will continue to be principally engaged in the manufacture of performance nutrition and wellness products, and the provision of research and development services for the foreseeable future.

## Director's report (continued)

### Research and development activities

The Company incurred costs of £609,396 during the financial year (2019: £677,529) on its provision of research and development services with regard to performance nutrition and wellness products (note 3 to the financial statements).

### Energy and carbon reporting

#### (i) GHG emissions and energy usage

	UK and offshore 2020
CO <sub>2</sub> e emissions from combustion of gas (Scope 1 – tonnes)	235
CO <sub>2</sub> e emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes)	623
Total gross CO <sub>2</sub> e based on above (tonnes)	858
Energy consumption used to calculate emissions (kwh)	3,464,861
Intensity measure - tonnes of CO <sub>2</sub> e per tonne production	0.0924

#### (ii) Reporting methodology

Glanbia utilizes calculation methodology established by the International Panel on Climate Change (IPCC) for Greenhouse Gas Inventories\* as well as guidance from the World Resource Institute (WRI)\*\* on corporate GHG accounting and Reporting.

\*IPCC. 2006 IPCC Guidelines for National Greenhouse Gas Inventories: Prepared by the National Greenhouse Gas Inventories Program, Eggleston, H.S, Buendia, L., Miwa, K., Ngara, T., Tanabe, K., Eds.; IGES: Japan, 2006

\*\* WRI. The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. World Business Council for Sustainable Development; World Resource Institute,; Switzerland, 2004

#### (iii) Energy efficiency actions taken

The cornerstone of Glanbia's new strategy is an ambitious commitment to decarbonise our operations and our supply chain. Meeting our carbon targets is the most material and urgent component of our overall strategy. Critically, the commitment is underpinned by the scientific analysis to ensure Glanbia meets the levels of decarbonisation called for in the Paris Agreement. Throughout the project we analysed the details of our footprint, examined technologies that can deliver the required levels of decarbonisation, and provided a roadmap of activity to deliver the ambition. As leaders in dairy sustainability, we are committed to working towards a net zero or negative carbon footprint for our business and our supply chain. In achieving our commitment to a sustainable future, we will:

- Sign up to the Science Based Target initiative (SBTi) in 2021
- Commit to reduce carbon emissions by 30% in our manufacturing sites by 2030 (scope 1 and 2)

In order to achieve our scope 1 and 2 target reduction, we will prioritise renewable energy procurement and an energy efficiency focus, informed by energy audits and centre of excellence approach.

### Adequate accounting records

The Company's Director is aware of his responsibilities, under section 386 of the Companies Act 2006, to maintain proper books of account and is discharging his responsibilities by using systems and procedures appropriate to the business and by employing qualified and experienced staff.

### Disclosure of information to Statutory Auditor

In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who is a Director at the time when this Director's report is approved confirms that:

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

**Director's report (continued)**

**Director's indemnity**

The Company has entered into a qualifying third party indemnity arrangement for the benefit of its Director as defined by section 234 of the Companies Act 2006 and which was in force throughout the year and remain in force.

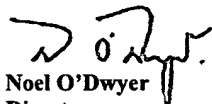
**Post balance sheet events**

There have been no significant events affecting the Company since the financial year end.

**Auditor**

A resolution of the shareholder has been passed to dispense with the appointment of auditors annually. Deloitte Ireland LLP will therefore continue as auditor of the Company.

This report was approved by the board and signed on its behalf by:



**Noel O'Dwyer**  
**Director**

Date: 21 September 2021



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLANBIA PERFORMANCE NUTRITION (UK) LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Glanbia Performance Nutrition (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 2 January 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity;
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

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

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

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

#### Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLANBIA PERFORMANCE NUTRITION (UK) LIMITED

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

### 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence / environmental regulations.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLANBIA PERFORMANCE NUTRITION (UK) LIMITED**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud continued**

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

### **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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLANBIA PERFORMANCE NUTRITION (UK) LIMITED

### 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.



Ann McGonagle (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Audit Firm  
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 28 September 2021

## **Income statement**

**for the financial year ended 2 January 2021**

	Note	2020 £	2019 £
Turnover	2	72,566,498	64,656,534
Cost of sales		<u>(65,161,384)</u>	<u>(57,561,538)</u>
<b>Gross profit</b>		<b>7,405,114</b>	<b>7,094,996</b>
Selling and distribution costs		(1,028,406)	(923,485)
Administrative expenses		(2,513,479)	(1,745,060)
Exceptional item	6	<u>(754,447)</u>	-
<b>Operating profit</b>		<b>3,108,782</b>	<b>4,426,451</b>
Interest payable and similar charges	7	<u>(23,895)</u>	-
<b>Profit before tax on ordinary activities</b>	3	<b>3,084,887</b>	<b>4,426,451</b>
Tax on profit on ordinary activities	8	<u>(556,609)</u>	<u>(505,202)</u>
<b>Profit for the financial year</b>		<b><u>2,528,278</u></b>	<b><u>3,921,249</u></b>

The income statement is prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 30 form part of these financial statements.

**Statement of comprehensive income**  
**for the financial year ended 2 January 2021**

	2020	2019
	£	£
Profit for the financial year	<u>2,528,278</u>	<u>3,921,249</u>
<b>Other comprehensive income:</b>		
Other comprehensive income for the financial year	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the financial year, net of income tax</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the financial year</b>	<u>2,528,278</u>	<u>3,921,249</u>

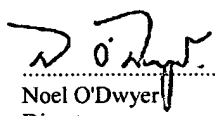
The notes on pages 15 to 30 form part of these financial statements.

## Balance sheet

as at 2 January 2021

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	10	133,980	149,112
Tangible assets	11	8,674,858	8,715,034
Right-of-use assets	12	<u>1,571,116</u>	<u>-</u>
		10,379,954	8,864,146
<b>Current assets</b>			
Stocks	13	16,774,057	15,863,008
Debtors: amounts falling due within one year	14	11,118,646	3,490,602
Cash at bank and in hand	15	<u>-</u>	<u>3,182</u>
		27,892,703	19,356,792
Creditors: amounts falling due within one year	16	<u>(20,766,282)</u>	<u>(11,555,739)</u>
<b>Net current assets</b>		<u>7,126,421</u>	<u>7,801,053</u>
<b>Total assets less current liabilities</b>		<u>17,506,375</u>	<u>16,665,199</u>
Creditors: amounts falling due after more than one year	17	(1,302,965)	-
<b>Provisions for liabilities</b>			
Deferred tax liability	19	<u>(337,756)</u>	<u>(217,112)</u>
<b>Net assets</b>		<u>15,865,654</u>	<u>16,448,087</u>
<b>Capital and reserves</b>			
Called up share capital	20	100,000	100,000
Profit and loss account		<u>15,765,654</u>	<u>16,348,087</u>
<b>Shareholder's equity</b>		<u>15,865,654</u>	<u>16,448,087</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
.....  
Noel O'Dwyer  
Director  
Date: 21 September 2021

The notes on pages 15 to 30 form part of these financial statements.

## Statement of changes in equity

for the financial year ended 2 January 2021

	Called up share capital £	Profit and loss account £	Shareholder's equity £
At 30 December 2018	100,000	21,426,838	21,526,838
Comprehensive income for the financial year			
Profit for the financial year	-	3,921,249	3,921,249
Total comprehensive income for the financial year	-	3,921,249	3,921,249
Transactions with owners recorded directly in equity:			
Dividend paid (note 9)	-	(9,000,000)	(9,000,000)
Total contributions by and distributions to owners	-	(9,000,000)	(9,000,000)
Balance at 4 January 2020	100,000	16,348,087	16,448,087
Effect of adopting IFRS 16	-	(110,711)	(110,711)
Balance at 5 January 2020	100,000	16,237,376	16,337,376
Comprehensive income for the financial year			
Profit for the financial year	-	2,528,278	2,528,278
Total comprehensive income for the financial year	-	2,528,278	2,528,278
Transactions with owners recorded directly in equity:			
Dividend paid (note 9)	-	(3,000,000)	(3,000,000)
Total contributions by and distributions to owners	-	(3,000,000)	(3,000,000)
At 2 January 2021	100,000	15,765,654	15,865,654



## Notes to the financial statements

### 1. Accounting policies

#### 1.1. Basis of preparation of financial statements

Glanbia Performance Nutrition (UK) Limited (the "Company") is a company incorporated and domiciled in the United Kingdom. The address of its registered office is One Victoria Square, Birmingham B1 1BD.

These financial statements are prepared for the 52-week period ended 2 January 2021. Comparatives are for the 53-week period ended 4 January 2020. The balance sheets for 2020 and 2019 have been drawn up as at 2 January 2021 and 4 January 2020 respectively.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Glanbia plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures where applicable:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, and
- disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company adopted IFRS 16 'Leases' from 5 January 2020 using the modified retrospective approach to transition permitted by the standard in which the cumulative effect of initially applying the standard is recognised in opening profit and loss account at 5 January 2020. Under this approach, the comparatives for the 2019 reporting period are not restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 5 January 2020.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### 1.1 Basis of preparation (continued)

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. There were no leases previously classified as finance leases as at 4 January 2020.

In applying IFRS 16 for the first time, the Company has availed of practical expedients/exemptions including:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- accounting for operating leases with a remaining lease term of within 12 months of 5 January 2020 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- not reassessing whether a contract is, or contains a lease at the date of initial application
- not making any adjustments on transition for leases for which the underlying asset is of low value

The impact of the adoption of IFRS 16 is as follows:

- right-of-use- asset and lease liabilities: initial recognition of £1,747,725 and £1,870,057 respectively as at 5 January 2020
- depreciation charge: increase of £292,938 in the financial year ended 2 January 2021
- finance costs: increase of £23,895 in the financial year ended 2 January 2021

The lease liabilities as at 5 January 2020 can be reconciled to the operating lease commitments as of 4 January 2020 as follows:

	2020 £
Operating lease commitments disclosed as at 4 January 2020	2,021,371
Effect of discounting lessee's weighted average incremental borrowing rate of 1.2% on 5 January 2020	<u>(151,314)</u>
<b>Lease liability recognised as at 5 January 2020</b>	<b><u>1,870,057</u></b>

No significant judgements or estimates were made in applying IFRS 16 that would have a material impact on the Company. However, it is noted that estimation is involved in determining IBR which is used to measure lease liabilities. The Company estimates the IBR based on the currency and country/region in which a lease is based, the lease term, and the credit quality of the Company. In addition, judgement is involved in determining the lease term where there are extension or termination options. In determining the lease term, the Company considers all relevant factors that create an economic incentive for it to exercise the renewal or termination of the lease such as the length of the non-cancellable period of a lease, costs relating to the termination of a lease, and the amount of leasehold improvements that have been or are expected to be undertaken. The Company assesses at lease commencement date whether it is reasonably certain to exercise these options for leases. The Company reassesses whether it is reasonably certain to exercise them if there is a significant event or change in circumstances within its control.

#### Going concern

The Directors are satisfied that the Company has sufficient reserves to meet the expected costs of the Company over the next 12 months. Accordingly the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

The financial statements have been prepared in pound sterling ("£"), which is the Company's functional currency.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### 1.2. Measurement convention

The financial statements have been prepared under the historical cost convention as modified by use of fair values for certain other financial assets and derivative financial instruments.

#### 1.3. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or net investment hedges. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Currency translation differences on monetary assets and liabilities are taken to the income statement, except when deferred in equity in the currency translation reserve as (i) qualifying cash flow hedges or (ii) exchange gains or losses on long-term intra-group loans and on net investment hedges. Net investment hedges are foreign currency borrowings used to finance or provide a hedge against Group equity investments in non-euro denominated operations to the extent that they are neither planned nor expected to be repaid in the foreseeable future or are expected to provide an effective hedge of the net investment.

#### 1.4. Exceptional items

Exceptional items may include restructuring, impairment of assets, including material adjustments arising from the re-assessment of asset lives, adjustments to contingent consideration, material acquisition integration costs, restructuring costs, profit or loss on disposal or termination of operations, material acquisition costs, litigation settlements, legislative changes, gains or losses on defined benefit pension plan restructuring and profit or loss on disposal of investments. Judgement is used by the Directors in assessing the particular items which by virtue of their scale and nature should be disclosed in the income statement and notes as exceptional items.

#### 1.5. Intangible assets

##### Computer software

Computer software is stated at cost less accumulated amortisation and impairment losses. Costs incurred on the acquisition of computer software and costs directly associated with developing computer software programmes for internal use are capitalised if they meet the recognition criteria of IAS 38 'Intangible Assets'.

##### Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The amortisation rate is as follows:

Software:	3 - 10 years
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All intangible assets are reviewed for impairment annually or more frequently if indicators of impairment exist.

##### Impairment

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### 1.6. Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs, for example the costs of major renovation, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the income statement.

## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **1.6. Tangible assets (continued)**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. Assets under construction are not depreciated. The rates of depreciation are as follows:

- |                       |           |
|-----------------------|-----------|
| • Land and buildings  | 2.5% - 5% |
| • Plant and machinery | 4% - 33%  |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### **Impairment**

In accordance with IAS 36 'Impairment of Assets', the carrying amounts of items of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

#### **1.7. Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are generally depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

#### **1.8. Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Cost is based on the first-in, first-out (FIFO) method or by weighted average cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal capacity). Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges which relate to purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Allowance is made, where necessary, for aged, slow moving, obsolete and defective inventories.

#### **1.9. Trade and other debtors**

Trade and other debtors are classified and measured at amortised cost as they are held to collect contractual cash flows which comprise solely payments of principal and interest, where applicable. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less loss allowance. They are classified as non-current assets except for those maturing within 12 months of the reporting date. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition or where there has been a credit impaired event, a lifetime expected loss allowance is recognised, irrespective of the timing of the default.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. A loss allowance for debtors is estimated based on expected credit losses. To measure expected credit losses, historical loss rates are calculated based on historical credit loss experience. The loss allowance based on historical loss rates is adjusted where appropriate to reflect current information and forward-looking information

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### 1.9. Trade and other debtors (continued)

On macroeconomic factors, including the trading environment of countries in which the Company sells its goods, which affect the ability of the debtors to settle the debtors. Debtors are written off when there is no reasonable expectation of recovery such as a debtor failing to engage in a repayment plan with the Company.

#### 1.10. Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and deposits held on call with banks.

#### 1.11. Trade and other creditors

Trade and other creditors are recognised initially at their fair value and subsequently measured at amortised cost which approximates to fair value given the short-term nature of these liabilities. These amounts represent liabilities for goods and services provided to the Company prior to, or at the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30–60 days of recognition depending on the terms negotiated with suppliers. Trade and other creditors are presented as current liabilities unless payment is not due within 12 months after the reporting period.

#### 1.12. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate ('IBR') at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

For leases of plant and equipment, and motor vehicles for which the Company is a lessee, it has elected not to separate lease and non-lease components, and instead account for these as a single lease component.

#### 1.13. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### 1.14. Leases policy applicable before 5 January 2020

##### Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **1.15. Provisions, contingent liabilities and contingent assets**

Provisions are recognised on the balance sheet when the Group has a constructive or legal obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured using management's best estimate of the present value of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognised as an interest expense.

A contingent liability is not recognised but is disclosed where the existence of the obligation will only be confirmed by future events or where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

#### **1.16. Turnover**

In general, there is one performance obligation relating to the sale of products in a contract with a customer. Performance obligations are met at the point in time when control of the products has transferred to the customer, which is dependent on the contractual terms with each customer. In most cases, control transfers to the customer when the products are dispatched or delivered to the customer. Delivery occurs when the products have been delivered to the specific location.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the most likely method. Judgement is exercised by management in the determination of quantum and likelihood of rebates and discounts based on experience and historical trading patterns. Rebates and discounts are recorded in the same period as the original revenue.

Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing. Thus, the Company does not adjust any of the transaction prices for the time value of money as a practical expedient as the Company does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year.

The Company provides management services to Glanbia Performance Nutrition Limited. The Company recognises revenue on a straight line basis over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on the number of months for which services are provided over the period of service i.e. each financial year. The Company invoices Glanbia Performance Nutrition Limited bi-annually. The invoices are usually payable within 30 days.

#### **1.17. Pensions**

##### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays contributions into a separate independent entity. The Company has no legal or constructive obligation to pay further contributions.

The contributions are recognised as an employee benefit expense in the income statement when they are due.

#### **1.18. Share based payments**

The Company participates in a share based compensation plan operated by the Glanbia plc group ("Group"). The Group operates a number of equity-settled share based compensation plans which include share option and share award plans which are open to certain senior managers.

The charge to the income statement in respect of share-based payments is based on the fair value of the equity instruments granted and is spread over the performance period.

## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **1.18. Share based payments (continued)**

##### **Awards under the 2008 and 2018 Long Term Incentive Plan**

The fair value of the awards is calculated using a Monte Carlo simulation technique. The awards contain inter alia a Total Shareholder Return (TSR) based (and hence market based) vesting condition and, accordingly, the fair value assigned to

the related equity instruments is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition.

Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement with a corresponding adjustment to equity.

The non-market based charge to the income statement is only reversed where awards do not vest because non-market performance conditions have not been met or where, subject to the rules of the plan, an employee in receipt of share awards relinquishes service before the end of the vesting period.

Amounts recharged by Glanbia plc to the Company are recognised as a recharge liability with a corresponding charge to the income statement.

#### **1.19. Taxation**

The tax expense for the financial year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Changes to the UK corporation tax rates were enacted as part of Finance (No.2) Act 2015 on 18 November 2015 and Finance Act 2016 on 15 September 2016. These reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. However, in the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred tax at the balance sheet date has been measured using the tax rate enacted at the balance sheet date (i.e. 19%) and reflected in these financial statements.

##### **(i) Current tax**

Current tax is calculated on the basis of tax laws enacted or substantively enacted at the Company balance sheet date in countries where the Company operates and generates taxable income, taking into account adjustments relating to prior years.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

##### **(ii) Deferred tax**

Deferred tax is determined using tax rates and laws enacted or substantively enacted by the reporting date. Deferred tax is provided on a non-discounted basis, using the balance sheet liability method, providing for temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of goodwill not having full tax basis.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## **Notes to the financial statements (continued)**

### **1. Accounting policies (continued)**

#### **1.20. Dividends and other distributions**

Dividends on ordinary shares to the Company's shareholders are recognised as a liability of the Company when approved by the Company's shareholders.

Proposed dividends that are approved after the balance sheet date are not recognised as a liability but are disclosed in the notes to the financial statements.

Capital contributions made by the Company to its subsidiary companies are added to the cost of the investment.

Capital contributions made by the Company to other fellow Group entities are deducted from reserves when approved.

#### **1.21. Accounting judgements and estimates**

In the application of the Company's accounting policies, which are described in this note the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are further discussed in note 25.

### **2. Turnover**

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Performance nutrition and wellness products	70,723,986	63,806,422
Research and development services	689,232	850,112
Management services income	1,153,280	-
	<u>72,566,498</u>	<u>64,656,534</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	71,877,266	63,806,422
Rest of Europe	689,232	850,112
	<u>72,566,498</u>	<u>64,656,534</u>



## Notes to the financial statements (continued)

### 3. Expenses and auditor's remuneration

The profit before tax is stated after charging:

	2020	2019
	£	£
Amortisation of intangible assets (note 10)	16,582	19,010
Depreciation of tangible assets (note 11)	927,242	1,460,784
Depreciation of right-of-use assets (note 12)	292,938	-
Lease rentals (note 12)	8,700	-
Foreign currency exchange loss/(gain)	177,116	(425,530)
Operating lease rentals	-	294,575
Research and development	609,396	677,529
Audit fees payable to the Company's auditor	<u>17,133</u>	<u>14,572</u>

### 4. Employees

Staff costs were as follows:

	2020	2019
	£	£
Wages and salaries	5,531,973	5,632,309
Social security costs	620,945	575,517
Cost of defined contribution plan (note 22)	232,713	194,640
Cost of share based payments	23,904	20,873
Car allowance	<u>54,175</u>	<u>33,475</u>
	<u>6,463,710</u>	<u>6,456,814</u>

Research and development expenditure includes wages and salaries of £371,518 (2019: £429,614).

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

	2020	2019
	No.	No.
Production	141	137
Sales	22	10
Administration	16	11
Research and development	<u>8</u>	<u>6</u>
	<u>187</u>	<u>164</u>

### 5. Director's remuneration

The Director of the Company including his connected persons did not receive any remuneration from the Company in the current or preceding year.

### 6. Exceptional item

	2020	2019
	£	£
Organisation redesign costs (note (a))	681,853	-
Covid-19 costs (note (b))	<u>72,594</u>	<u>-</u>
	<u>754,447</u>	<u>-</u>

## Notes to the financial statements (continued)

### 6. Exceptional item (continued)

Note (a): Organisation redesign costs incurred were wages and salaries associated with the integration of the SlimFast business into the Company.

Note (b): Covid-19 costs incurred primarily relate to implementing measures to protect people, incremental payments to front line workers and other incidental labour related costs associated with the onset of the pandemic.

### 7. Interest payable and similar charges

	2020 £	2019 £
Interest expense on lease liabilities (note 12)	<u>23,895</u>	-
	<u>23,895</u>	-

### 8. Taxation

	2020 £	2019 £
<b>Current tax</b>		
Current tax on profits for the financial year	522,212	460,093
Adjustments in respect of prior years	<u>(89,269)</u>	<u>(59,374)</u>
<b>Total current tax</b>	<u>432,943</u>	<u>400,719</u>
<b>Deferred tax</b>		
Current year	61,401	(13,714)
Adjustments in respect of prior years	57,892	118,197
Effect of change on tax rates	25,543	-
Other	<u>(21,170)</u>	<u>-</u>
<b>Total deferred tax</b>	<u>123,666</u>	<u>104,483</u>
<b>Taxation on profit</b>	<u>556,609</u>	<u>505,202</u>

#### Factors affecting tax charge for the financial year

The tax charge for the financial year is different than (2019: different than) the tax charge that would result from applying the standard rate of corporation tax in the UK to the profit before taxation. The UK corporation tax rate is 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit before tax	<u>3,084,887</u>	<u>4,426,451</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	586,129	841,026
<b>Effects of:</b>		
Expenses not deductible for tax purposes and other adjustments	(57,588)	8,191
Other timing differences	60,229	16,179
Adjustments to tax charge in respect of prior years	(5,834)	58,823
Group relief	(7,637)	(395,140)
Transfer pricing adjustments	<u>(18,690)</u>	<u>(23,877)</u>
<b>Total tax charge for the financial year</b>	<u>556,609</u>	<u>505,202</u>

## Notes to the financial statements (continued)

### 8. Taxation (continued)

#### Factors that may affect future tax charges

The total tax charge in future periods will be affected by any changes to the applicable UK tax rates and other relevant changes in tax legislation, including amendments impacting on the excess of tax depreciation over accounting depreciation and the availability of losses surrendered by a fellow subsidiary undertaking.

The tax charge for the financial year has been reduced by £7,637 (2019: £395,140) because of losses surrendered by a fellow subsidiary undertaking. No payment for this surrender is to be made by the Company.

### 9. Dividends

The aggregate amount of dividends paid comprises:

	2020 £	2019 £
Interim dividend paid to Glanbia (UK) Limited on 6 April 2020	<u>3,000,000</u>	<u>9,000,000</u>
	<u>3,000,000</u>	<u>9,000,000</u>

### 10. Intangible assets

	Software £
<b>Cost</b>	
At 5 January 2020	325,809
Additions	<u>1,450</u>
At 2 January 2021	<u>327,259</u>
<b>Amortisation</b>	
At 5 January 2020	176,697
Charge for the financial year	<u>16,582</u>
At 2 January 2021	<u>193,279</u>
<b>Carrying value</b>	
At 4 January 2020	<u>149,112</u>
At 2 January 2021	<u>133,980</u>

### 11. Tangible assets

	Land and buildings £	Plant and machinery £	Total £
<b>Cost or valuation</b>			
At 5 January 2020	1,953,108	15,161,249	17,114,357
Additions	<u>197,113</u>	<u>689,953</u>	<u>887,066</u>
At 2 January 2021	<u>2,150,221</u>	<u>15,851,202</u>	<u>18,001,423</u>
<b>Depreciation</b>			
At 5 January 2020	597,566	7,801,757	8,399,323
Charge for the financial year	<u>74,016</u>	<u>853,226</u>	<u>927,242</u>
At 2 January 2021	<u>671,582</u>	<u>8,654,983</u>	<u>9,326,565</u>
<b>Carrying value</b>			
At 4 January 2020	<u>1,355,542</u>	<u>7,359,492</u>	<u>8,715,034</u>
At 2 January 2021	<u>1,478,639</u>	<u>7,196,219</u>	<u>8,674,858</u>

Included in the closing cost at 2 January 2021 is an amount of £107,276 (2019: £355,152) incurred in respect of assets under construction.

## Notes to the financial statements (continued)

### 12. Right-of-use assets

	Land and buildings £	Plant and Machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>				
At 4 January 2020	-	-	-	-
Effect of adopting IFRS 16	1,417,654	260,702	69,369	1,747,725
Additions	<u>116,329</u>	<u>-</u>	<u>-</u>	<u>116,329</u>
<b>At 2 January 2021</b>	<b><u>1,533,983</u></b>	<b><u>260,702</u></b>	<b><u>69,369</u></b>	<b><u>1,864,054</u></b>
<b>Depreciation</b>				
At 4 January 2020	-	-	-	-
Charge for the financial year	<u>135,910</u>	<u>131,350</u>	<u>25,678</u>	<u>292,938</u>
<b>At 2 January 2021</b>	<b><u>135,910</u></b>	<b><u>131,350</u></b>	<b><u>25,678</u></b>	<b><u>292,938</u></b>
<b>Carrying amount</b>				
At 4 January 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 2 January 2021</b>	<b><u>1,398,073</u></b>	<b><u>129,352</u></b>	<b><u>43,691</u></b>	<b><u>1,571,116</u></b>

#### Other disclosures relating to leases

Lease rentals of £8,700 (note 3) include short-term lease of £605 and leases for low value assets of £8,095. There was no income from subleasing and gains/losses on sale and leaseback transactions. The total cash outflow for lease payments during the year was £353,720. At 2 January 2021, the Company had no commitment for short-term leases.

The effect of excluding future cash outflows arising from variable lease payments, termination options, and residual value guarantees from lease liabilities does not apply to this Company.

Refer to notes 3, 7, 16 and 17 for other leasing balances and disclosures.

### 13. Stocks

	2020 £	2019 £
Raw materials and consumables	16,621,003	15,743,641
Work in progress	<u>153,054</u>	<u>119,367</u>
	<b><u>16,774,057</u></b>	<b><u>15,863,008</u></b>

The replacement cost of stocks does not materially differ from the above amounts.

The cost of inventories recognised as an expense during the year in cost of sales was £46,798,744 (2019: £40,459,960). The amount included in the income statement for the write down of inventory to net realisable value was £715,824 (2019: nil).

## Notes to the financial statements (continued)

### 14. Debtors

	2020	2019
	£	£
<b>Due within one year</b>		
Trade debtors	4,574,043	3,121,512
Amounts owed by Group undertakings	6,128,351	54,009
Other debtors	35,438	5,224
Prepayments and accrued income	255,708	309,857
Corporation tax asset	125,106	-
	<u>11,118,646</u>	<u>3,490,602</u>

Amounts owed by Group undertakings are interest free, unsecured and payable on demand.

### 15. Cash at bank and in hand

	2020	2019
	£	£
Cash at bank and in hand	-	3,182
	<u>-</u>	<u>3,182</u>

### 16. Creditors amounts falling due within one year

	2020	2019
	£	£
Trade creditors	1,451,549	3,887,392
Amounts owed to Group undertakings	11,856,052	4,304,006
Amounts owed to Group joint ventures	93,859	177,720
Provisions (note 18)	156,692	-
Bank loans and overdrafts	17	-
Taxation and social security	233,267	891,063
Accruals and deferred income	6,658,178	2,295,558
Current lease liability (note 12)	316,668	-
	<u>20,766,282</u>	<u>11,555,739</u>

Amounts owed to Group undertakings are interest free, unsecured and payable on demand.

	2020	2019
	£	£
<b>Taxation and social security</b>		
Corporation tax	-	195,022
PAYE/NI	-	143,180
VAT	233,267	552,861
	<u>233,267</u>	<u>891,063</u>

## Notes to the financial statements (continued)

### 17. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Non-current lease liability (note 12)	<u>1,302,965</u>	<u>-</u>
	<u>1,302,965</u>	<u>-</u>

### 18. Provisions

	2020 £
Organisation redesign costs (note (a))	<u>156,692</u>
	<u>156,692</u>

Note (a): On 1 November 2020, KSF Acquisition (UK) Limited ("SlimFast") a fellow subsidiary undertaking, transferred part of its employees, assets and liabilities to the Company as part of a reorganisation of the Company and SlimFast. The provision relates to wages and salaries associated with that reorganisation (note 6).

### 19. Deferred taxation

	2020 £	2019 £
At start of year – liability	(217,112)	(112,629)
Charged to the income statement	<u>(120,644)</u>	<u>(104,483)</u>
At end of year – liability	<u>(337,756)</u>	<u>(217,112)</u>

The deferred tax liability is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(363,297)	(221,501)
Others	<u>25,541</u>	<u>4,389</u>
	<u>(337,756)</u>	<u>(217,112)</u>

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had been substantively enacted at the balance sheet date, its effects are included in these financial statements.

### 20. Capital and reserves

#### Share capital

	2020 £	2019 £
<b>Authorised</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid ordinary shares of £1 each</b>		
At start of year	<u>100,000</u>	<u>100,000</u>
At end of year 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

## Notes to the financial statements (continued)

### 21. Commitments

#### Capital commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	2020 £	2019 £
Property, plant and equipment	<u>82,588</u>	<u>188,389</u>

### 22. Pension commitments

The Company operates a defined contribution pension plan. The assets of the plan are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the Fund and amounted to £232,713 (2019: £194,640) (note 4).

### 23. Related party transactions

The Director of the Company including his connected persons did not enter into any transactions with the Company in the current or preceding year and had no receivable or payable balances outstanding at 2 January 2021 and 4 January 2020.

The Company has availed of the exemptions available in FRS101 "Reduced Disclosure Framework" from disclosing transactions with wholly owned subsidiaries of Glanbia plc and key management personnel.

The following transactions were carried out with related parties:

	2020 £	2019 £
<b>Purchase of goods</b>		
Joint ventures	<u>1,377,890</u>	<u>1,056,800</u>
<b>Year end balances</b>		
Payables to joint ventures	<u>93,859</u>	<u>177,720</u>

The outstanding balances included in payables at the balance sheet date in respect of transactions with related parties are unsecured, interest free and settlement arises in cash.

### 24. Group membership

From 1 July 2020 in accordance with the Amended and Restated Relationship Agreement relating to Glanbia plc dated 2 July 2017 between Glanbia Co-operative Society Limited (the "Society") and Glanbia plc, the number of Glanbia plc directors that can be nominated by the Society reduced. Thereafter the Society no longer controlled Glanbia plc, and Glanbia plc became the Company's ultimate holding and controlling party.

The UK parent company is Glanbia (UK) Limited, a company registered in England and Wales. The Company and its UK parent, Glanbia (UK) Limited, are subsidiaries of Glanbia plc. Glanbia plc prepares consolidated financial statements for the smallest group of undertakings which includes Glanbia Performance Nutrition (UK) Limited. Glanbia plc is registered in Ireland and a copy of its financial statements can be obtained from Glanbia House, Kilkenny, Ireland or are currently available for download from the Group's website at [www.glanbia.com](http://www.glanbia.com).

### 25. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, in accordance with the accounting policy stated in note 1.21.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Notes to the financial statements (continued)**

**25. Accounting estimates and judgements (continued)**

**Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. Determination of appropriate useful economic lives is a key judgement and the useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

**26. Post balance sheet events**

There have been no significant events affecting the Company since the financial year end.