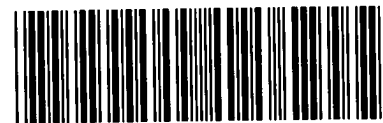


Mondelez UK R&D Limited
Annual report and Financial statements
For the year ended 31 December 2018

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Strategic report
For the year ended 31 December 2018

The directors present their Strategic report for the year ended 31 December 2018.

Principal activities and business review

The principal activities of the company during the year were the provision of research and development services to fellow subsidiary companies within the Mondelez group.

Due to the straightforward nature of the business the company's directors are of the opinion that a detailed analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

The company is a private company limited by shares and is incorporated in England, part of the United Kingdom. The address of its registered office is PO Box 12, Bournville Lane, Bournville, Birmingham, B30 2LU.

Results and dividends

The profit for the financial year, after taxation, amounted to £2,189,000 (2017 - £2,454,000) and at the year end the company had net assets of £34,949,000 (2017 - £32,895,000).

During the year no dividends were paid (2017 - £NIL).

Principal risks and uncertainties

Market risk

The company is exposed to market price risks in the form of currency risk and interest rate risk arising from its business. The company manages these risks by closely monitoring all relevant available financial information and taking steps to mitigate the risks where appropriate, such as through the matching of the terms and conditions of its assets and liabilities wherever possible.

Credit risk

The company has policies that limit the amount of credit exposure to any single financial institution. All receivables during 2018 were with other members of the group. The directors therefore believe there is limited credit risk arising from these receivables.

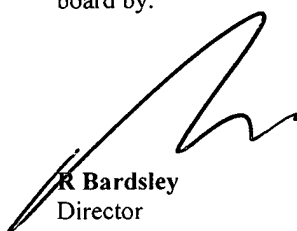
Liquidity risk

The company manages liquidity risk by maintaining the balance sheet position, net intercompany balance and funding requirements to ensure that the company has access to sufficient available funds for planned operations.

As a subsidiary of Mondelez International Inc. the directors also consider the business risk and uncertainties to be minimal and are further detailed in the financial statements of the ultimate parent company which are publicly available.

This report was approved by the board of directors on **17 SEPTEMBER 2019**
board by:

and signed on behalf of the



R Bardsley
Director

Directors' report
For the year ended 31 December 2018

The directors present their Annual report and the audited financial statements of the company for the year ended 31 December 2018.

Directors

The directors who served the company during the year and to the date of the financial statements being approved unless otherwise stated were as follows:

R Bardsley
I Noble

Results and dividends

Particulars of results and dividends are detailed in the Strategic report.

Future developments

The company will continue to develop its existing activities in accordance with the requirements of the group.

Going concern

The company meets its day-to-day working capital requirements through the group's treasury arrangements. The current economic conditions continue to create uncertainty over the company's ongoing business and the availability of finance for the foreseeable future. However, the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of available facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this Annual report and Financial statements. The company therefore continues to adopt the going concern basis in preparing the Annual report and Financial statements.

Whilst the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy, the directors consider that they have taken all reasonable steps necessary to mitigate the risks associated with the withdrawal and have confirmed that in the event of any financial ramifications the company would continue to be supported by the Mondelez International Inc. group.

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

It is the company's policy to ensure that no employee or job applicant is treated less favourably than another on the grounds of religion, sexual orientation, disability, race, creed, colour, nationality, ethnic or national origins, sex or marital status.

The company recognises the need to create and support a flexible working environment, incorporating where possible, family friendly policies.

Directors' report (continued)
For the year ended 31 December 2018

Employee involvement (continued)

The company believes in and supports the development of a working environment which encourages employee involvement in the business. Information about the company and its business is provided to all employees on matters likely to be of concern to them in team briefings, a company newsletter, an Annual report and by other communications. Consultative committees and other employee groups regularly receive information about the business.

Joint consultative committees discuss safety and pension matters. Particular issues are considered and dealt with by elected consultative working parties.

Employee involvement in the company's performance is encouraged through an employee bonus scheme.

Financial risk management

Particulars of risk are detailed in the Strategic report.

Qualifying indemnity provisions

Qualifying third party indemnity provisions and pension scheme indemnity provisions are in force for the company's directors as of the date of this report and were in force for the duration of 2018.

Charitable donations

The Mondelez group of companies make charitable contributions but these are facilitated by a fellow subsidiary entity of the group and not directly by Mondelez UK R&D Limited.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and Financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare Financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for 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.

Directors' report (continued)
For the year ended 31 December 2018

Director confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The board of directors have chosen to reappoint PricewaterhouseCoopers LLP as auditors for the coming financial year.

This report was approved by the board of directors on **17 SEPTEMBER 2019**
board by:

and signed on behalf of the



R Bardsley
Director

Independent auditors' report to the members of Mondelez UK R&D Limited

Report on the audit of the financial statements

Opinion

In our opinion, Mondelez UK R&D Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual report"), which comprise: the Statement of financial position as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Mondelez UK R&D Limited (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Mondelez UK R&D Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Date: 19 SEPTEMBER 2019.

**Statement of comprehensive income
For the year ended 31 December 2018**

	Note	2018 £000	2017 £000
Turnover	4	46,492	43,327
Gross profit		<u>46,492</u>	<u>43,327</u>
Administrative expenses		(45,109)	(41,677)
Other operating income	5	992	956
Operating profit	6	<u>2,375</u>	<u>2,606</u>
Interest receivable and similar income	9	-	162
Interest payable and similar expenses	10	(189)	(51)
Profit before taxation		<u>2,186</u>	<u>2,717</u>
Tax on profit	11	3	(263)
Profit for the financial year		<u>2,189</u>	<u>2,454</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>2,189</u></u>	<u><u>2,454</u></u>

All activities of the company are from continuing operations.

The notes on pages 11 to 26 form an integral part of these financial statements.

Statement of financial position
As at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	12	2,756	2,976
Tangible assets	13	13,502	14,050
		<u>16,258</u>	<u>17,026</u>
Current assets			
Debtors	14	33,123	31,510
Cash at bank and in hand		-	1
		<u>33,123</u>	<u>31,511</u>
Creditors: amounts falling due within one year	15	(14,403)	(15,563)
Net current assets		<u>18,720</u>	<u>15,948</u>
Total assets less current liabilities		<u>34,978</u>	<u>32,974</u>
Provisions for liabilities			
Other provision	16	(29)	-
Deferred tax	17	-	(79)
Net assets		<u>34,949</u>	<u>32,895</u>
Capital and reserves			
Called up share capital	20	15,024	15,024
Profit and loss account	21	19,925	17,871
Total equity		<u>34,949</u>	<u>32,895</u>

These financial statements on pages 8 to 26 were approved by the board of directors and authorised for issue on ~~17 SEPTEMBER 2019~~ and were signed on behalf of the board by:

R Bardsley
Director

The notes on pages 11 to 26 form an integral part of these financial statements.

**Statement of changes in equity
For the year ended 31 December 2018**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	15,024	15,842	30,866
Profit for the financial year	-	2,454	2,454
Total comprehensive income for the year	-	2,454	2,454
Charge from parent for equity-settled share based payments	-	(743)	(743)
Credit relating to equity-settled share based payments	-	318	318
Total transactions with owners recognised directly in equity	-	(425)	(425)
At 31 December 2017 and 1 January 2018	15,024	17,871	32,895
Profit for the financial year	-	2,189	2,189
Total comprehensive income for the year	-	2,189	2,189
Charge from parent for equity-settled share based payments	-	(487)	(487)
Credit relating to equity-settled share based payments	-	352	352
Total transactions with owners recognised directly in equity	-	(135)	(135)
At 31 December 2018	15,024	19,925	34,949

The notes on pages 11 to 26 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2018

1. Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards including FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation of financial statements

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) the requirement to prepare a Statement of cash flows (Section 7 of FRS 102 and para 3.17(d)).
- (b) reduced financial instrument disclosures (FRS 102 paras 11.39 - 11.48A, 12.26 - 12.29).
- (c) disclosures requirements of Section 26 in respect of share based payments (FRS 102 paras 26.18b, 26.19 - 26.21, 26.23).
- (d) the non disclosure of key management personnel compensation in total (FRS 102 para 33.7).

This information is included in the consolidated financial statements of Mondelez International Inc., as at 31 December 2018.

2.3 Going concern

The company meets its day-to-day working capital requirements through the group's treasury arrangements. The current economic conditions continue to create uncertainty over the company's ongoing business and the availability of finance for the foreseeable future. However, the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of available facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this Annual report and Financial statements. The company therefore continues to adopt the going concern basis in preparing the Annual report and Financial statements.

2.4 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned (FRS 102 paragraph 33.1 A).

Notes to the financial statements
For the year ended 31 December 2018

2. Accounting policies (continued)

2.5 Revenue recognition

The turnover shown in the Statement of comprehensive income represents amounts invoiced and accrued in respect of research and development services to fellow subsidiary companies in the Mondelez group of companies during the year. Turnover is recognised when the services have been provided to the respective customer, and the customer has accepted the service in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all the criteria for acceptance have been satisfied.

2.6 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.7 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2.8 Intangible assets

Purchased goodwill arises where the purchase consideration exceeds the value of the underlying net assets.

Purchased goodwill and software is capitalised in the year in which it arises and amortised over its useful economic life.

Amortisation

For the goodwill created on acquisition of the Cadbury business in 2011, the directors considered the useful life to be 20 years at that time. This calculation reflected the importance of the Cadbury brand in terms of the overall group business, taking into account the book value of the net assets at that point in time, and the expected value to the business of the reliance on and use of the brand for the foreseeable future.

Notes to the financial statements
For the year ended 31 December 2018

2. Accounting policies (continued)

2.8 Intangible assets (continued)

Amortisation (continued)

There have been no significant business changes in the intervening period to conclude that this useful life has materially changed. It is expected that the goodwill generated as a result of the purchase of the Cadbury brand will remain in use and of value for at least the remaining useful economic life. The Cadbury brand and associated revenue streams remain core to the overall business, and this is not expected to change before June 2031 when the current useful economic life expires.

Goodwill	-	20 years
Internally generated software	-	3 - 20 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Impairment

At each balance sheet date assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of comprehensive income.

2.9 Tangible assets

Tangible assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Property Improvements	-	Shorter of useful economic life and lease term
Plant & Machinery	-	3 - 20 years

Capital work in progress is not depreciated.

2. Accounting policies (continued)

2.10 Other operating income

Other operating income relates to research and development expenditure credits.

2.11 Provisions for liabilities

Provisions are recognised where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. The effect of the time value of money on the provisions are not discounted unless material.

2.12 Foreign currency translation

(i) Functional and presentation currency

The company's functional and presentation currency is the Pound Sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

2.13 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in the Statement of comprehensive income in the period it arises.

Notes to the financial statements
For the year ended 31 December 2018

2. Accounting policies (continued)

2.13 Employee benefits (continued)

(iii) Multi-employer pension plan

The company is a member of a multi-employer pension plan, the Cadbury Mondelez Pension Fund. As it is not possible for the participating companies to obtain sufficient information to enable them to account for the plan as a defined benefit plan, they account for the plan as a defined contribution plan. Mondelez UK Holdings & Services Limited, as the sponsoring employer, accounts for the whole plan within its financial statements as a defined benefit plan.

Contributions to the plan are charged to the Statement of comprehensive income in the financial year to which they relate.

(iv) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the Statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(v) Share based payments

The company has chosen to adopt Section 26 of FRS 102 in respect of share based payments.

Equity-settled share based payment transactions for employee services received are measured at fair value and recognised as an expense spread over the service periods for share awards expected to vest. The corresponding credit is recognised in retained earnings as a component of equity. The fair value is measured by reference to the number and market value of the equity instruments at the date of the grant. At each balance sheet date the company revises its estimates of the number of awards that are expected to vest and recognises the impact in the income statement with a corresponding adjustment to equity. Recharges to the company when share awards have vested are recognised when paid and accounted for as a decrease in equity.

2.14 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, amounts owed by Group undertakings and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements
For the year ended 31 December 2018

2. Accounting policies (continued)

2.14 Financial instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.16 Finance costs

Finance costs are charged to Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of associated capital instruments. Bank charges are recognised in the period in which they are incurred.

2.17 Cash pooling

The company meets its day-to-day working capital requirements through a combination of loans and through access to funds as part of the Mondelez International group's cash pooling arrangement, of which Mondelez International Finance AG (MIF), a related company based in Switzerland, is the pool leader. Under the cash pooling arrangements, there is no cash held by the company - all balances are deposited in the cash pool at the end of business on each day. The company therefore has a £NIL cash balance.

The value of the current facility is £3,365,000 and this balance is presented within amounts owed to group undertakings within creditors as at the year end (2017 - £524,000, presented within amounts owed by group undertakings within debtors). There are not considered to be limits to the available facility within the normal course of business. This is agreed as a rolling facility which is an integrated part of the Mondelez International Inc. group operations.

Notes to the financial statements
For the year ended 31 December 2018

3. Critical accounting judgements and estimate uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the group's accounting policies**(i) Multi-employer defined benefit pension plan**

Certain employees participate in a multi-employer defined benefit pension plan with other companies in the group. In the judgement of the directors, the company does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the plan is accounted for as a defined contribution plan, see note 18 for further details.

(b) Key accounting estimates and assumptions**(i) Goodwill amortisation (note 12)**

For the goodwill created on acquisition of the Cadbury business in 2011, the directors considered the useful life to be 20 years at that time. This calculation reflected the importance of the Cadbury brand in terms of the overall group business, taking into account the book value of the net assets at that point in time, and the expected value to the business of the reliance on and use of the brand for the foreseeable future.

There have been no significant business changes in the intervening period to conclude that this useful life has materially changed. It is expected that the goodwill generated as a result of the purchase of the Cadbury brand will remain in use and of value for at least the remaining useful economic life. The Cadbury brand and associated revenue streams remain core to the overall business, and this is not expected to change before June 2031 when the current useful economic life expires.

(ii) Deferred tax assets (note 17)

The recognition of deferred tax assets involves making an assessment as to whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Recognition therefore involves an estimate as to the future financial performance of the legal entity or tax group in which the deferred tax asset has been recognised. Deferred tax assets have been recognised during 2018 and 2017 due to changes in the tax loss utilisation legislation. Previously these were not recognised as management had no expectation of reversal in the foreseeable future due to the availability of group tax losses.

4. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company. The geographical split of turnover is as follows:

	2018 £000	2017 £000
United Kingdom	14,414	14,817
Rest of Europe	19,221	17,468
Rest of the world	12,857	11,042
	<u>46,492</u>	<u>43,327</u>

**Notes to the financial statements
For the year ended 31 December 2018**

5. Other operating income

	2018 £000	2017 £000
Other operating income	992	956
	<u>992</u>	<u>956</u>

Amounts showing as other operating income are in respect of research and development expenditure credits.

6. Operating profit

The operating profit is stated after charging:

	2018 £000	2017 £000
Amortisation of intangible assets	220	220
Depreciation of tangible assets	1,265	1,340
Loss on disposal of tangible assets	89	96
Staff costs (note 7)	20,191	17,745
Operating lease rentals	250	111
	<u>22,915</u>	<u>19,712</u>

All administrative costs of the company are borne on behalf of the UK group by a fellow subsidiary undertaking and not separately recharged to the company. An estimated allocation of the audit fee for the year is £5,000 (2017 - £7,000) and includes audit related services in relation to reporting to the entity's ultimate parent company. There were no amounts paid to the auditors in respect of non-audit fees in either year.

7. Staff costs

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

	2018 No.	2017 No.
Production staff	235	259
	2	2
Administrative Staff	<u>237</u>	<u>261</u>

**Notes to the financial statements
For the year ended 31 December 2018**

7. Staff costs (continued)

The aggregate payroll costs incurred during the year, relating to the above were:

	2018 £000	2017 £000
Wages and salaries	16,837	14,189
Social security costs	1,551	1,707
Other pension costs	1,803	1,849
	<u>20,191</u>	<u>17,745</u>

Included within the figures for wages and salaries is a charge of £352,000 (2017 - £318,000) in respect of share based payments (see note 19 for further information).

8. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	450	393
	<u>450</u>	<u>393</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined benefit pension plans.

Benefits are accruing under the defined benefits pension plan and, at the year end accrued pension amounted to £25,000 (2017 - £25,000).

The number of directors who exercised share options is NIL (2017 - NIL) and received shares under a long term incentive scheme during the year is 2 (2017 - 2).

The highest paid director received remuneration of £255,000 (2017 - £215,000).

The value of the company's contributions paid to a defined benefit pension plan in respect of the highest paid director amounted to £NIL (2017 - £NIL).

9. Interest receivable and similar income

	2018 £000	2017 £000
Interest on loans to group undertakings	-	162
	<u>-</u>	<u>162</u>

Notes to the financial statements
For the year ended 31 December 2018

10. Interest payable and similar expenses

	2018 £000	2017 £000
Other interest payable and similar expenses	189	51
	<u>189</u>	<u>51</u>

11. Tax on profit

	2018 £000	2017 £000
Corporation tax		
Current UK tax on profits for the year	156	184
Total UK current tax	<u>156</u>	<u>184</u>
Deferred tax		
Origination and reversal of timing differences	(178)	111
Tax rate differences	19	(32)
Total deferred tax (note 16)	<u>(159)</u>	<u>79</u>
Tax on profit	<u>(3)</u>	<u>263</u>

Notes to the financial statements
For the year ended 31 December 2018

11. Tax on profit (continued)**Factors affecting tax (credit)/charge for the year**

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	2,186	2,717
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	415	523
Effects of:		
Expenses not deductible for tax purposes	251	101
Tax rate differences	19	(32)
Non-taxable income	(188)	-
Group relief not paid for	(500)	(55)
Recognition of deferred tax	-	(274)
Total tax (credit)/charge for the year	(3)	263

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

The Finance Act 2016 which received royal assent on 15 September 2016 further reduced the main rate of corporation tax to 17% from 1 April 2020.

Notes to the financial statements
For the year ended 31 December 2018

12. Intangible assets

	Goodwill £000	Internally generated software £000	Total £000
Cost			
At 1 January 2018	4,400	6	4,406
At 31 December 2018	4,400	6	4,406
Accumulated amortisation			
At 1 January 2018	1,430	-	1,430
Charge for the year	220	-	220
At 31 December 2018	1,650	-	1,650
Net book value			
At 31 December 2018	2,750	6	2,756
At 31 December 2017	2,970	6	2,976

Goodwill is being amortised on a straight-line bases over twenty years, being the period over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

Notes to the financial statements
For the year ended 31 December 2018

13. Tangible assets

	Property improvements £000	Plant and machinery £000	Work in progress £000	Total £000
Cost				
At 1 January 2018	3,279	16,456	882	20,617
Additions	-	511	295	806
Disposals	-	(279)	-	(279)
Transfers	-	872	(872)	-
At 31 December 2018	3,279	17,560	305	21,144
Accumulated depreciation				
At 1 January 2018	241	6,326	-	6,567
Charge for the period	83	1,182	-	1,265
Disposals	-	(190)	-	(190)
At 31 December 2018	324	7,318	-	7,642
Net book value				
At 31 December 2018	2,955	10,242	305	13,502
At 31 December 2017	3,038	10,130	882	14,050

14. Debtors

	2018 £000	2017 £000
Trade debtors	11	21
Amounts owed by group undertakings	29,509	29,766
Other debtors	124	375
Other taxation	566	416
Deferred taxation (note 17)	80	-
Prepayments and accrued income	2,833	932
	33,123	31,510

Amounts owed by group undertakings include non-trading balances which are unsecured, earn interest at the London Interbank Offered Rate less 0.375%, with a floor at 0%, and are repayable on demand.

Notes to the financial statements
For the year ended 31 December 2018

15. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts	261	13
Trade creditors	3,517	2,417
Amounts owed to group undertakings	5,915	6,948
Taxation and social security	636	1,071
Other creditors	2,079	2,225
Accruals	1,995	2,889
	<u>14,403</u>	<u>15,563</u>

Amounts owed to group undertakings include non-trading balances which are unsecured, incur interest at the London Interbank Offered Rate plus 0.125% and are repayable on demand.

16. Other provisions

	Restructure provision £000
At 1 January 2018	-
Charged to profit or loss	29
At 31 December 2018	<u>29</u>

Provision relate to a number of organisational restructures.

17. Deferred tax

The movement on the deferred tax position is as follows:

	2018 £000	2017 £000
At beginning of year	(79)	-
Credited/(charged) to the profit or loss	159	(79)
At end of year	<u>80</u>	<u>(79)</u>

**Notes to the financial statements
For the year ended 31 December 2018**

17. Deferred tax (continued)

The deferred tax account consists of the tax effect of timing differences in respect of:

	2018 £000	2017 £000
Fixed asset timing differences	543	361
Other short term timing differences	(463)	(440)
	<u>80</u>	<u>(79)</u>

Short term timing differences arise on stock option costs.

At 31 December 2016 deferred tax assets were not recognised as there was no expectation of reversal in the foreseeable future due to the availability of group tax losses. Management's view changed in the year ended 31 December 2017 due to changes in the loss utilisation legislation and therefore the brought forward deferred tax assets have now been recognised in the financial statements for the years ended 31 December 2017 and 2018.

18. Employee benefits**Defined contribution plans**

The amount recognised in the Statement of comprehensive income as an expense in relation to defined contribution plans was £385,000 (2017 - £346,000).

Multi-employer plan

The amounts recognised in the Statement of comprehensive income as an expense in relation to multi-employer plans were £1,418,000 (2017 - £1,503,000).

Cadbury Mondelez Pension Fund

At 31 December 2018 the company actuary estimated the Cadbury Mondelez Pension Fund to have a deficit of £35,298,000 (2017 - £381,900,000) under the projected unit credit method. The latest full actuarial valuation was carried out as at 5 April 2016 and a new recovery plan was put in place.

19. Share based payments

Mondelez International Inc. have issued equity share-based payments to certain company employees and as such full disclosure is provided within the group financial statements of Mondelez International Inc.

The total expense recognised in the Statement of comprehensive income for the year is as follows:

	2018 £000	2017 £000
Equity-settled share based payments	<u>352</u>	<u>318</u>

In addition, recharges of £487,000 (2017 - £743,000) made to the company were recognised directly in equity.

Notes to the financial statements
For the year ended 31 December 2018

20. Called up share capital

	2018 £000	2017 £000
Authorised, issued, called up and fully paid		
15,024,453 (2016 - 15,024,453) Ordinary shares of £1 each	15,024	15,024

21. Reserves

For the full list of reserve balances please go to page 10 Statement of changes in equity for further details.

22. Operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	-	58
Later than 1 year and not later than 5 years	-	115
	-	173

Operating lease commitments were transferred to another group entity during 2018.

23. Controlling party

At 31 December 2018 the immediate parent company was Mondelez UK Limited.

At 31 December 2018 the company's ultimate parent company and controlling party was Mondelez International Inc., incorporated in the United States of America. This is the parent company of the smallest and largest group to consolidate these financial statements. The financial statements of Mondelez International Inc. are available on application from the Company Secretary, Cadbury House, Sanderson Road, Uxbridge, UB8 1DH.