Glanbia Performance Nutrition (UK) Limited

Director's report and financial statements

Registered number: 02828321

29 December 2018

FRIDAY
A8EW5EØW
A32 27/09/2019 #225
COMPANIES HOUSE

Contents

Company information	1
Strategic report	2
Director's report	3
Independent auditors report to the members of Glanbia Performance Nutrition (UK) Limited	5
Income statement	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Company information

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

Strategic report

The Director presents his strategic report for the financial year ended 29 December 2018.

Business review

On 31 December 2017, the first day of the financial year ended 29 December 2018, the Company sold its sales and distribution division and related net assets to Glanbia Performance Nutrition (UK Sales Division) Limited, a fellow UK group company. This business was sold as a going concern for cash consideration equal to its book value of £14,774,504. The assets acquired comprised of £1,056,629 of tangible fixed assets, trade debtors of £18,284,201 and trade payables of £4,566,326.

The Company's continuing business, the manufacture of performance nutrition and wellness products, continued to perform well during the financial year. Highlights of the results are as follows:

Turnover decreased by 36.7% to £82.3 million (2017: £130.1 million)
Gross profit increased by 28.2% to £10.9 million (2017: £8.5 million)
Average number of employees in 2018: 160 (2017: 169 employees)

The decrease in turnover is as a result of the previously mentioned sale of the Company's sales and distribution business to a fellow UK group company. The increase is gross profit is driven of favourable factory efficiencies that have resulted in margin improvement and also a fall in whey prices lowering the cost of goods during the year.

Both the level of business and the financial year end financial position of the Company were satisfactory and the Director expects that the current level of business will be sustained for the foreseeable future.

Principal risks and uncertainties

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

The principal risks affecting the Company include the following:

(i) Product demand

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

(ii) Foreign currency exchange rate fluctuations

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

(iii) Impact of Brexit

The risk of a hard Brexit, where no deal is agreed with the EU, appears to be increasing and this may damage the UK and EU economies. The Company has been actively preparing, as far as possible, for a no-deal outcome and remains very alert to the risks that may crystallise in the coming months.

The Company has a long and successful track record of managing these risks. The Director is confident that he is capable of dealing with any issues that may arise.

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

Noel O'Dwyer
Director
Date: 12 September 2019

Director's report

The Director presents his report and the financial statements for the financial year ended 29 December 2018.

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

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

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

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

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

Results and dividends
The profit for the financial year, after taxation, amounted to £6,698,101 (2017: £3,340,697).

The Director does not recommend the payment of a dividend (2017: £15,000,000).

Director
The Director who served during the financial year was:

Noel O'Dwyer

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

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

Director's report (continued)

Research and development activities
The Company incurred costs of £636,760 during the financial year (2017: £712,050) on its provision of research and development services with regard to performance nutrition and wellness products (note 3 to the financial statements).

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

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

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

Post balance sheet events
The Company has paid an interim 2019 dividend of £9,000,000 since the balance sheet date. There are no further significant events which require disclosure since the financial year end.

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

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

Noel O'Dwyer
Director
Date: 12 September 2019

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

Independent auditor's report to the members of Glanbia Performance Nutrition (UK) Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

/continued on next page

Deloitte.

/continued from previous page

Independent auditor's report to the members of Glanbia Performance Nutrition (UK) Limited

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

/continued on next page

Deloitte.

/continued from previous page

Independent auditor's report to the members of Glanbia Performance Nutrition (UK) Limited

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or directors' report.

Matters on which we are required to report by exception

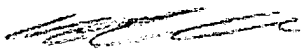
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Ann McGonagle (Senior Statutory auditor)
For and on behalf of Deloitte Ireland LLP
Statutory Auditor
Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland

Date: 23/09/2019

Income statement

for the financial year ended 29 December 2018

	Note	2018 £	2017 £
Turnover	2	**82,313,944**	130,050,940
Cost of sales		**(71,368,558)**	(121,572,921)
Gross profit		**10,945,386**	8,478,019
Selling and distribution costs		**(808,382)**	(2,993,998)
Administrative expenses		**(2,278,819)**	(2,035,677)
Profit before tax on ordinary activities	3	**7,858,185**	3,448,344
Tax on profit on ordinary activities	6	**(1,160,084)**	(107,647)
Profit for the financial year		**6,698,101**	3,340,697

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

The notes on pages 12 to 23 form part of these financial statements.

Statement of comprehensive income

for the financial year ended 29 December 2018

	2018 £	2017 £
Profit for the financial year	**6,698,101**	3,340,697
Other comprehensive income:		
Other comprehensive income for the financial year	-	-
Other comprehensive income for the financial year, net of income tax	-	-
Total comprehensive income for the financial year	**6,698,101**	3,340,697

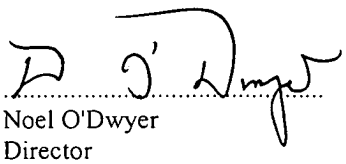
The note on pages 12 to 23 form part of these financial statements.

Balance sheet

as at 29 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	7	**166,770**	12,205
Tangible assets	8	**9,111,106**	10,250,936
		9,277,876	10,263,141
Current assets			
Stocks	9	**13,118,434**	10,343,490
Debtors: amounts falling due after more than one year	10/13	**-**	7,631
Debtors: amounts falling due within one year	10	**13,307,117**	18,053,495
Cash at bank and in hand	11	**1,679**	5,267
		26,427,230	28,409,883
Creditors: amounts falling due within one year	12	**(14,065,639)**	(23,642,772)
Net current assets		**12,361,591**	4,767,111
Total assets less current liabilities		**21,639,467**	15,030,252
Provisions for liabilities			
Deferred tax liability	13	**(112,629)**	-
Other provisions	14	**-**	(156,012)
Deferred income	15	**-**	(45,503)
Net assets		**21,526,838**	14,828,737
Capital and reserves			
Called up share capital	16	**100,000**	100,000
Profit and loss account		**21,426,838**	14,728,737
Shareholder's equity		**21,526,838**	14,828,737

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



Noel O'Dwyer
Director
Date: 12 September 2019

The notes on pages 12 to 23 form part of these financial statements.

Statement of changes in equity

for the financial year ended 29 December 2018

	Called up share capital £	Profit and loss account £	Shareholder's equity £
At 31 December 2016	16,000	26,388,040	26,404,040
Comprehensive income for the financial year			
Profit for the financial year	-	3,340,697	3,340,697
Total comprehensive income for the financial year	-	3,340,697	3,340,697
Transactions with owners recorded directly in equity:			
Issue of ordinary share capital	84,000	-	84,000
Dividends paid	-	(15,000,000)	(15,000,000)
Total contributions by and distributions to owners	84,000	(15,000,000)	(14,916,000)
At 30 December 2017	100,000	14,728,737	14,828,737
Comprehensive income for the financial year			
Profit for the financial year	-	**6,698,101**	**6,698,101**
Total comprehensive income for the financial year	-	**6,698,101**	**6,698,101**
At 29 December 2018	**100,000**	**21,426,838**	**21,526,838**

Notes to the financial statements

(forming part of the financial statements)

1. Accounting policies

1.1. Basis of preparation of financial statements

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

These financial statements are prepared for the 52-week period ended 29 December 2018. Comparatives are for the 52-week period ended 30 December 2017. The balance sheets for 2018 and 2017 have been drawn up as at 29 December 2018 and 30 December 2017 respectively.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101").

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

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

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

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

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

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

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

Notes to the financial statements (continued)

1.2. Measurement convention

The financial statements are prepared on the historical cost basis except, where applicable, the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available for sale, investment property and liabilities for cash-settled share-based payments.

1.3. Foreign currency translation

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

1.4. Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

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

Software:	3 - 10 years

All intangible assets are reviewed for impairment annually or more frequently if indicators of impairment exist.

Impairment

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

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

1.5. Tangible assets

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

Repairs and maintenance are charged to the income statement during the period in which they are incurred. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

The estimated useful lives range as follows:

Freehold property:	20 - 40 years
Plant and machinery:	3 - 20 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

Notes to the financial statements (continued)

1.5. Tangible assets (continued)

Impairment

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

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

1.6. Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

1.7. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8. Cash at bank and in hand

Cash includes cash, in any currency, in hand or deposited with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that mature within three months, or that are readily convertible to known amounts of cash within three business days without significant penalty or risk of change in value.

1.9. 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.

1.10. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.11. Revenue

Revenue is measured at the fair value of the consideration received/receivable for the sale of goods to external customers net of value added tax, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity and when specific criteria have been met.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. This generally arises on delivery or in accordance with specific terms and conditions agreed with customers.

Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience. Rebates and discounts are recorded in the same period as the original revenue.

The timing of recognition of service revenue equals the timing of when the services were rendered.

Notes to the financial statements (continued)

1.12. Operating leases: lessee

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

1.13. Government grants

Grants from government authorities are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.
Revenue grants are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included separately on the balance sheet and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

1.14. Pensions

Defined contribution pension plan

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

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

1.15. Share based payments

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

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

Awards under the 2008 Long Term Incentive Plan

The fair value of the awards is calculated using a Monte Carlo simulation technique. The awards contain inter alia a Total Shareholder Return (TSR) based (and hence market based) vesting condition and, accordingly, the fair value assigned to the related equity instruments is adjusted so as to reflect the anticipated likelihood at the grant date of achieving the market-based vesting condition.

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

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

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

1.16. Current and deferred taxation

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

Changes to the UK corporation tax rates were enacted as part of Finance (No.2) Act 2015 on 18 November 2015 and Finance Act 2016 on 15 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements (continued)

1.16. Current and deferred taxation (continued)

(i) Current tax

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

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

(ii) Deferred tax

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

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

1.17. Accounting judgements and estimates

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are further discussed in note 22.

2. Turnover

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

	2018	2017
	£	£
Performance nutrition and wellness products	**81,496,867**	129,240,891
Research and development services	**817,077**	810,049
	82,313,944	130,050,940

Analysis of turnover by country of destination:

	2018	2017
	£	£
United Kingdom	**81,496,867**	129,240,891
Rest of Europe	**817,077**	810,049
	82,313,944	130,050,940

Notes to the financial statements (continued)

3. Expenses and auditor's remuneration

The profit before tax is stated after charging:

	2018	2017
	£	£
Depreciation of tangible assets	**1,343,774**	1,260,398
Amortisation of intangible assets	**9,763**	9,763
Gain on disposal of tangible assets	**-**	(21)
Foreign currency exchange loss/(gain)	**181,394**	(11,872)
Operating lease rentals	**278,424**	544,671
Research and development	**636,760**	712,050
Audit fees payable to the Company's auditor	**15,161**	15,500

4. Employees

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	**5,233,641**	5,900,580
Social security costs	**549,741**	666,043
Cost of defined contribution plan (note 19)	**167,530**	199,713
Cost of share based payments	**22,579**	(35,028)
Redundancy costs (note 14)	**-**	156,012
Car allowance	**33,976**	49,242
	6,007,467	6,936,562

Research and development expenditure includes wages and salaries of £435,728 (2017: £443,952).

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

	2018	2017
	No.	No.
Production	**133**	126
Sales	**8**	22
Administration	**9**	10
Research and development	**10**	11
	160	169

5. Director's remuneration

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

Notes to the financial statements (continued)

6. Taxation

	2018 £	2017 £
Current tax		
Current tax on profits for the financial year	**1,039,824**	-
Total current tax	**1,039,824**	-
Deferred tax		
Current year	**48,504**	81,430
Adjustments in respect of prior years	**71,756**	26,217
Total deferred tax	**120,620**	107,647
Taxation on profit	**1,160,084**	107,647

Factors affecting tax charge for the financial year

The tax charge for the financial year is different than (2017: different than) the tax charge that would result from applying the standard rate of corporation tax in the UK to the profit before taxation. The UK corporation tax rate is 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit before tax	**7,858,185**	3,448,344
Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**1,493,055**	663,806
Effects of:		
Expenses not deductible for tax purposes and other adjustments	**25,353**	8,416
Other timing differences	**(9,663)**	(453)
Adjustments to tax charge in respect of prior years	**71,756**	26,217
Group relief	**(415,219)**	(582,813)
Transfer pricing adjustments	**(5,198)**	(7,526)
Total tax charge for the financial year	**1,160,084**	107,647

Factors that may affect future tax charges

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

The tax charge for the financial year has been reduced by £415,219 (2017: £582,813) because of losses surrendered by a fellow subsidiary undertaking. No payment for this surrender is to be made by the Company.

Notes to the financial statements (continued)

7. Intangible assets

	Software £
Cost	
At 30 December 2017	**160,129**
Additions	**164,328**
At 29 December 2018	**324,457**
Amortisation	
At 30 December 2017	**147,924**
Charge for the financial year	**9,763**
At 29 December 2018	**157,687**
Carrying value	
At 29 December 2018	**166,770**
At 30 December 2017	**12,205**

8. Tangible assets

	Freehold property £	Plant and machinery £	Total £
Cost or valuation			
At 30 December 2017	1,259,972	14,674,243	15,934,215
Additions	-	1,099,496	1,099,946
Disposals	-	(984,066)	(984,066)
At 29 December 2018	**1,259,972**	**14,789,673**	**16,050,095**
Depreciation			
At 30 December 2017	495,743	5,187,536	5,683,279
Charge for the financial year	41,544	1,302,230	1,343,774
Disposals	-	(88,514)	(88,514)
At 29 December 2018	**537,287**	**6,401,252**	**6,938,539**
Carrying value			
At 29 December 2018	**722,685**	**8,388,421**	**9,111,106**
At 30 December 2017	**764,229**	**9,486,707**	**10,250,936**

Included in the closing cost at 29 December 2018 is an amount of £769,878 (2017: £618,577) incurred in respect of assets under construction.

9. Stocks

	2018 £	2017 £
Raw materials and consumables	**12,905,836**	10,243,615
Work in progress	**212,598**	99,875
	13,118,434	10,343,490

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

The cost of inventories recognised as an expense during the year in cost of sales was £47,935,724 (2017: £102,645,068). The amount included in the income statement for the write down of inventory to net realisable value was £nil (2017: £nil).

Notes to the financial statements (continued)

10. Debtors

	2018	2017
	£	£
Due after more than one year		
Deferred tax asset (note 13)	-	7,631
	-	7,631

	2018	2017
	£	£
Due within one year		
Trade debtors	**4,192,189**	17,366,194
Amounts owed by Group undertakings	**8,458,411**	303,904
Other debtors	**47,626**	6,889
Prepayments and accrued income	**608,891**	376,508
	13,307,117	18,053,495

Amounts due from Group undertakings are interest free, unsecured and payable on demand.

11. Cash at bank and in hand

	2018	2017
	£	£
Cash at bank and in hand	**1,679**	5,267
	1,679	5,267

12. Creditors amounts falling due within one year

	2018	2017
	£	£
Trade creditors	**6,835,609**	4,985,950
Amounts owed to Group undertakings	**299,557**	14,324,340
Amounts owed to Group joint ventures	**159,958**	148,523
Taxation and social security	**1,266,980**	320,206
Accruals and deferred income	**5,503,535**	3,863,753
	14,065,639	23,642,772

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

	2018	2017
	£	£
Taxation and social security		
Corporation tax	**343,824**	-
PAYE/NI	**107,411**	149,643
VAT	**815,745**	170,563
	1,266,980	320,206

13. Deferred taxation

	2018	2017
	£	£
At start of year – asset	**7,631**	115,278
Charged to the income statement	**(120,260)**	(107,647)
At end of year – (liability)/asset	**(112,629)**	7,631

Notes to the financial statements (continued)

13. Deferred taxation (continued)

The deferred tax (liability)/asset is made up as follows:

	2018	2017
	£	£
Accelerated capital allowances	**(125,503)**	(5,464)
Others	**12,874**	13,095
	(112,629)	7,631

14. Provisions

	2018	2017
	£	£
At the beginning of the financial year	**156,012**	220,000
Amount provided in the financial year (note 4)	-	156,012
Provisions used during the financial year	**(156,012)**	(189,725)
Unused amounts reversed during the financial year	-	(30,275)
At the end of the financial year	-	156,012

The restructuring provision relating to termination payments agreed as part of the Company's rationalisation programme was fully utilised in 2018.

15. Deferred income

	2018	2017
	£	£
Grants	-	45,503
	-	45,503

16. Capital and reserves

Share capital

	2018	2017
	£	£
Authorised		
100,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid ordinary shares of £1 each		
At start of year	**100,000**	16,000
Shares issued during the financial year	-	84,000
16,000 ordinary shares of £1 each	**100,000**	100,000

On 16 November 2017 the Company allotted and issued 84,000 new ordinary shares of £1 each to its existing shareholder, Glanbia (UK) Limited for cash at a subscription price of £1 per share.

17. Operating leases

At 29 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
Property, plant and equipment		
Not later than 1 year	**274,723**	422,253
Later than 1 year and not later than 5 years	**265,106**	654,245
Later than 5 years	**100,290**	-
	640,119	1,076,498

Notes to the financial statements (continued)

18. Commitments

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

	2018	2017
	£	£
Property, plant and equipment	**424,921**	270,487

19. Pension commitments

The Company operates a defined contribution pension plan. The assets of the plan are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £167,530 (2017: £199,713) (note 4).

20. Related party transactions

The Director of the Company including his connected persons did not enter into any transactions with the Company in the current or preceding year and had no receivable or payable balances outstanding at 29 December 2018 and 30 December 2017.

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

The following transactions were carried out with related parties:

Purchase of goods	2018 £	2017 £
Associates	-	1,018,767
Joint ventures	**1,380,739**	185,285

Year end balances	2018 £	2017 £
Payables to associates	-	-
Payables to joint ventures	**159,958**	148,523

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

21. Group membership

The Company regards Glanbia Co-operative Society Limited, a society incorporated in Ireland, as its ultimate parent and ultimate controlling party. Glanbia Co-operative Society Limited's principal place of business is Glanbia House, Kilkenny, Ireland and a copy of its financial statements can be obtained from that address.

The ultimate UK parent company is Glanbia (UK) Limited, a company registered in England and Wales. The Company and its ultimate UK parent, Glanbia (UK) Limited, are subsidiaries of Glanbia plc. Glanbia plc, a subsidiary of Glanbia Co-operative Society Limited, prepares consolidated financial statements for the smallest group of undertakings which includes Glanbia Performance Nutrition (UK) Limited. Glanbia plc is registered in Ireland and a copy of its financial statements can be obtained from the same address as its parent society or are currently available for download from the Group's website at www.glanbia.com.

Notes to the financial statements (continued)

22. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, in accordance with the accounting policy stated in note 1.17.

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

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

23. Post balance sheet events

The Company has paid an interim 2019 dividend of £9,000,000 since the balance sheet date. There are no further significant events which require disclosure since the financial year end.