

Registration number: 09521994

Upfield Foods UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

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Upfield Foods UK Limited

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Upfield Foods UK Limited

Company Information

Directors D S Guha
 L J Evison

Company secretary A W Barratt

Registered number 09521994

Registered office Floor 2
 The Caxton
 1 Brewer's Green
 London
 England
 SW1H 0RH

Independent Auditor KPMG LLP
 15 Canada Square
 Canary Wharf
 London
 E14 5GL
 United Kingdom

Upfield Foods UK Limited

Strategic Report

For the year ended 31 December 2019

The Directors present their Strategic Report for the Company for the year ended 31 December 2019.

Business review

On 2 July 2018, the companies and businesses comprising Unilever's global baking, cooking and spreads business including Unilever BCS Limited (renamed to Upfield Spreads UK Limited) and its subsidiaries were acquired by Kohlberg Kravis Roberts & Co. Inc. (KKR). Subsequently, the Company, as a subsidiary of Upfield Spreads UK Limited, was renamed as Upfield Foods UK Limited on 17 July 2018. Even though the sale to KKR occurred on 2 July 2018, the Company and its subsidiaries continued to be reliant on a number TSAs with Unilever throughout the whole of 2019 to help ensure business continuity as the separation from Unilever takes place. During 2019, the management of Upfield Foods UK focused on ensuring that when the TSA's with Unilever finished, the Company was ready to pick up these key functions which enabled it to continue to trade with its customers. There has been a successful separation from Unilever and Upfield is now able to operate on its own functions previously undertaken by Unilever under the TSA service agreements.

During 2019, the decision was made by Upfield to close the manufacturing site for spreads and creams in Purfleet, UK. The UK market volume would be manufactured in the existing European Supply Chain network on mainland Europe and imported into the UK. There was a gradual planned shutdown of the site as manufacturing migrated from the UK to Europe. The site ceased manufacturing at the end of December 2019. Decommissioning work continued in 2020 to bring the site in line with all environmental regulations. The land that the manufacturing site was on was sold to CRO Ports and also the cost of closure saw a large one off increase in administration expenses resulting in a loss for the year.

The loss for the year, after taxation, is £23,598,000 (2018: profit of £4,691,000).

The Directors consider that, in the conditions prevailing during the year, the development of the Company's business and its financial position at the end of the year was satisfactory. The Directors do not expect any development in the Company's business in the coming year which is significantly different from its present activities.

The Company is in a net asset position and expects to remain so for the foreseeable future.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. These business risks and uncertainties affecting the Company are considered to relate to consumption levels, customer landscape, competitor activity, and physical risks, legislative, fiscal and regulatory conditions. Also during early 2020, COVID-19 impacted the business due to changing consumer habits through pandemic. Going Concern and COVID-19 risks are addressed in the Directors Report in more detail. Additional risks that this Company and the Upfield group of companies are subject to and how they are managed in the context of the Upfield group of companies is provided in the consolidated financial statements of Sigma Topco B.V. for the period ended 31 December 2019, the parent company of the Company.

Brexit

The United Kingdom exited the European Union in January 2020 after the country voted to leave in a referendum in June 2016. A trade deal between the UK and the EU was agreed in December 2020 and it is currently too early to say if there is any long term affects from the new trade deal but early indications show no issues bringing products into the UK from mainland Europe. The Directors continue to monitor the situation closely and review potential risks to the Company.

Upfield Foods UK Limited

Strategic Report (continued)

For the year ended 31 December 2019

Financial key performance indicators

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of Companies Act 2006

We recognise the importance of our wider stakeholders in delivering our strategy and business sustainability. We are conscientious about our responsibilities and duties to our stakeholders under section 172 of the Companies Act 2006.

The customers

We continue to focus on providing customers with quality products at competitive prices.

The employees

We want the Company to be a great place to work, where employees are empowered to make decisions and can develop their skills and capabilities to serve our customers' needs.

The communities

Our products, services and people are beneficial to the communities in which we operate. Our place at the heart of our communities also makes it important that our business practices are ethical and transparent.

The environment

Our products, supply chain and operations all have an impact on the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage, and of resulting financial liability, in connection with our business.

The shareholders

We continue to create long-term, sustainable value for our shareholders, by investing in our competitiveness in our chosen markets.

The suppliers

We continue to strengthen the partnerships we have with our suppliers to deliver great quality products to our customers, at great value.

Approved by the Board on 10th May 2021 and signed on its behalf by:

Damian Guha

D S Guha
Director

Upfield Foods UK Limited

Directors' Report

For the year ended 31 December 2019

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

Principal activity

Up until 01 July 2018, the principal activity of the Company consisted of the sale of consumer products made by Unilever UK Limited on behalf of the Company. Once the sale of the Spreads business to Kohlberg Kravis Roberts & Co Inc. (KKR) was completed on the 2 July 2018, Unilever UK Limited continued to sell on behalf of the Company under transitional service arrangements (TSAs) entered between Upfield B.V. and subsidiaries ("Upfield Group") and Unilever PLC and Unilever N.V. and their subsidiaries ("Unilever"). The Company continued to use Unilever services for these sales during the tenure of these TSAs, which ended in December 2019.

Results and dividends

The loss for the year, after taxation, amounted to £23,598,000 (2018: profit of £4,691,000).

The dividends paid during the year amounted to £Nil (2018: £Nil).

Directors of the Company

The Directors who held office during the year, and up to the date of signing the financial statements were as follows:

D J Balmer (resigned 28 February 2020)

S J Hermiston (resigned 27 November 2019)

D J Salkeld (resigned 24 February 2020)

L J Evison (appointed 28 February 2020)

D S Guha (appointed 28 February 2020)

Directors' indemnities

Pursuant to the Company's articles of association, the Directors were throughout the financial year ended 31 December 2019 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

Employee engagement

The Company keeps employees fully informed of the Company's strategies and their impact on the performance of the Company and the Group and encourages employee participation. Briefing meetings are held for each division to give information on company matters and provide an opportunity for discussion. E-mail bulletins are circulated regularly to all employees to ensure a common awareness of financial and economic factors that affect the performance of the Company.

Annual employee engagement surveys are undertaken allowing employees to feedback to management which help shape future briefings and communication

Political and charitable donations

The Company made no donations or incurred any political and charitable expenditure during the year (2018: £nil).

Upfield Foods UK Limited

Directors' Report (continued)

For the year ended 31 December 2019

Future developments

Following the completion of the full separation from Unilever, management will continue to focus on the successful execution of the overall Upfield Group growth strategy within the plant-based foods segment by reinvigorating existing brands, launching new products and building presence in higher growth channels.

Financial risk management, objectives and policies

Foreign currency risk

The Company monitors and manages the foreign currency risk relating to the operations of the Company, with the assistance of the treasury department of the Topco B.V.

Credit risk

Credit risk arises from exposures to customers. The creditworthiness of customers granted credit terms in the normal course of business is monitored continually.

The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers.

Liquidity risk

The Company ensures availability of funding for its operations through an appropriate amount of committed bank facilities on a group wide basis.

Other risks

The Company is exposed to interest rate risk arising out of amounts owed to/by group undertakings. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances.

Going concern

The Company has net current assets of £31.6m which includes debtors of £74.2m due after more than one year as at the Balance Sheet date. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe, but plausible downsides, the Company will have sufficient funds, through funding from its parent company, Upfield Group BV ("intermediate parent company"), to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Upfield Group BV ("intermediate parent company") providing additional financial support during that period, if required. Upfield Group BV ("intermediate parent company") has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Upfield Foods UK Limited

Directors' Report (continued)

For the year ended 31 December 2019

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

COVID-19

Subsequent to year-end, the outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The business has performed well during the COVID-19 pandemic with the consumption of its products switching from out of home to in home due to the national lockdown. The long term duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Company in future periods, the accounts have been prepared on a going concern basis, please refer to the going concern paragraph for further details.

Post balance sheet events

To the extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus, the potential spread to other regions and the actions taken to contain the coronavirus or treat its impact, amongst others.

The Company booked a compensation claim for reduced quality services provided by NFT Warehouse. This company subsequently went into bankruptcy and the proceeds for the claim are under litigation.

In December 2019, the Company closed its manufacturing site in Purfleet. The land on which the manufacturing unit was set, was sold for a consideration of £27,079,000. The Company is obligated to perform environmental controls on the manufacturing site where fats were used to ensure the land is ready for use for the new owners.

Also the Company had TSAs (Transitional Service Agreements) with Unilever, which came to an end in 2019. Starting 2020, the invoicing and payment collections from customers is performed by the Company and will not be outsourced.

Other than this no material events have occurred since the statement of financial position date which would affect the financial statements of the Company.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that:

so far as they are aware,

- there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Upfield Foods UK Limited

Directors' Report (continued)

For the year ended 31 December 2019

Auditor

The auditor, KPMG LLP, have indicated their willingness to continue in office. The auditor is deemed to be reappointed pursuant to section 487 of the Companies Act 2006.

Approved by the Board on 10th May 2021 and signed on its behalf by:

Damian Guha

D S Guha
Director
Floor 2, The Caxton,
1 Brewer's Green, London,
England
SW1H 0RH

Upfield Foods UK Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

For the year ended 31 December 2019

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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent Auditor's Report to the Members of Upfield Foods UK Limited

Opinion

We have audited the financial statements of Upfield Foods UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state 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 UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Upfield Foods UK Limited (continued)

Strategic Report and Directors' Report

The Directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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 financial statements

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of Upfield Foods UK Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.



Heidi Broom-Hirst (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 11 May 2021

Upfield Foods UK Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	187,146	185,541
Cost of sales		<u>(149,099)</u>	<u>(156,008)</u>
Gross profit		38,047	29,533
Administrative expenses		<u>(66,533)</u>	<u>(24,895)</u>
Operating (loss)/profit	4	(28,486)	4,638
Interest receivable and similar income	8	3,035	978
Interest payable and similar charges	9	<u>(212)</u>	<u>-</u>
(Loss)/profit before tax from continuing operations		(25,663)	5,616
Tax credit/(charge) on (loss)/profit from continuing operations	10	<u>2,065</u>	<u>(925)</u>
(Loss)/profit for the year		(23,598)	4,691
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive (loss)/profit for the year		<u><u>(23,598)</u></u>	<u><u>4,691</u></u>

There were no recognised gains or losses for the financial year other than those included in the Statement of comprehensive income.

The notes on pages 16 to 40 form an integral part of these financial statements.

Upfield Foods UK Limited

Balance Sheet

as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Goodwill	11	35,831	35,831
Tangible assets	12	1,717	26,744
Right-of-use assets	13	3,079	-
		<u>40,627</u>	<u>62,575</u>
Current assets			
Inventories	14	896	971
Cash at bank and in hand		726	624
Debtors (including £74.2m (2018: £67.8m) due after more than one year)	15	122,731	95,291
		<u>124,353</u>	<u>96,886</u>
Creditors: amounts falling due within one year	16	(92,750)	(74,081)
Net current assets (including £74.2m (2018: £67.8m) due after more than one year)		<u>31,603</u>	<u>22,805</u>
Total assets less current liabilities		72,230	85,380
Creditors: amounts falling due after more than one year	17	(3,947)	(384)
Provisions for liabilities	19	<u>(8,070)</u>	<u>(1,185)</u>
Net assets		<u>60,213</u>	<u>83,811</u>
Capital and reserves			
Share capital	20	-	-
Share premium reserve	21	49,868	49,868
Profit and loss account	21	<u>10,345</u>	<u>33,943</u>
Total equity		<u>60,213</u>	<u>83,811</u>

The notes on pages 16 to 40 form an integral part of these financial statements.

Upfield Foods UK Limited

Balance Sheet

as at 31 December 2019 (continued)

The financial statements were approved by the Board of Directors on 10th May 2021 and were signed on its behalf by:

Damian Guha

.....
D S Guha
Director

Registration number: 09521994

The notes on pages 16 to 40 form an integral part of these financial statements.

Upfield Foods UK Limited

Statement of Changes in Equity

For the year ended 31 December 2019

	<i>Share Capital</i>	<i>Share Premium Reserve</i>	<i>Profit and loss Account</i>	<i>Total Equity</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
At 1 January 2018	-	49,868	29,252	79,120
Profit for the year	-	-	4,691	4,691
Total comprehensive income	-	-	4,691	4,691
At 31 December 2018	<u>-</u>	<u>49,868</u>	<u>33,943</u>	<u>83,811</u>
	<i>Share Capital</i>	<i>Share Premium Reserve</i>	<i>Profit and loss Account</i>	<i>Total Equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£ 000</i>
At 1 January 2019	-	49,868	33,943	83,811
Loss for the year	-	-	(23,598)	(23,598)
Total comprehensive expense	-	-	(23,598)	(23,598)
At 31 December 2019	<u>-</u>	<u>49,868</u>	<u>10,345</u>	<u>60,213</u>

The notes on pages 16 to 40 form an integral part of these financial statements.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1 Accounting policies

Upfield Foods UK Limited (the "Company") is a private company limited by share capital, incorporated, domiciled and registered in the UK. The registered number is 09521994 and the registered address is Floor 2, The Caxton, 1 Brewer's Green, London, England, SW1H 0RH. The principal activity can be found in the Directors' report on page 4.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Upfield Spreads UK Limited is the immediate parent company of Upfield Foods UK Limited. Upfield Group consists of all the subsidiaries of Sigma Topco BV including Upfield BV and its subsidiaries.

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

The ultimate parent of the Company is Sigma Luxco S.a.r.L. which is exempt from preparing consolidated financial statements. The results of the immediate subsidiary of the ultimate parent, Sigma Topco B.V. ("an intermediate parent Company") are prepared under the International Financial Reporting Standards (IFRS) and will be filed in the Netherlands. The copies of the financials are publicly available from the address provided in note 24.

The Company's functional and presentation currency is GBP.

The values presented in these financial statements have been rounded to the nearest thousand £000 unless where otherwise stated.

Measurement convention

The financial statements are prepared on the historical cost basis. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, and payables, as appropriate.

Going Concern

The Company has net current assets of £31.6m which includes debtors of £74.2m due after more than one year as at the Balance Sheet date. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe, but plausible downsides, the Company will have sufficient funds, through funding from its parent company, Upfield Group BV ("intermediate parent company"), to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Upfield Group BV ("intermediate parent company") providing additional financial support during that period, if required. Upfield Group BV ("intermediate parent company") has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

New Accounting Standards and Changes in Significant Accounting Policies

New standards

The Company has adopted IFRS 16 Leases during the year. The impact of adopting this standard is set out below. There were not any other new or revised accounting standards that had any material impact on the amounts reported for the current or prior years. Additionally, there are no new or revised accounting standards applicable from 1 January 2020 or beyond that are expected to have a material impact on the Company.

IFRS 16

Impact of initial application of IFRS 16

In the current year, the Company, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases - Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

The Company has opted for the simple modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Company does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

Impact of the new definition of a lease

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of IFRS 16. The new definition in IFRS 16 will change significantly the scope of contracts that meet the definition of a lease, however, the impact on the Company has been limited.

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; and
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within administrative expenses in the statement of profit or loss.

IFRS 16 transition disclosures also requires the Company to present the reconciliation. Refer note 22.

Right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets - increase by £3,431,000
- Lease liabilities - increase by £3,431,000

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

- Retained earnings - increase/decrease by £nil

The recognised right-of-use assets relates to rented building. The weighted average IBR applied at transition was 5.33%.

The Company's leasing activities and how these are accounted for:

The Company leases land and buildings. A rental contract is typically made for a fixed period but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement do not impose any covenants.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

Company as a lessee

- (a) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.
- (b) The lease incentives liability previously recognised with respect to operating leases has been derecognised and the amount factored in the measurement of the right-of-use assets and lease liabilities.

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital managements;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of compensation of Key Management Personnel.
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

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
- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The following principal accounting policies have been applied consistently throughout the year:

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Goodwill

Goodwill arises on the acquisition of subsidiaries, and it represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged to the Statement of comprehensive income so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

Freehold buildings: 40 years
Plant and machinery: 10-15 years
Leasehold buildings: 14 years
IT Equipment: 4 years
Furniture and fittings: 3 years

Depreciation on assets in the course of construction only begins after completion.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

Finance costs incurred in relation to the purchase of tangible fixed assets are not capitalised. Fixed assets will be reviewed for impairment only if there is some indication that impairment has occurred. Impairment losses are recognised in the Statement of comprehensive income included within operating profit under the appropriate statutory heading and disclosed as an exceptional item if appropriate. The reversal of past impairment losses is recognised when the recoverable amount of a tangible fixed asset has increased because of a change in economic conditions or in the expected use of the asset.

Debtors

Debtors are amounts due from group and non-group undertakings for services performed in the ordinary course of business and other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as due within one year. If not, they are presented as due after more than one year.

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Inventories

Inventories, and engineering consumables (spare parts for manufacturing assets), are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is determined on an average basis.

Provisions are made for slow moving and obsolete inventories as appropriate. The impairment loss is recognised immediately in the Statement of comprehensive income.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, and initially recognized at fair value. If payment is expected in one year or less, they are classified as due within one year. If not, they are presented as due after more than one year.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Creditors include both third party suppliers and amounts owed to group under takings (intercompany creditors).

Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income.

Turnover

IFRS 15 - Revenue from Contracts with Customers, has been applied in preparing these financial statements.

Turnover comprises sales of goods after the deduction of discounts and sales taxes. It does not include sales between group companies. Discounts given by the Company includes rebates, price reductions and incentives given to customers, promotional couponing and trade communication costs.

All turnover is revenue from contracts with customers. The Company's contracts with customers for the sale of products include one performance obligation. Turnover is recognized at the point in time when control of the underlying products has been substantially transferred to the customer which is dependent on individual customer terms i.e. either at dispatch or delivery.

During 2018 & 2019 under the TSA's, Unilever transacted with the customer on the Company's behalf. When another party is involved in providing goods or services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company controls the promised goods before transferring them to the customer and any recourse is with the Company, not Unilever. On this basis, the Group is a principal and records revenue on a gross basis.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Interest income and expense

Interest income and expense are recognised in the Statement of comprehensive income using the effective interest method.

Taxes

Income tax for the period comprises current and deferred tax.

Income tax

Income tax is recognised in the profit and loss account except to the extent that it relates to items 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. Current tax assets and liabilities are offset if there is a legally enforceable right to set off the recognized amounts and if the Company intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Tax legislation is often complex and is subject to interpretation by management and the government authorities. These matters of judgement give rise to the need recognize provisions for tax payments that may arise in future years. Provisions are recognized against individual exposures and consider the specific circumstances of each case, including the strength of technical arguments, recent case law decisions or rulings on similar issues and relevant external advice. Provisions are recognized where appropriate on the basis amounts to be paid to the tax authorities.

Deferred tax

A deferred tax asset for deductible temporary differences and the carry forward of unused tax losses and unused tax credits is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. No deferred tax asset on deductible temporary differences is recognised if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in a transaction which is (i) not a business combination and (ii) at the time of the transaction, affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent (i) the Company is able to control the timing of the reversal of the temporary difference and (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include deposits and short-term deposits at bank. To be classified as cash and cash equivalents, an asset must:

- be readily convertible into cash;
- have an insignificant risk of changes in value; and
- have a maturity period of three months or less at acquisition.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognised as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest costs in the income statement. This category generally applies to interest bearing borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of goodwill

The carrying amount of the Company's goodwill is tested for impairment annually by estimating the recoverable amount of the cash-generating unit to which goodwill is attributable. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

Principal vs agent consideration

During 2018 & 2019, the Company was operating under a TSA period with Unilever, where Unilever transacted with customers on behalf of the Company. However, the Company has determined that it has the ability to direct the use and obtain the benefits from goods such as having the right to sell the products and determine when the products could be sold. The Company is also primarily responsible for fulfilling the promise to provide goods to customers, establishing the price and bears the inventory risk. The Company controls the good before it is transferred to customer and therefore, the Company has determined that it is acting as a principal and recognizes revenue on a gross basis.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

3 Analysis of turnover

Turnover comprises the invoiced value of the sales of goods and services after deduction of discounts and sales taxes. Turnover is recognised when the risks and rewards of the underlying products have been substantially transferred from the Company to the customer. There are no contract assets or liabilities outstanding at the end of the year (2018: nil). All amounts due from customers are included in Debtors (note 15).

The Company is engaged in the sale of consumer products and in the opinion of the Directors, does not carry on classes of business substantially different from each other. The trade receivable balance for the year ended amounted to £46,122,000 (2018: £24,671).

	2019 £ 000	2018 £ 000
Turnover	186,335	184,695
Royalties	811	846
	<u>187,146</u>	<u>185,541</u>

The analysis of the Company's turnover for the year by market is as follows:

	2019 £ 000	2018 £ 000
United Kingdom	<u>187,146</u>	<u>185,541</u>

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

4 Operating (loss)/profit

The Operating (loss)/profit is stated after debiting:

	2019 £ 000	2018 £ 000
Impairment of tangible assets	20,927	-
Depreciation of tangible fixed assets	4,100	4,382
Depreciation on right-of-use assets	352	-
Defined contribution scheme employer contributions	<u>1,247</u>	<u>3,018</u>

5 Auditor's remuneration

Fees payable to the auditor, KPMG LLP, amounted to €35,000 (2018: €30,000), which when translated at the spot rate at 31 December 2019 amounted to £30,795 (2018: £27,000), for the audit of the financial statements along with additional fees of £30,000.

There were no non-audit services provided by the Company's auditor.

6 Employee information

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

	2019 No.	2018 No.
Production	101	133
Administration	<u>59</u>	<u>46</u>
	<u>160</u>	<u>179</u>

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

6 Employee information (continued)

Staff costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	18,914	9,331
Social security costs	1,055	1,296
Cost of defined contribution scheme	1,247	3,018
Apprenticeship Levy notional value	32	55
	<u>21,248</u>	<u>13,700</u>

The Company operates a defined contribution pension scheme. The pension cost charged for the year represents contributions payable by the Company to the scheme and amounted to £1,247,000 (2018: £3,018,000).

Contributions totaling £Nil (2018: £Nil) were payable to the scheme at the end of the year.

7 Directors' remuneration

Two of the Directors who served during the year are remunerated by the Company and details of their emoluments are provided below. The remainder of the Directors of the Company were employed by the other Upfield Group companies and their services to the Company during the year were insignificant.

	2019 £ 000	2018 £ 000
Aggregate emoluments	<u>516</u>	<u>325</u>

The highest paid Director received remuneration of £270,735 (2018: £239,492).

8 Interest receivable and similar income

	2019 £ 000	2018 £ 000
Group interest receivable	<u>3,035</u>	<u>978</u>

Amounts owed to group undertakings are interest bearing, unsecured and payable on demand.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

9 Interest payable and similar charges

	2019 £ 000	2018 £ 000
Interest expense on financing liabilities	183	-
Group interest payable	29	-
	<u>212</u>	<u>-</u>

10 Taxation

The taxation charge is made up as follows:

	2019 £ 000	2018 £ 000
<i>UK corporation tax</i>		
Current tax on income for the year	1,011	911
Adjustments in respect of prior periods	(812)	(485)
Total current tax	<u>199</u>	<u>426</u>
<i>Deferred tax</i>		
Current year	(2,469)	558
Arising from changes in tax rates and laws	260	(59)
Adjustments in respect of prior periods	(55)	-
Total deferred tax	<u>(2,264)</u>	<u>499</u>
<i>Tax charge on profit</i>	<u>(2,065)</u>	<u>925</u>

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

10 Taxation (continued)

The current tax assessed for the year is lower (2018: lower) than the standard rate of corporation taxation in the UK 19% (2018: 19%).

The differences are explained below:

	2019 £ 000	2018 £ 000
(Loss)/profit before tax	<u>(25,663)</u>	<u>5,616</u>
Tax on (loss)/profit at standard UK corporation tax rate of 19% (2018: 19%)	(4,876)	1,067
Effects of:		
Non-deductible expenses	3,418	402
Reduction in tax rate on deferred tax balances	260	(59)
(Under)/over provided in prior years (current tax)	<u>(867)</u>	<u>(485)</u>
Total tax expense	<u><u>(2,065)</u></u>	<u><u>925</u></u>

Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, in the budget announced 11 March 2020, it was decided the UK corporation tax rate will be maintained at 19%.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced on 3 March 2021 but was not substantively enacted at the date of approval of these financial statements.

Deferred taxation

The amount of deferred tax recognised at 31 December 2019 was £3,895,743 (2018: £1,632,184).

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

11 Goodwill

Goodwill
£ 000

Cost

At 1 January 2019

35,831

At 31 December 2019

35,831

Net book value

At 31 December 2019

35,831

At 31 December 2018

35,831

Goodwill arose upon incorporation of the Company, as a result of the transfer of the Baking Cooking and Spreads Business (BSC) from Unilever UK Limited to the Company. A comprehensive goodwill impairment review has been undertaken in the year and no impairment charge has been recorded.

Disclosure of the method and key assumptions used to determine the recoverable amounts is also needed as follows:

Goodwill has been allocated against a single cash generating unit being Upfield Foods UK. The recoverable amount of the cash generating unit has been calculated with reference to its value in use by calculating a present value of future cash flows in 'nominal' terms'.

The key assumptions of this calculation are shown below:

- Period on which management approved forecasts: 5 years
- Discount factor: 7.5%
- Growth factors considered in a range of +0.5% to -7.5%. The growth rate range relates to the expected growth in net sales in the forecast period. This considers the impact of COVID-19. In determining the Value in Use, no terminal growth rate has been applied to the perpetuity cash flows.
- Margin remains consistent at 2.5% based on the Upfield Group transfer pricing model

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

12 Tangible assets

	<i>Freehold buildings £ 000</i>	<i>Plant and machinery £ 000</i>	<i>Assets in the course of construction £ 000</i>	<i>Leasehold buildings £ 000</i>	<i>IT Equipment £ 000</i>	<i>Furniture and fittings £ 000</i>	<i>Total £ 000</i>
Cost							
At 1 January 2019	14,253	18,222	805	1,525	219	13	35,037
Transfers	212	593	(805)	-	-	-	-
Impairment	(14,465)	(18,815)	-	-	-	-	(33,280)
At 31 December 2019	-	-	-	1,525	219	13	1,757
Accumulated depreciation							
At 1 January 2019	625	7,668	-	-	-	-	8,293
Charge for the year	180	3,880	-	27	12	1	4,100
Impairment	(805)	(11,548)	-	-	-	-	(12,353)
At 31 December 2019	-	-	-	27	12	1	40
Net book value							
At 31 December 2019	-	-	-	1,498	207	12	1,717
At 31 December 2018	<u>13,628</u>	<u>10,554</u>	<u>805</u>	<u>1,525</u>	<u>219</u>	<u>13</u>	<u>26,744</u>

During the year the Purfleet factory was closed. Plant and machinery at the site was fully impaired.

Land with a net book value of £16,000 (2018: £16,000) was sold in January 2021. This was marketed for sale at the Balance sheet date.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

13 Right-of-use assets

Below is effect on company's financial statements for the year ended 31 December 2019:

	£ 000
At 1 January 2019	-
Adoption of IFRS 16	3,431
Depreciation charged in the year	(352)
At 31 December 2019	<u>3,079</u>

14 Inventories

	2019 £ 000	2018 £ 000
Engineering consumables	<u>896</u>	<u>971</u>

Engineering consumables charged to the Statement of comprehensive income in the year amounted to £644,000 (2018: £419,000).

15 Debtors

	2019 £ 000	2018 £ 000
<i>Due after more than one year</i>		
Deferred taxation (Note 18)	3,896	1,632
Amounts owed by group undertakings	<u>70,292</u>	<u>66,050</u>
	74,188	67,682
<i>Due within one year</i>		
Trade receivables	46,122	24,671
Amounts owed by group undertakings	552	-
Other debtors	627	639
Prepayments and accrued income	<u>1,242</u>	<u>2,299</u>
	<u>48,543</u>	<u>27,609</u>

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

15 Debtors (continued)

	2019 £ 000	2018 £ 000
Total debtors	<u>122,731</u>	<u>95,291</u>

The fair values of above figures are not considered to be significantly different from their carrying values.

Amounts owed by Group undertakings include balances from Upfield B.V., Upfield Treasury, Upfield Europe B.V and Upfield R&D B.V which are interest bearing, unsecured and payable on demand.

Balances are repayable on demand, however the management of the Company does not intend to recall these balances within the next twelve months from the balance sheet date. Therefore, all loan balances with Group Undertakings are considered to be non-current.

Amounts owed by group undertakings classified within "Debtors: Due within one year" are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Trade creditors	60,373	68,492
Amounts owed to group undertakings	70	3,199
Corporation tax	681	636
Accruals and deferred income	29,279	1,539
Social security and other taxes	2,295	212
Other creditors	1	3
Current portion of long term lease liabilities (Note 22)	51	-
	<u>92,750</u>	<u>74,081</u>

The fair values of above figures are not considered to be significantly different from their carrying values.

Amounts owed to group undertakings include balances to Upfield Europe B.V. and Upfield Europe B.V. which are non-interest bearing, unsecured and payable on demand.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

17 Creditors: amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Other creditors	384	384
Long term lease liabilities (Note 22)	3,563	-
	<u>3,947</u>	<u>384</u>

18 Deferred tax asset and liabilities

	£000
At 1 January 2019	1,632
Charged to profit and loss	2,209
Adjustment in respect of prior years	55
At 31 December 2019	<u>3,896</u>

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	Assets 2018 £000	Liabilities 2019 £000	Liabilities 2018 £000	Net 2019 £000	Net 2018 £000
Employee benefits - pension	1	7	-	-	1	7
Tangible fixed assets	3,879	1,624	-	-	3,879	1,624
Provisions	16	1	-	-	16	1
Total Deferred tax asset	<u>3,896</u>	<u>1,632</u>	<u>-</u>	<u>-</u>	<u>3,896</u>	<u>1,632</u>

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

18 Deferred tax asset and liabilities (continued)

Movement in deferred tax during the year:

	1 Jan 2019	Recognised in Income	Intercompany transfers	31 Dec 2019
	£000	£000	£000	£000
Employee benefits - pension	7	(6)	-	1
Tangible fixed assets	1,623	2,256	-	3,879
Provisions	2	14	-	16
Total Deferred tax asset	1,632	2,264	-	3,896

Movement in deferred tax during the prior year:

	1 Jan 2018	Recognised in Income	Intercompany transfers	31 Dec 2018
	£000	£000	£000	£000
Employee benefits - pension	7	-	-	7
Tangible fixed assets	2,122	(499)	-	1,623
Provisions	2	-	-	2
Total Deferred tax asset	2,131	(499)	-	1,632

19 Provisions for liabilities and other charges

	Restructuring provisions £ 000	Others £ 000	Total £ 000
At 1 January 2019	719	466	1,185
Increase (decrease) in existing provisions	7,032	(147)	6,885
At 31 December 2019	7,751	319	8,070

Provisions consist of two elements:

Restructuring

The Company has constructive obligations in respect of redundancy and other costs relating principally to restructuring its operations on an ongoing basis. The amounts of the provision is based on calculations of the cost of redundancies for notified individuals at the balance sheet date.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

19 Provisions for liabilities and other charges (continued)

Other

Other provisions relate to ongoing legal and contractual obligations and has constructive obligations in respect to long term service awards and the provision will be utilised when the payments are made in the future.

20 Share capital

	2019 £	2018 £
Allotted, called up and fully paid share		
100 ordinary shares of £1 each	100	100

21 Reserves

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

22 Lease liabilities

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to recognise the lease liabilities as of 1 January 2019:

	£ 000
Operating lease commitments disclosed as of 31 December 2018	3,803
Less: Decrease in lease liability by adoption of IFRS 16	(372)
Lease liability recognised as at 1 January 2019	<u>3,431</u>
Of which are:	
Current lease liability	
Non-current lease liability	<u>3,431</u>
	<u>3,431</u>

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

22 Lease liabilities (continued)

Below is effect on company's financial statements for the year ended 31 December 2019:

	£ 000
At 1 January 2019	-
Adoption of IFRS 16	3,431
Effect from discounting at the incremental borrowing rate of 5.2%	183
Lease payments for the period	-
At 31 December 2019	<u>3,614</u>
Of which:	
Current portion of long term lease liabilities	51
Long term lease liabilities	<u>3,563</u>
	<u>3,614</u>

The maturity analysis of lease liabilities is as follows:

	£ 000
Maturity analysis	
Within 1 year	418
Within 2 to 5 years	2,227
After 5 years	<u>1,810</u>
	4,455
Effect from discounting at the incremental borrowing rate of 5.2%	<u>(841)</u>
At 31 December 2019	<u>3,614</u>

23 Related party disclosures

The Company has taken advantage of the exemption in FRS 101 under paragraph 8(k) 'Related party disclosures', to not disclose related party transactions entered into between two or more members of Upfield group. There are no other related parties of the Company.

Upfield Foods UK Limited

Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

24 Controlling party

The Company is a wholly owned subsidiary of Upfield Spreads UK Ltd (previously named Unilever BCS Ltd.), a UK registered company.

The ultimate parent of the Company is Sigma Luxco S.a.r.L. which is exempted to prepare consolidated financial statements in the current year. The results of the immediate subsidiary of the ultimate parent, Sigma Topco B.V. ("an intermediate parent company") are prepared and includes the results of the Company. The copies of these financial statements can be publicly obtained from Sigma Topco B.V.'s registered address - Overschiestraat 61 5 hoog, 1062XF, Amsterdam, Netherlands.

The Company has not disclosed transactions with fellow wholly owned subsidiaries in accordance with the exemption under the terms of IFRS 101 as the ultimate parent company produces publicly available financial statements. The financial statements, in the current year are both the smallest and largest group to consolidate these financial statements. Copies of 2018 Sigma Topco B.V.'s financial statements can be publicly obtained from their registered address - Overschiestraat 61 5 hoog, 1062XF, Amsterdam, Netherlands.

25 Post balance sheet events

The first COVID-19 outbreak in early 2020 had a minimal effect on the results of Upfield Ireland Spreads as during the lockdown consumption of the companies products switched from out of home to in home. Also the European Supply Chain proved resilient to the challenges of delivering to customers ensuring financial stability. To the extent to which future COVID-19 outbreaks will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus, the potential spread to other regions and the actions taken to contain the coronavirus or treat its impact, amongst others. Other than this no material events have occurred since the statement of financial position date which would affect the financial statements of the company.

The Company booked a compensation claim for reduced quality services provided by NFT Warehouse. This company subsequently went into bankruptcy and the proceeds for the claim are under litigation.

In December 2019, the Company closed its manufacturing site in Purfleet. The land on which the manufacturing unit was set, was sold for a consideration of £27,079,000 in January 2020. The Company is obligated to perform environmental controls to make the land safe to be used.

Also the Company had TSA (Transitional Service Agreement) with Unilever, which came to an end on 31 December 2019. Starting 2020, the invoicing and payment collections from customers is done by the Company and will not be outsourced.