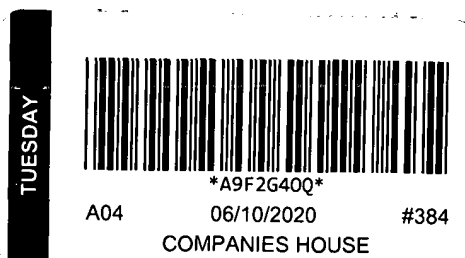


Arla Foods Ingredients UK Limited

Annual report and financial statements

For the year ended 31 December 2019



Arla Foods Ingredients UK Limited

Company information

Directors	A Amirahmadi H H Andersen K Kristiansen S K M Ho (appointed 27 March 2019) I A Vatne (resigned 27 March 2019) J Nielsen (resigned 30 April 2019)
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Registered number	07403866
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Registered office	Arla House 4 Savannah Way Leeds Valley Park Leeds LS10 1AB
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Independent auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
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Contents

	Page(s)
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 17

Strategic report**For the year ended 31 December 2019**

The Directors present their Strategic report on Arla Foods Ingredients UK Limited (the 'Company') for the year ended 31 December 2019.

Principal activities and business model

The Company's principal activity is the purchase and processing of raw whey. The product is then supplied to other companies within the Arla Foods amba group of companies (the 'Group').

Business review and results

During 2019 the Company processed raw whey into whey retentate, permeate and concentrate, and supplied this final product to its customers. The Directors believe the activity levels and year-end financial position of the Company were satisfactory.

No dividend was received by the Company for the year ended 31 December 2019 (2018: £1,500,000).

Key performance indicators

The Company's key financial and other performance indicators during the year were as follows:

	2019	2018	Change
	£m	£m	%
Revenue	16.9	17.4	(3)
Operating (loss)/profit	(0.6)	2.2	(126)
Operating profit margin	(3%)	13%	

The significant movement from an operating profit to an operating loss is a result of movements in whey selling prices and purchase prices as well as the closure of one of the Company's whey supply sites.

The movements in whey prices were a result of changes in market conditions during the year. Whilst the Company aims to mitigate the risk of these price movements through fixed pricing agreements with both its customers and suppliers, certain unexpected market movements can result in loss making positions being held. Market movements had a negative impact on the Company throughout the majority of 2019 returning to favourability in the final quarter of 2019 and first quarter of 2020.

The Directors believe that the Company will return to profitability in 2020.

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to the supply of raw whey, the demand for whey within the market subsequently affecting the price of whey, and the reliance on a concentrated customer base.

The outcome of the negotiations on the future trading relationship between the EU and the UK remains uncertain and changes to the trading relationship with the EU could present significant challenges. Despite these challenges, the importance of the UK market for Arla remains unchanged and the Group continues to prepare for all possible outcomes.

The Arla Brexit Task Force has throughout the year continued to monitor and assess the various scenarios, considering possible impacts and mitigating actions. Our management team and Board of Directors have been updated frequently and relevant newsletters have been shared with our owners. Arla continues to collaborate with partners in the dairy industry and wider food and farming community to build a united position across Europe and is working with UK government and the EU parliament to achieve this.

Strategic report (continued)

For the year ended 31 December 2019

Principal risks and uncertainties (continued)

Significant risks relate to negotiations on the regulatory alignment between EU and UK, extra costs in the form of customs duties and customs clearance being imposed on EU and UK exports that could negatively affect demand due to the potential price impacts, as well as increased administrative burdens which could adversely impact operations. The ongoing Brexit developments have not had a material impact on any of the balances within these accounts.

In March 2020 the Covid-19 global pandemic impacted the United Kingdom. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements. The impact on the Group has been on the short-term sales mix, with shifts observed between sectors and certain product areas. The long-term impact is not possible to estimate at this point in time, however general consumption of dairy products is not expected to change significantly, and the Directors remain confident that any negative impact on the Group performance will be kept to a minimum. There has been no other impact on the Company as a result of Covid-19.

Future developments

Looking forward, the Board is confident that the Company will return to profitability based on the changing market trends in the latter part of 2019 and early 2020.

This report was approved by the Board on 26 August 2020 signed on its behalf



S K M Ho
Director

Directors' report (continued)

For the year ended 31 December 2019

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

Results and dividends

Losses for the year after taxation amounted to £0.5m (2018 profit: £2.9m).

The Directors do not recommend the payment of a dividend (2018: No dividend).

Directors

The Directors who served during the year were:

A Amirahmadi
H H Andersen
K Kristiansen
S K M Ho (appointed 27 March 2019)
I A Vatne (resigned 27 March 2019)
J Nielsen (resigned 30 April 2019)

Going concern

The Company has obtained a letter of financial support from fellow subsidiary, Arla Foods Limited ('AFL'), confirming the Company can rely on AFL to support the continuation of operations and to meet its liabilities as they fall due for at least the next 12 months. The Directors are comfortable based on their assessment that based on forecasts, cash flows, sensitivities and committed financing, AFL has sufficient resources to commit to such support.

The Directors have concluded with reasonable expectation that the Company has adequate resources and support to continue in operational existence for at least the next 12 months.

Thus, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Charitable and political contributions

The Company made no political or charitable donations in the year (2018: None).

Post balance sheet events

In March 2020 the Covid-19 global pandemic impacted the United Kingdom. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements. The impact on the Group has been on the short-term sales mix, with shifts observed between sectors and certain product areas. The long-term impact is not possible to estimate at this point in time, however general consumption of dairy products is not expected to change significantly, and the Directors remain confident that any negative impact on the Group performance will be kept to a minimum. There has been no other impact on the Company as a result of Covid-19
Matters covered in the strategic report

The Company has chosen in accordance with section 414C (11) of the Companies Act 2006 to set out information related to future developments in its Strategic Report.

Directors' report (continued)

For the year ended 31 December 2019

Disclosure of information to auditors

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

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Directors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless 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 Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 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.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young will therefore continue in office.

This report was approved by the Board on 26 August 2020 and signed on its behalf



S K M Ho
Director

Independent auditors' report

For the year ended 31 December 2019

We have audited the financial statements of Arla Foods Ingredients UK Limited for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Emphasis of matter – Effects of Covid-19

We draw attention to Note 14 of the financial statements, which describes the economic and social consequences the Company is facing as a result of Covid-19 which is impacting supply chains, consumer demand, financial markets, commodity prices, personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Independent auditors' report (continued)

For the year ended 31 December 2019

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

Independent auditors' report (continued)

For the year ended 31 December 2019

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Tim Helm (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

27 August 2020

Arla Foods Ingredients UK Limited

Statement of comprehensive income
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	16,910	17,383
Cost of sales		(17,436)	(15,090)
Gross (loss)/profit		(526)	2,293
Distribution costs		-	(66)
Administrative expenses		(50)	(49)
Operating (loss)/profit		(576)	2,178
Dividend received		-	1,500
Interest receivable and similar income	5	324	294
Interest payable and similar charges	6	(461)	(461)
(Loss)/profit on ordinary activities before taxation		(713)	3,511
Taxation on (loss)/profit on ordinary activities	7	178	(624)
(Loss)/profit for the financial year		(535)	2,887


There was no other comprehensive income for 2019 (2018: £nil).

Arla Foods Ingredients UK Limited

Balance sheet**As at 31 December 2019**

	Note	2019 £000	2018 £000
Fixed assets			
Investments	8	<u>3,144</u>	<u>3,144</u>
Current assets			
Debtors: Amounts falling due within one year	9	20,349	21,420
Creditors: Amounts falling due within one year	10	(6,093)	(6,629)
Net current assets		<u>14,256</u>	<u>14,791</u>
Total assets less current liabilities		<u>17,400</u>	<u>17,935</u>
Net assets		<u>17,400</u>	<u>17,935</u>
Capital and reserves			
Called up share capital	12	2,500	2,500
Profit and loss account		14,900	15,435
Shareholders' funds		<u>17,400</u>	<u>17,935</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on *26* August 2020 by


S K M Ho
Director

The notes on pages 11 to 17 form part of these financial statements.

Arla Foods Ingredients UK Limited

Statement of changes in equity**As at 31 December 2019**

	Share capital £000	Retained earnings £000	Total equity £000
At 1 January 2018	2,500	12,548	15,048
Total comprehensive income for the year	-	2,887	2,887
At 31 December 2018	<u>2,500</u>	<u>15,435</u>	<u>17,935</u>
Total comprehensive loss for the year	-	(535)	(535)
At 31 December 2019	<u>2,500</u>	<u>14,900</u>	<u>17,400</u>

The notes on pages 11 to 17 form part of these financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation of financial statements

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

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 Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Arla Foods amba includes the Company in its consolidated financial statements. The consolidated financial statements of Arla Foods amba are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the secretary at Sonderhoj 14, DK-8260 Viby J, Denmark.

In these financial statements the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS's;
- Disclosures in respect of IAS 24 related parties;
- Disclosures in respect of the compensation of key management personnel

As the consolidated financial statements of Arla Foods amba include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 Financial Instrument Disclosures;
- The disclosures required by paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

1.2 Going concern

The Company purchases, processes and supplies raw whey. During the year the Company incurred losses after tax of £535,000 (2018: profit after tax £2,887,000). The losses were driven by shifting whey index prices. The Directors have a reasonable expectation that the Company will return to profitability in 2020.

At 31 December 2019, net assets were £17,400,000 (2018: £17,935,000) and net current assets were £14,256,000 (2018: £14,791,000). Current assets consisted primarily of intercompany balances with Arla Foods Limited ('AFL'), the primary UK trading company within the Arla Foods amba group of companies.

The Company has obtained a letter of financial support from fellow subsidiary, Arla Foods Limited ('AFL'), confirming the Company can rely on AFL to support the continuation of operations and to meet its liabilities as they fall due for at least the next 12 months. The Directors are comfortable based on their assessment that based on forecasts, cash flows, sensitivities and committed financing, AFL has sufficient resources to commit to such support.

The Directors have prepared cash flow forecasts for a period to 31 December 2021 supporting their conclusions. These forecasts reflect and consider the following:

- Profit forecasted to be generated by AFL applying forecasts endorsed and approved at Board and Group level.

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

1.2 Going concern (continued)

- working capital requirements over the period including assumptions over seasonal increases in working capital requirements such as in the run up to Christmas.
- The planned extent of capital expenditure and future investment.
- The direct impact of Covid-19, which is minimal, impacting product and sector mix but not negatively impacting overall performance of AFL.
- The impact of Brexit scenarios on our overall forecast performance.

As part of the assessment, the Directors have also modelled possible downside scenarios to the base case. One scenario including performing a reverse stress testing which models a decline in performance comfortably in excess of that experienced by AFL historically and during the Covid-19 pandemic.

Based upon these forecasts the Directors are satisfied AFL will be sufficiently cash generative and that the working capital cycle, planned levels of capital expenditure and any additional future cashflows are such that the agreed facility limit will be operated within whilst maintaining a comfortable level of headroom. Therefore, the Directors believe AFL will have sufficient funds, through the committed intercompany treasury arrangement, to meet its liabilities.

The Directors have considered information regarding the Group's ability to provide the facility to AFL by proxy of the Arla Foods Finance A/S entity. The cash flows from operations of the Group are positive at €270m (c. £245m) at 30 June 2020. The extent of existing leveraging is below the lower end of the target range at 2.6x EBITDA (December 2019: 2.8x EBITDA, target range 2.8x – 3.4x) and undrawn cash facilities capacity at Group level is €539m (c. £488m) at 30 June 2020. The Company Directors have made inquiries of the Group Directors on its ability to provide the facility. The Directors conclude that the Group will comfortably be able to provide the facility for at least 12 months from the date of signing these financial statements. The Directors have concluded with reasonable expectation that the Company has adequate resources and support to continue in operational existence for at least the next 12 months. Thus, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in respect of goods and services supplied by the Company. Sales of goods are recognised when the product is delivered to the customer, the customer has accepted the products and collectability of the trade receivables is reasonably assured. Turnover is attributable to the processing of whey products.

1.4 Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

1.5 Expenses

Interest payable

Interest payable and similar charges include interest payable to other Group companies. Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes to the financial statements (continued)**For the year ended 31 December 2019**

1. Accounting policies (continued)**1.6 Associates and joint ventures**

Associates and joint ventures are held at cost less impairment.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Analysis of turnover

All turnover is attributable to one class of business, the Company's principal activity.

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	8,230	6,778
Denmark	8,680	10,605
	<u>16,910</u>	<u>17,383</u>

3. Auditors' remuneration

The audit fee has been borne on behalf of the Company by a related group company, Arla Foods Limited.

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company.

4. Directors' remuneration

There are no employees of the Company, other than the Directors. The Directors of the Company are also Directors or employees of other companies within the Arla Foods Amba group. The Directors' services to the Company do not occupy a significant amount of their time. As such the Directors do not consider that they have received any remuneration for their incidental services to the Company.

5. Interest receivable

	2019 £000	2018 £000
Receivable from Group undertakings	<u>324</u>	<u>294</u>

Notes to the financial statements (continued)

For the year ended 31 December 2019

6. Interest payable and similar charges

	2019 £000	2018 £000
Payable to other Group companies	461	461

7. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on (loss)/profits for the year	(164)	424
Adjustments in respect of previous periods	(14)	200
Total (credit)/charge for the year	(178)	624

Factors affecting tax (credit)/charge for the year

The tax assessed for the year is lower than (2018: lower) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit on ordinary activities before tax	(713)	3,511
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	(135)	667
Effects of:		
Expenses not deductible/income not taxable for tax purposes	(29)	42
Non-taxable dividend income	-	(285)
Adjustments in respect of previous periods	(14)	200
Total tax (credit)/charge for the year	(178)	624

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020), previously enacted on 6 September 2016, was repealed on 17 March 2020. The main rate of UK corporation tax will therefore remain at 19% from 1 April 2020.

Notes to the financial statements (continued)**For the year ended 31 December 2019**

8. Fixed asset investments

	Investment in joint ventures £000
Cost or valuation	
At 1 January 2019	3,144
At 31 December 2019	<u>3,144</u>
Net book value	
At 31 December 2019	<u><u>3,144</u></u>
At 31 December 2018	<u><u>3,144</u></u>

The company has a 50% interest in MV Ingredients Ltd, a jointly controlled entity whose principal activity is to process whey.

9. Debtors

	2019 £000	2018 £000
Due within one year		
Amounts owed by other Group companies	19,347	19,287
Amounts owed by joint ventures	1,002	2,133
	<u><u>20,349</u></u>	<u><u>21,420</u></u>

Included within amounts owed by other Group companies is £16,446,000 (2018: £17,188,000) which carries interest at LIBOR + 1.5%. These amounts have no fixed repayment dates. The remaining £2,901,000 (2018: £2,099,000) carries no interest and is repayable on demand.

The amount owed by joint ventures is repayable on demand and carries no interest.

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to other Group companies	4,281	4,639
Corporation tax	1,812	1,990
	<u>6,093</u>	<u>6,629</u>

Amounts owed to other Group companies carry no interest and are repayable on demand.

11. Related party transactions

In the year ended 31 December 2019, sales of £8,230,000 (2018: £6,778,000) were made to MV Ingredients Limited, a company in which Arla Foods Ingredients UK Limited has a 50% interest. The balance due from MV Ingredients Limited at 31 December 2019 was £1,002,000 (2018: £2,133,000).

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the disclosure exemptions under FRS101 from disclosing transactions with wholly owned related parties that are part of the Arla Foods amba group. Transactions between related parties are made on an arm's length basis. Balances outstanding at 31 December 2019 with related parties, are as follows:

	2019 £000	2018 £000
Amounts owed from parent company	1,179	732
Amounts owed to parent company	(1,137)	(1,495)
Amounts owed from fellow subsidiary companies	18,168	18,555
Amounts owed to fellow subsidiary companies	(3,144)	(3,144)
Amounts owed from joint ventures	1,002	2,133

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties.

12. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
2,500,001- Ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>

Notes to the financial statements (continued)

For the year ended 31 December 2019

13. Ultimate control

The immediate parent undertaking is Arla Foods Limited, a company registered in England. The Company's ultimate parent company is Arla Foods amba, incorporated and registered in Denmark.

The largest group in which the results of the Company are consolidated is that headed by Arla Foods amba. No other group financial statements include the results of the Company. The consolidated financial statements of Arla Foods amba can be found from the investor relations section of www.arla.com.

14. Post balance sheet events

In March 2020 the Covid-19 global pandemic impacted the United Kingdom. For accounting purposes, the pandemic is a non-adjusting post balance sheet event so the reporting or accounting for any impacts has not been reflected in these financial statements. The impact on the Group has been on the short-term sales mix, with shifts observed between sectors and certain product areas. The long-term impact is not possible to estimate at this point in time, however general consumption of dairy products is not expected to change significantly, and the Directors remain confident that any negative impact on the Group performance will be kept to a minimum. There has been no other impact on the Company as a result of Covid-19.