

Annual Report of
KERRY INGREDIENTS (UK) LIMITED
(Registered Number 00329695)
For the financial year ended
31 December 2018

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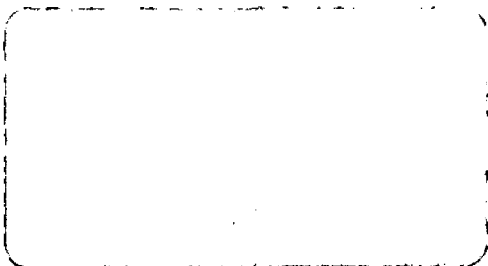
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KERRY INGREDIENTS (UK) LIMITED

**ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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KERRY INGREDIENTS (UK) LIMITED

DIRECTORS AND OTHER INFORMATION

DIRECTORS

Marguerite Larkin
Ronan Deasy
Trevor Horan

SECRETARY

Ronan Deasy
Kerry Group plc
Prince's Street
Tralee
Co. Kerry

REGISTERED OFFICE

Kerry
Bradley Road
Royal Portbury Dock
Bristol
BS20 7NZ
United Kingdom

SOLICITORS

Legal Department
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
Ireland

AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

BANKERS

National Westminster Bank plc
Temple Bar Branch
The Law Courts
217 The Strand
London
WC2R 1AL
United Kingdom

Citibank N.A. London
25 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

KERRY INGREDIENTS (UK) LIMITED

STRATEGIC REPORT

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company is a wholly owned subsidiary of Kerry Group plc and operates as part of the Group's Taste and Nutrition division. The Company's principal activities are the manufacture and sale of food ingredients products:

As shown in the Company's Statement of Comprehensive Income on page 9, the Company's turnover has increased by 2.8% over the prior year. The Company made a profit for the financial year of £10,083,262 (2017: £9,046,302).

Both the level of business and the year end financial position remain satisfactory and the Directors expect that the present level of activity will be sustained for the foreseeable future.

As is the case with the Company's competitors in this industry the Company is exposed to many and varied risks and uncertainties. The principal risks and uncertainties facing the Company are discussed below:

Commercial risks

The Company may experience loss of turnover growth momentum due to unforeseen events that impact its brands, its customers' brands, consumer dietary changes or food consumption patterns.

Fluctuating raw material costs, limited availability of key materials, competition between our customers, unusual competitive actions by our competitors and the resultant difficulties in adjusting prices appropriately can have a negative impact on our operating margins. The Company utilises subject matter experts in these areas to manage and mitigate such risks.

In a given market, a slow rate of innovation or stagnation of consumer trends can lead to commoditisation of a particular category of ingredients. The Company supports its customers' drive for choice and market stimulation through new product development which is led by the Group's global R&D function. Where this dynamic is absent for a period of time the impact on our margins can be negative. We work closely with our customers and with consumers to ensure that we are aware of the trends that are occurring in the market place, both positive and negative.

Other commercial risks can be considered under the heading of operational and technical compliance. These risks include such matters as managing compliance in an ever changing regulatory environment, specifically in the areas of health and safety, emissions and effluent and indeed in relation to the potential outbreak of disease in an animal population or contamination in any particular food category. The products and raw materials the Company employs in its operations are substantially all natural in make up and where disease or contamination could potentially occur the company employs strict quality policies and disciplines to reduce the level of risk encountered to a minimal level.

Financial risk management objectives and policies

The Company faces a number of financial risks including the availability of finance to carry out its objectives, foreign exchange risks, interest rate risks and credit rating risk. Specifically, currency volatility and the lack of credit availability have been more significant than in the past. The Group operates a central treasury function which manages the financial risks of the group and all its subsidiaries. Further detail of how these risks are managed can be found in the consolidated financial statements of Kerry Group plc. In addition risks such as internal control systems failure and IT systems failure could be considered under this heading.

Human resources

The Company is critically aware that its performance in the short or long term is only as good as the people that manage and run its operations. To this extent every effort is made to ensure that we have the optimal procedures and policies in place to attract, train and retain the capabilities and skill levels appropriate to succeed in our business objectives.

Impact of Brexit

The UK's scheduled exit from the EU in 2019 has the potential to significantly change the terms of trade which currently exist between the EU and the UK. The Company continues to monitor the ongoing political situation and whilst the outcome is difficult to predict, it has considered the potential impacts across a number of scenarios. In a worst case scenario, the risks are manageable in the medium-term. However, there may be a short term impact to operational supply chain which may result in additional costs.

KERRY INGREDIENTS (UK) LIMITED

STRATEGIC REPORT (continued)

EMPLOYEES

The Company's success has been built around the commitment, skills and creativity of the Company's employees. Retaining and developing their enthusiasm and determination to succeed is central to the Company's strategy to grow in the years ahead.

The Company will continue to ensure excellence in management practice through the ongoing development of business aligned human resource systems and initiatives. The Company provides structured training and development programmes for employees through which they can enhance the skills, knowledge and capability necessary for further growth within the Company.

The Company is committed to the principle of equality and complies with all the relevant equality and anti-discrimination legislation.

Applications for employment by disabled persons are always fully considered. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The average number of persons employed by the Company during the year was **1,708** (2017: 1,699).

RESEARCH AND DEVELOPMENT

The Company undertakes research and development and works closely with food manufacturers and consumers in order to improve its food ingredients products. Expenditure on research and development is written off in the year in which it is incurred. Expenditure on research and development in this area during the year amounted to **£3,057,003** (2017: £2,997,566).

KEY PERFORMANCE INDICATORS

The key performance indicators for the Company are turnover growth and operating margin expansion. During the year the Company's turnover increased by **2.8%** (2017: 3.5%) and the operating margin (excluding exceptional items, interest receivable, and interest payable and similar charges) increased by **30** basis points to **3.4%** (2017: was maintained at 3.1%).

Kerry Group plc manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Taste and Nutrition division of Kerry Group plc, which includes the Company, is discussed in the group's Annual Report which does not form part of this report.

Signed on behalf of the Board:


Marguerite Larkin, Director

Date: 17/05/2019

KERRY INGREDIENTS (UK) LIMITED

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2018. Disclosures required by s416 (4) which have been elevated to the Strategic Report are:

- Financial risk management objectives and policies
- Employee consultation
- Research and development

FUTURE DEVELOPMENTS

The Directors expect the general level of activity to remain consistent with 2018 in the forthcoming year.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2017: £nil).

DIRECTORS

The Directors, who served throughout the financial year, were as follows:

Marguerite Larkin (appointed 30/09/2018)

Brian Mehigan (resigned 30/09/2018)

Ronan Deasy

Trevor Horan

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events, outside the ordinary course of business, affecting the Company since 31 December 2018.

GOING CONCERN

The Directors have satisfied themselves that the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors made enquiries into the financial position and economic resources available to the Company including those provided by other group companies, including a review of the budget for at least 12 months from the date of approval of the financial statements. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

KERRY INGREDIENTS (UK) LIMITED

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a Director at the date of approval of this annual report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITORS

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a written resolution that they be re-appointed will be presented to the shareholders for approval.

Signed on behalf of the Board:


Marguerite Larkin, Director

Date: 17/05/2019



Independent auditors' report to the members of Kerry Ingredients (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Kerry Ingredients (UK) 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 101 "Reduced Disclosure Framework", 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, which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year 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.

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 Directors' Responsibility Statement set out on page 5, 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.

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.

Martin Freyne
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
20 May 2019

KERRY INGREDIENTS (UK) LIMITED

**FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £	2017 £
Turnover	2	584,414,380	568,599,603
Operating profit	3	19,759,535	17,350,996
Exceptional items	6	(41,377)	(484,187)
Interest receivable	7	3,783	-
Interest payable and similar charges	7	(5,535,232)	(5,288,251)
Profit on ordinary activities before taxation		14,186,709	11,578,558
Tax charge on profit on ordinary activities	8	(4,103,447)	(2,532,256)
Profit for the financial year		10,083,262	9,046,302
Other comprehensive income		-	-
Total comprehensive income		10,083,262	9,046,302

KERRY INGREDIENTS (UK) LIMITED

**FINANCIAL STATEMENTS
BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Notes	2018 £	2017 £
NON-CURRENT ASSETS			
Property, plant and equipment	9	112,794,421	104,598,658
Intangible assets	10	20,060,215	20,925,230
		132,854,636	125,523,888
CURRENT ASSETS			
Inventories	11	56,164,271	54,706,295
Debtors: Amounts falling due within one year	12	85,511,797	68,387,738
Cash at bank and in hand		924,436	1,014,615
Assets classified as held for sale	13	1,749,867	1,749,867
		144,350,371	125,858,515
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	14	(100,961,407)	(85,311,417)
NET CURRENT ASSETS		43,388,964	40,547,098
TOTAL ASSETS LESS CURRENT LIABILITIES		176,243,600	166,070,986
NON-CURRENT LIABILITIES			
Creditors: Amounts falling due after one year	14	(106,640,192)	(106,640,192)
Provisions for liabilities and charges	15	(6,864,834)	(6,775,482)
NET ASSETS		62,738,574	52,655,312
CAPITAL AND RESERVES			
Called-up share capital presented as equity	18	351,000	351,000
Capital reserve		4,273,843	4,273,843
Retained earnings		58,113,731	48,030,469
SHAREHOLDERS' FUNDS		62,738,574	52,655,312

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



Marguerite Larkin, Director

Date: 17/05/2019

KERRY INGREDIENTS (UK) LIMITED

**FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Called-up Share Capital Presented as Equity £	Capital Reserve £	Retained Earnings £	Total £
At 1 January 2017	351,000	4,273,843	38,984,167	43,609,010
Total comprehensive income	-	-	9,046,302	9,046,302
At 31 December 2017	351,000	4,273,843	48,030,469	52,655,312
Total comprehensive income	-	-	10,083,262	10,083,262
At 31 December 2018	351,000	4,273,843	58,113,731	62,738,574

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. Statement of accounting policies

General Information

Kerry Ingredients (UK) Limited is involved in the manufacture and sale of food ingredients products. The Company is a private company and is incorporated and domiciled in the United Kingdom. The address of its registered office is Kerry, Bradley Road, Royal Portbury Dock, Bristol, BS20 7NZ, United Kingdom. The Company's immediate parent company is Kerry Ingredients Holdings (U.K.) Limited, a company incorporated in the United Kingdom.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the current and preceding financial years.

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council. The financial statements have been prepared in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

As permitted by paragraph 8 of FRS 101, the Company as a wholly owned subsidiary of Kerry Group plc, has elected to avail itself of the disclosure exemption available to subsidiary undertakings in relation to cash flow statements, related party transactions, financial instruments disclosures and standards not yet effective as the Company is included within the consolidated financial statements of Kerry Group plc. These group financial statements are available to the public and can be obtained as set out in note 22.

Reporting currency

All amounts shown are stated in sterling, the currency of the primary economic environment in which the Company operates (its 'functional currency').

Turnover

Turnover represents the fair value of the consideration received or receivable, for the sale of goods to customers. Turnover is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Turnover is recognised when control of the products has transferred, which is usually upon shipment, or in line with terms agreed with individual customers. Turnover is recorded when the collection of the amount due is reasonably assured and there is no unfulfilled obligation on the part of the Company. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original turnover is recorded. Rebate and discount accruals are established based on best estimates of the amounts necessary to meet claims by the Company's customers. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is remote.

Turnover policy applicable before 1 January 2018

Turnover represents the fair value of the consideration received or receivable, for the sale of goods to customers. Turnover is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Turnover is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually upon shipment, or in line with terms agreed with individual customers and when the amount of turnover and costs incurred can be measured reliably. Turnover is recorded when the collection of the amount due is reasonably assured. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original turnover is recorded. Rebate and discount accruals are established based on best estimates of the amounts necessary to meet claims by the Company's customers. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is remote.

Research and development

Expenditure on research activities is recognised as an expense in the financial year it is incurred.

Development expenditure is assessed and capitalised as an internally generated intangible asset only if it meets all of the following criteria:

- (i) it is technically feasible to complete the asset for use or sale;
- (ii) it is intended to complete the asset for use or sale;
- (iii) the Company has the ability to use or sell the intangible asset;
- (iv) it is probable that the asset created will generate future economic benefits;
- (v) adequate resources are available to complete the asset for sale or use; and
- (vi) the development cost of the asset can be measured reliably.

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. Statement of accounting policies (continued)

Exceptional items

Certain items, by virtue of their nature and amount, are disclosed separately in order for the user to obtain a proper understanding of the financial information. These items relate to events or circumstances that are not related to normal trading activities and are labelled collectively as 'exceptional items'.

Exceptional items refer to gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material restructuring costs and material transaction, integration and restructuring costs associated with acquisitions.

Operating leases

Annual rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Taxation

Income taxes are charged or credited to the Statement of Comprehensive Income, using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The current tax charge is calculated as the amount payable based on taxable profit and the tax rates applying to those profits in the financial year together with adjustments relating to prior years. Deferred taxes are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Balance Sheet. Deferred taxes are recognised on all temporary differences in existence at the balance sheet date except for temporary differences which arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, or on the initial recognition of goodwill for which a tax deduction is not available.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date.

Foreign currency

Foreign currency transactions are translated into the functional currency at the rate of exchange ruling at the date of the transaction. Exchange differences arising from either the retranslation of the resulting monetary assets or liabilities at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate are recognised in the Statement of Comprehensive Income when they occur.

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs. Freehold land is stated at cost and is not depreciated. Depreciation on the remaining property, plant and equipment is calculated by charging equal annual instalments to the Statement of Comprehensive Income at the following annual rates:

Freehold buildings	2% - 5%
Leasehold land and buildings	2% - 25%
Plant, machinery and equipment	7% - 25%
Motor vehicles	20% - 25%

The charge in respect of periodic depreciation is calculated after establishing an estimate of the asset's useful life and the expected residual value at the end of its life. Increasing/(decreasing) an asset's expected life or its residual value would result in a (decreased)/increased depreciation charge to the Statement of Comprehensive Income as well as an increase/(decrease) in the carrying value of the asset.

The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the net book value may not be recoverable.

Assets in the course of construction for production or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property assets.

KERRY INGREDIENTS (UK) LIMITED

**FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

1. Statement of accounting policies (continued)

Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities at the date of acquisition.

The Company capitalises the goodwill and other intangible assets relating to any business acquired after 1 January 1998. Goodwill in respect of acquisitions prior to 1998 remains eliminated against reserves and will not be charged to the Statement of Comprehensive Income only on any subsequent disposal.

Goodwill is not amortised but is reviewed for indications of impairment at least annually and is carried at cost less accumulated impairment losses, where identified. Impairment is recognised immediately in the Statement of Comprehensive Income and is not subsequently reversed.

(ii) Brand related intangibles

Brand related intangibles are valued at their fair value and are amortised to the Statement of Comprehensive Income over their estimated useful lives, not exceeding 20 years.

(iii) Computer software

Computer software separately acquired, including computer software which is not an integral part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs.

Inventories

Inventories are valued at the lower of weighted average cost and net realisable value. Cost includes all expenditure incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventories on hand less all further costs to completion and all costs expected to be incurred in distribution and selling. Write-downs of inventories are primarily recognised under raw materials and consumables in the Statement of Comprehensive Income.

Debtors

Trade and other debtors are amounts due from customers for stock sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowances.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Balance Sheet, bank overdrafts are shown within borrowings in Creditors.

Assets classified as held for sale

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if at the financial year end the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to be completed within one year from the date of classification. Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Deferred income

Grants of a capital nature are accounted for as deferred income in the Balance Sheet and are released to the Statement of Comprehensive Income at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Statement of Comprehensive Income to offset the matching expenditure.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retirement benefits obligation

Payments to defined contribution and defined benefit pension schemes are recognised in the Statement of Comprehensive Income as they fall due and any contributions outstanding at the financial year end are included as an accrual in the Balance Sheet. Details of the pension scheme in which the company participates can be found in note 19.

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements

Preparation of the financial statements requires management to make certain estimations, assumptions and judgements that affect the reported profits, assets and liabilities.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below and in the respective notes to the financial statements.

(i) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use to the attributable net assets. The value in use calculation is based on an estimate of future cash flows expected to arise from the assets and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates are subject to change as a result of changing economic conditions.

2. Turnover

Turnover relates to sales of food ingredients products. All turnover is attributable to the Company's principal activity.

	2018 £	2017 £
<i>Analysis by geographic market:</i>		
Ireland (including Northern Ireland)	411,253,305	409,352,136
United Kingdom	126,467,707	115,559,096
Rest of Europe	38,828,209	42,292,119
Rest of World	7,865,159	1,396,252
	584,414,380	568,599,603

Under IFRS 15 'Revenue from Contracts with Customers' revenue is recognised at a point in time.

3. Operating profit

Operating profit for the financial year has been arrived at after charging/(crediting) the following operating costs:

	Notes	2018 £	2017 £
Turnover	2	584,414,380	568,599,603
<i>Less operating costs:</i>			
Raw materials and consumables		355,567,997	342,441,345
Other external charges		90,367,996	96,891,781
Staff costs	5	82,002,338	81,751,566
Depreciation (including impairments)	9	10,594,423	10,144,618
Amortisation of intangible assets	10	865,584	2,785,544
Amortisation of grants	16	(4,801)	(67,788)
Other operating charges		25,852,206	23,169,870
Change in inventories of finished goods		(590,898)	(5,868,329)
Operating profit		19,759,535	17,350,996
<i>And is stated after charging:</i>			
Research and development costs		3,057,003	2,997,566

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Auditors' remuneration

	2018 £	2017 £
Audit of individual Company financial statements	126,156	141,664
Other non-audit services	758	-
Auditors' expenses	55,174	40,027
	182,088	181,691

5. Staff numbers and costs

The average number of people employed by the Company during the year (excluding Directors) was:

	2018 Number	2017 Number
Production	1,500	1,504
Sales	61	60
Management	14	14
Administration	133	121
	1,708	1,699

The aggregate payroll costs of employees were:

	2018 £	2017 £
Wages and salaries	58,338,018	58,462,077
Social security costs	6,349,994	6,055,874
Other pension costs	17,314,326	17,233,615
	82,002,338	81,751,566

No staff costs were capitalised into assets in 2018 or 2017.

The Directors received no remuneration from Kerry Ingredients (UK) Limited, in the year ended 31 December 2018, nor in the preceding financial year, for their services as Directors.

6. Exceptional Items

	2018 £	2017 £
Profit/(loss) on sale of property, plant and equipment	5,730	(46,838)
Restructuring costs	(47,107)	(437,349)
	(41,377)	(484,187)

7. Interest receivable, interest payable and similar charges

	2018 £	2017 £
Interest receivable	3,783	-
<i>Interest payable:</i>		
Interest payable on bank loans and overdrafts	-	(12)
Interest on group loans	(5,535,103)	(5,255,976)
Other finance costs	(129)	(32,263)
	(5,535,232)	(5,288,251)

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Taxation

	Note	2018 £	2017 £
Corporation tax		4,051,442	1,467,962
Adjustment in respect of prior years		(37,347)	(2,212,097)
Non trading items		-	(84,190)
		4,014,095	(828,325)
<i>Deferred tax:</i>			
Origination and reversal of timing differences	15	(2,072,247)	(31,435)
Adjustments in respect of previous periods		2,161,599	3,392,016
Tax charge on profit on ordinary activities		4,103,447	2,532,256

The tax assessed for the current year is different to the rate of corporation tax in the UK of a standard rate of 19% (2017: blended rate of 19.25%). The differences are explained below:

Factors affecting the taxation charge for the financial year	2018 £	2017 £
Profit on ordinary activities before taxation	14,186,709	11,578,558
Corporation tax at standard rate of 19% (2017: blended rate of 19.25%)	2,695,475	2,228,872
Differences in tax rates applied to profits	243,794	(458,043)
Permanent differences between taxable and accounting profits	(934,574)	(392,991)
Adjustments in respect of prior years	2,124,252	1,179,918
Utilisation of tax losses	(25,500)	(25,500)
Tax charge on profit on ordinary activities	4,103,447	2,532,256

The Finance (No.2) Act 2015 provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. This was superseded by the Finance Act 2017 which substituted a main rate of 17% effective from 1 April 2020. This legislation was enacted from 15 September 2017 and these rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

KERRY INGREDIENTS (UK) LIMITED

**FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

9. Property, plant and equipment

	Land & Buildings £	Plant Machinery & Equipment £	Motor Vehicles £	Construction In Progress £	Total £
Cost					
At 31 December 2017	79,943,938	183,064,043	46,581	10,418,823	273,473,385
Additions	966,794	3,642,613	-	14,376,441	18,985,848
Disposals	(17,993)	(4,312,779)	-	-	(4,330,772)
Reclass construction in progress	2,484,226	2,941,519	-	(5,425,745)	-
At 31 December 2018	83,376,965	185,335,396	46,581	19,369,519	288,128,461
Accumulated depreciation					
At 31 December 2017	40,447,937	128,381,784	45,006	-	168,874,727
Charge during year	2,025,339	8,567,509	1,575	-	10,594,423
Disposals	(16,821)	(4,118,289)	-	-	(4,135,110)
At 31 December 2018	42,456,455	132,831,004	46,581	-	175,334,040
Carrying value					
At 31 December 2017	39,496,001	54,682,259	1,575	10,418,823	104,598,658
At 31 December 2018	40,920,510	52,504,392	-	19,369,519	112,794,421

Long leasehold land & buildings

The net book value of long leasehold land at 31 December 2018 was **£2,313,385** (2017: £2,342,760) and the depreciation charge was **£29,375** (2017: £35,250).

Freehold land and buildings

Freehold land of **£5,258,016** (2017: £5,258,016) which is not depreciated is included in land and buildings and assets classified as held for sale:

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Intangible assets

	Goodwill £	Brand Related Intangibles £	Computer Software £	Total £
Cost				
At 31 December 2017	41,737,991	55,561,982	773,657	98,073,630
Additions	-	-	569	569
At 31 December 2018	41,737,991	55,561,982	774,226	98,074,199
Accumulated amortisation				
At 31 December 2017	23,894,379	52,682,709	571,312	77,148,400
Charge during year	-	805,764	59,820	865,584
At 31 December 2018	23,894,379	53,488,473	631,132	78,013,984
Carrying value				
At 31 December 2017	17,843,612	2,879,273	202,345	20,925,230
At 31 December 2018	17,843,612	2,073,509	143,094	20,060,215

These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' which requires that goodwill is not amortised but is reviewed annually for impairment.

11. Inventories

	2018 £	2017 £
Raw materials and consumables	28,990,138	28,123,060
Finished goods and goods for resale	27,174,133	26,583,235
	56,164,271	54,706,295

The replacement costs of inventories does not differ materially from the amounts stated above. No inventories were pledged as security for liabilities during 2018 or 2017.

12. Debtors

	2018 £	2017 £
<i>Amounts falling due within one year:</i>		
Trade debtors	1,118,801	1,575,889
Less loss allowances	(1,636,133)	(2,469,490)
	(517,332)	(893,601)
Other receivables	846,472	12,485,963
Prepayments and accrued income	1,499,803	3,547,289
Amounts owed by group undertakings	83,682,854	53,248,087
	85,511,797	68,387,738

Amounts due from group undertakings are unsecured. Amounts due from group undertakings due within one year have no fixed date of repayment and are repayable on demand.

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Assets classified as held for sale

	2018 £	2017 £
Property, plant and equipment	1,749,867	1,749,867

In 2018 and 2017, the Company classified a property, land and equipment as assets classified as held for sale.

14. Creditors

	Note	2018 £	2017 £
<i>Amounts falling due within one year:</i>			
Trade payables		36,214,112	46,880,329
Accruals		9,508,095	4,696,631
Other creditors		28,749	33,248
Corporation tax and social security		2,397,730	1,814,582
Amounts owed to group undertakings		52,812,721	31,881,826
Deferred income	16	-	4,801
		100,961,407	85,311,417
<i>Amounts falling due after one year:</i>			
Other long term payables		1,946,953	1,946,953
Amounts owed to group undertakings		104,693,239	104,693,239
		106,640,192	106,640,192

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

Amounts owed to group undertakings are unsecured. Amounts due to group undertakings due within one year have no fixed date of repayment and are repayable on demand.

15. Deferred tax

	Note	2018 £	2017 £
Opening balance		6,775,482	3,414,901
Deferred tax charged to Statement of Comprehensive Income	8	89,352	3,360,581
Balance at end of year		6,864,834	6,775,482
<i>The deferred tax provision consists of the following amounts:</i>			
		2018 £	2017 £
Accelerated capital allowances		7,743,125	7,619,636
Other timing differences		(878,291)	(844,154)
Deferred tax provision at end of year		6,864,834	6,775,482

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Deferred income

	Note	2018 £	2017 £
<i>Capital grants:</i>			
At beginning of year		4,801	72,589
Amortised during year		(4,801)	(67,788)
At end of year		-	4,801
Amounts falling due within one year	14	-	4,801

17. Operating lease commitments

At the balance sheet date the Group had commitments under non-cancellable operating leases which fall due as follows:

	Land & Buildings 2018 £	Plant & Machinery 2018 £	Other 2018 £	Total 2018 £	Land & Buildings 2017 £	Plant & Machinery 2017 £	Other 2017 £	Total 2017 £
Within 1 year	810,169	674,903	285,984	1,751,056	94,848	678	-	95,526
Within 2 - 5 years	1,951,043	879,342	297,281	3,127,666	79,040	-	-	79,040
After 5 years	459,092	-	-	459,092	-	-	-	-
	3,220,304	1,554,245	563,265	5,337,814	173,888	678	-	174,566

The operating lease charge during 2018 amounted to £2,454,342 (2017: £2,691,546).

18. Share capital

	2018 £	2017 £
<i>Authorised:</i>		
400,000 ordinary shares of £1 each	400,000	400,000
<i>Allotted, called-up and fully paid:</i>		
351,000 ordinary shares of £1 each	351,000	351,000

19. Retirement benefits obligation

The total retirement benefit costs incurred by the Company during the year were £17,314,326 (2017: £17,233,615).

The company participates in the Kerry Retirement Benefits Scheme. This plan has both a defined benefit section which shares risks between entities under common control, and also a defined contribution section.

There is no contractual arrangement or policy for charging the net benefit cost between the entities who participate in the scheme. The Company has therefore recorded the contributions paid to the scheme as a charge to the Statement of Comprehensive Income. The Company is making contributions towards the cost of future service benefit accrual at the rates recommended by the actuary using the projected unit credit method and based on the latest triennial valuations of the schemes. The actuary will reassess the appropriateness of the total contribution rates for future service benefit accrual at each triennial valuation, or at an earlier date if there are significant scheme or market changes that would warrant a reassessment of the contribution rates. The company is also contributing towards the deficits in the schemes that were identified in the most recent valuations, at the rates recommended by the actuary.

Up to 5 April 2018, the Company made contributions towards the cost of future service benefit accrual to the Kerry Retirement Benefits Scheme. These contributions were made at rates recommended by the actuary using the projected unit credit method and were based on the latest triennial valuations of the schemes. However, as part of the 1Kerry strategy to harmonise, standardise and integrate the benefit offering to employees, a decision was made to close the defined benefit section to future accrual effective from 5 April 2018, with future service being offered to employees in the defined contribution section of the scheme.

KERRY INGREDIENTS (UK) LIMITED

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. Retirement benefits obligation (continued)

From 5 April 2018 the Company contributes into the defined contribution section of the Kerry Retirement Benefits Scheme for its UK employees. The Company also continues to contribute towards the deficit in the defined benefit section as identified in the most recent valuation, at the rates recommended by the actuary.

There is no contractual arrangement or policy for charging the net benefit cost between the entities who participate in the scheme. The Company has therefore recorded contributions paid to the scheme as a charge to the Statement of Comprehensive Income.

Details of Kerry Group plc's defined benefit pension obligations, incorporating the above scheme, at 31 December 2018 can be found in the consolidated financial statements of Kerry Group plc which are publicly available, as detailed in note 22. The Kerry Group plc pension disclosures are in accordance with the provisions of IAS 19 'Employee Benefits.'

20. Capital Commitments

	2018	2017
	£	£
Capital expenditure authorised but not yet contracted for	7,476,984	9,769,420
	<u>7,476,984</u>	<u>9,769,420</u>

21. Events after the Balance Sheet date

There have been no significant events, outside the ordinary course of business, affecting the Company since 31 December 2018.

22. Group membership

The Company's immediate parent company is Kerry Ingredients Holdings (U.K.) Limited, a company incorporated in the United Kingdom. The Company's ultimate parent undertaking and controlling party is Kerry Group plc, a company incorporated in the Republic of Ireland. The parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared is Kerry Group plc. Copies of the group financial statements of Kerry Group plc are available on www.kerrygroup.com.