

Registered number: 29140

UNILEVER U.K. CENTRAL RESOURCES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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COMPANY INFORMATION

DIRECTORS

Mr C W Jones
Mr P O Jover Goma (Resigned 30 August 2019)
Mrs J H Fentem (Appointed 19 January 2018)
Mr R J Seabrook (Appointed 30 January 2018)
Mr R M Sharp (Appointed 13 September 2019)

COMPANY SECRETARIES

Mr J O Earley
Mr R C Hazell
Ms S Magol (Resigned 5 June 2018)

REGISTERED NUMBER

29140

REGISTERED OFFICE

Unilever House
100 Victoria Embankment
London
EC4Y 0DY
United Kingdom

INDEPENDENT AUDITOR

KPMG LLP Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

INTRODUCTION

The Directors submit their report and audited financial statements of the Company for the year ended 31 December 2018.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to the deterioration of the underlying businesses that support the investments held. Additional risks that this Company and the Unilever Group are subject to, and how they are managed, in the context of the Unilever Group as a whole is provided in the Unilever Group published annual report for the year ended 31 December 2018.

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk, currency risk and pension risk. The company has specific policies for the management of these risks.

The Company manages these risks as follows:

Credit risk

The majority of outstanding debtor balances relates to an indebtedness balance with the Company's immediate parent company and to amounts due from other Unilever Group undertakings. The credit risk on these companies, all belonging to the Unilever Group, is considered to be immaterial.

Liquidity risk

The Unilever Group ensures, by means of giving loans or making capital injections, that the Company has sufficient funds available to fund its operations.

Further discussion of these risks and uncertainties, and how they are managed in the context of the Unilever Group as a whole, is provided in the published Unilever Group Annual Report.

Currency risk

The Company uses foreign exchange derivatives to hedge the currency risk. The Company is amongst others exposed to the currency risk in relation to the monthly euro receipts from Unilever N.V. These receipts relate to the existing pooling agreement whereby Unilever N.V. and PLC agreed to share the

UNILEVER U.K. CENTRAL RESOURCES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

international costs based on the relative share of the service fee income in the subgroups N.V. and PLC.

Pension risk

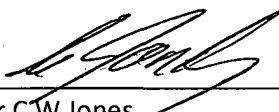
In the U.K., Unilever offers a hybrid pension plan with a defined benefit component which is exposed to movements in interest rates, fluctuating values of underlying investments and increased life expectancy. Changes in any or all of these inputs could potentially increase the cost to Unilever of funding the schemes and therefore have an adverse impact on profitability and cash flow. The current total pension profit and loss charge for 2018 is £118 million. This relates to operating cost of £136 million and finance income of £18 million (Expected return on assets of £242 million and interest costs of £224 million). Changes in assumptions can impact the profits and other comprehensive income of the year.

Our pension investment standards require us to invest across a range of equities, bonds, property, alternative assets and cash such that the failure of any single investment will not have a material impact on the overall value of assets. The majority of our assets, including those held in our 'pooled' investment vehicle, Uninvest, are managed by external fund managers and are regularly monitored by pension trustees and central pensions and investment teams.

FINANCIAL KEY PERFORMANCE INDICATORS

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

This report was approved by the Board on 27 September 2019 and signed on its behalf by Mr C W Jones on 27 September 2019.



Mr C W Jones
Director

Registered Office: Unilever House, 100 Victoria Embankment, London, EC4Y 0DY, United Kingdom

Company registration number: 29140

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors present their report and the financial statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 U.K. Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

PRINCIPAL ACTIVITY

There was no significant change in the principal activities of the Company, which consisted of providing services and undertaking research in the United Kingdom.

RESULTS AND DIVIDENDS

The (loss) for the year, after taxation, amounted to £(12,680,000) (2017: profit £38,530,000).

No dividend was paid during the year (2017: £NIL).

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

DIRECTORS

The Directors who held office during the year were:

Mr C W Jones

Mr P O Jover Goma (Resigned 30 August 2019)

Mrs J H Fentem (Appointed 19 January 2018)

Mr R J Seabrook (Appointed 30 January 2018)

Mr R M Sharp (Appointed 13 September 2019)

POLITICAL AND CHARITABLE DONATIONS

The Company made charitable donations amounting to £7,334,288 (2017: £5,035,266). The main charitable donations were made to Global Innovation £1,000,000 (2017: £200,000), UN Women £445,360 (2017: £417,312), CARE International U.K. Ltd £472,228 (2017: £NIL), Oxfam £356,816 (2017: £154,195), European Food Banks Federation £848,388 (2017: £NIL), BoP Innovation Centre £357,216 (2017: £9,953.56), Population Services International £200,139 (2017: £76,737), Prince of Wales's Charitable Funds £330,000 (2017: £NIL), UNICEF £Nil (2017: £469,311), Ditch the Label £Nil (2017: £185,184), Clinton Foundation £Nil (2017: £194,910) and Vital Voices £Nil (2017: £615,165). These donations are all Social Investment – cash payments for 2018 and 2017. No political contributions were made during the year (2017: £NIL).

FUTURE DEVELOPMENTS

The Directors do not expect any development in the Company's business in the coming year which is significantly different from its present activities.

TANGIBLE FIXED ASSETS

The Company's land and buildings are used for providing services and research in the United Kingdom. The Company's assets are not held for resale. The Directors consider that the difference between their market value and the value at which they are included in the balance sheet is not significant enough to be drawn to the attention of the shareholders.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The Company's policy for the payment of its suppliers is to agree the terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance of those terms.

The ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amounts owed to its trade creditors at the end of the year was 101 days (2017: 76 days).

UNILEVER U.K. CENTRAL RESOURCES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

RESEARCH AND DEVELOPMENT ACTIVITIES

A large proportion of the central research and engineering resources of Unilever are based in the United Kingdom (U.K.) and operated by the Company. The two largest units are the research laboratories at Port Sunlight, in Merseyside, and Colworth laboratories, in Bedfordshire, in total having 1,582 scientific staff. These units work closely with associated research laboratories in the Netherlands, China, India and the United States, and with individual Company development departments throughout the world to provide a firm technical base for the improvement, innovation and safety assurance of Unilever products and processes. Expenditure on research and development in the current year was £228,342,000 (2017: £214,627,000).

EMPLOYEE INVOLVEMENT

The Board recognises the importance of communications with, and the fullest possible involvement of, employees in the business. The Company has continued and extended its support of consultation during the year. Staff are located principally at the Head Office buildings in London and at the Port Sunlight and Colworth laboratories.

At all these locations the Company has developed and encouraged consultative systems over a long period. These comprise local or departmental committees, with Head Office and Laboratory Councils, which employees elect or to which they appoint representatives.

These groups meet regularly and there are processes in place to ensure that specific information relating to the interests of employees, including safety at work and services available to staff, is published periodically, both to individual employees and to their representatives within the consultative system.

Following the end of the Employee Share Save scheme in 2013, all eligible employees of the Company were invited to participate in the new Global Shares scheme under which further share options over Unilever PLC shares will be granted.

DISABLED EMPLOYEES

The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the Company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available and any necessary training is arranged.

UNILEVER U.K. CENTRAL RESOURCES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

DISCLOSURE OF INFORMATION TO AUDITOR


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

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

AUDITOR

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

This report was approved by the Board on 27 September 2019 and signed on its behalf by Mr C W Jones on 27 September 2019.


Mr C W Jones
Director

Registered Office: Unilever House, 100 Victoria Embankment, London, EC4Y 0DY, United Kingdom

Company registration number: 29140

UNILEVER U.K. CENTRAL RESOURCES LIMITED

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNILEVER U.K. CENTRAL RESOURCES LIMITED**

Opinion

We have audited the financial statements of Unilever U.K. Central Resources Limited ("the Company") for the year ended 31 December 2018 which comprise the profit and loss account, statement of other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with U.K. accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (U.K.) ("ISAs (U.K.)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, U.K. ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditors' Report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' Report

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNILEVER U.K. CENTRAL RESOURCES LIMITED**

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

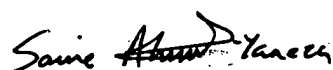
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an Auditor's Report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF UNILEVER U.K. CENTRAL RESOURCES LIMITED**

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

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



**Saira Ahmad-Yaneza (Senior statutory auditor)
For and on behalf of
KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

Date: 27 September 2019

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	3	1,584,943	1,604,275
Administrative expenses	4	(1,602,238)	(1,567,873)
Operating (loss) / profit		(17,295)	36,402
Profit on disposal of fixed assets	8	1,796	4,527
Interest receivable and similar income	9	128,136	113,885
Interest payable and similar charges	9	(128,125)	(85,940)
Other finance income / (expense) relating to pensions	18	17,582	(14,345)
Result from ordinary activities before taxation		2,094	54,529
Taxation on result from ordinary activities	10	(14,774)	(15,999)
(Loss) / Profit for the financial year		(12,680)	38,530

UNILEVER U.K. CENTRAL RESOURCES LIMITED

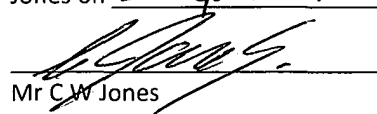
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
(Loss) / Profit for the year		(12,680)	38,530
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Net actuarial gain/(losses) recognised on pensions	18	(138,924)	976,428
Deferred tax on pensions		2,105	(198,758)
Current tax on pensions		24,044	37,102
Deferred tax on Global Performance Share Plan ('GPSP')		372	2,102
Others		(5,246)	(184)
		(117,649)	816,690
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Fair value (losses) / gains on cash flow hedges		(8,079)	32,945
Deferred tax on fair value gains/(losses) on cash flow hedges		1,374	(5,600)
		(6,705)	27,345
Other comprehensive (expense) / income for the year		(124,354)	844,035
Total comprehensive (expense) / income for the year		(137,034)	882,565

**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	11	535,750	564,377
Tangible assets	12	219,352	241,760
Investments	13	516	516
		<u>755,618</u>	<u>806,653</u>
Current assets			
Stocks		63	63
Trade and other receivables (including £4,466,777 (2017: £4,661,872) due after more than one year)	14	7,980,716	7,858,790
		<u>7,980,779</u>	<u>7,858,853</u>
Current liabilities			
Trade and other payables: Amounts falling due within one year	16	(10,335,635)	(10,220,181)
Provisions for liabilities and other charges	17	(14,330)	(27,667)
		<u>(2,369,186)</u>	<u>(2,388,995)</u>
Net current liabilities			
		<u>(1,613,568)</u>	<u>(1,582,342)</u>
Total assets less current liabilities			
Trade and other payables: Amounts falling due after more than one year	16	(107,589)	(114,902)
Provisions for liabilities and other charges	17	(6,527)	(1,112)
		<u>(1,727,684)</u>	<u>(1,698,356)</u>
Net liabilities excluding pensions and similar obligations liabilities			
Pensions and similar obligations liabilities			
Net pension asset for funded schemes in surplus	18	766,366	947,351
Net pension liability for unfunded schemes	18	(241,683)	(255,164)
Total pensions and similar obligations		<u>524,683</u>	<u>692,187</u>
Net liabilities including pensions and similar obligations liabilities		<u>(1,203,001)</u>	<u>(1,006,169)</u>
Shareholders' funds			
Called up share capital	20	100,000	100,000
Cash flow hedge reserve		(17,558)	(10,853)
Profit and Loss Account		(1,285,443)	(1,095,316)
		<u>(1,203,001)</u>	<u>(1,006,169)</u>

This report was approved by the Board on 27 September 2019 and signed on its behalf by Mr C W Jones on 27 September 2019.


Mr C W Jones
Director

Registered Office: Unilever House, 100 Victoria Embankment, London, EC4Y 0DY, United Kingdom

UNILEVER U.K. CENTRAL RESOURCES LIMITED

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

	Called up share capital £000	Cash flow hedge reserve £000	Profit and Loss Account £000	Total equity £000
At 1 January 2018	100,000	(10,853)	(1,095,316)	(1,006,169)
Adjustment on adoption of IFRS 9, net of tax (Refer Note 23)	-	-	(59,798)	(59,798)
Adjusted balances as at 1 January 2018	100,000	(10,853)	(1,155,114)	(1,065,967)
Total comprehensive income for the year				
Loss for the year	-	-	(12,680)	(12,680)
Other comprehensive loss	-	(6,705)	(117,649)	(124,354)
Total comprehensive loss for the year	-	(6,705)	(130,329)	(137,034)
At 31 December 2018	100,000	(17,558)	(1,285,443)	(1,203,001)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Cash flow hedge reserve £000	Profit and Loss Account £000	Total equity £000
At 1 January 2017	100,000	(38,198)	(1,950,536)	(1,888,734)
Total comprehensive income for the year				
Profit for the year	-	-	38,530	38,530
Other comprehensive income	-	27,345	816,690	844,035
Total comprehensive income for the year	-	27,345	855,220	882,565
At 31 December 2017	100,000	(10,853)	(1,095,316)	(1,006,169)

Cash flow hedge reserve consists of the cumulative exchange difference on the outstanding forward contracts used to hedge the currency risk in relation to the monthly euro receipts from Unilever N.V. for which cash flow hedge accounting is applied. This exchange difference is taken to the profit and loss account at the same time as the related cash flow impacts the profit and loss account.

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

1. ACCOUNTING POLICIES**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

Unilever U.K. Central Resources Limited (the "Company") is a Private Company incorporated, domiciled and registered in England & Wales. The registered number is 29140 and the registered address is Unilever House, 100 Victoria Embankment, London, EC4Y 0DY, United Kingdom.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The amendments of FRS 101 (2014/15 Cycle) issued in July 2016 and effective immediately have been applied.

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

The Company's ultimate parent undertaking, Unilever PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of Unilever PLC are prepared in accordance with International Financial Reporting Standards and provided in the published Unilever PLC Annual Report, available at www.unilever.com.

In these financial statements, where applicable, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, 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;
- Disclosures in respect of compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the company.

As the consolidated financial statements of Unilever PLC includes 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;

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

1. ACCOUNTING POLICIES (continued)

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair value measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

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

1.2 CONSOLIDATION

The company is a wholly-owned subsidiary of Unilever PLC. It is included in the consolidated financial statements of Unilever Group which are publicly available. Therefore, the Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

1.3 MEASUREMENT CONVENTION

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: Pensions Plan Assets, Defined Benefit Pension Liabilities, Financial Assets and Financial Liabilities.

1.4 GOING CONCERN

When preparing financial statements, Management makes an assessment of the Company's ability to continue as a going concern. The Company shall prepare financial statements on a going concern basis unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative but to do so. When Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company shall disclose those uncertainties. When the Company does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the Company is not regarded as a going concern. Notwithstanding net current liabilities of £2,369,186,000 as at 31 December 2018, the financial statements have been prepared on a going concern basis, since Unilever PLC has formally indicated its intention to continue to provide financial support to the Company to meet its liabilities as and when they become due, for at least the next twelve months from the date of approval of these financial statements.

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

1. ACCOUNTING POLICIES (continued)**1.5 DISPOSAL**

Any disposals that have occurred during the year have not been deemed by management to have had a material effect on the nature and focus of the reporting entity's operations and as such do not warrant disclosure as discontinued operations.

1.6 INTANGIBLE ASSETS*Research and development*

In the research phase of a project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of a project. The expenditure is treated as if it were all incurred in the research phase only.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is charged to the Profit and Loss Account 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 estimated useful lives of capitalised development costs is 3 – 6 years.

1.7 TANGIBLE FIXED ASSETS

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

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

Tangible fixed assets under finance leases (i.e. leases which transfer to the Company substantial benefits and risk of ownership) are treated as if they had been purchased outright. The assets are

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

1. ACCOUNTING POLICIES (continued)

included in tangible fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful economic lives of the equivalent owned asset.

Depreciation is charged to the Profit and Loss Account so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

Freehold buildings:	40 years
Computers:	5 years
Leasehold buildings:	Life of lease up to a maximum of 40 years
Plant and machinery:	10-15 years
Motor vehicles:	4-6 years

Freehold land is not depreciated.

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 'Profit on disposal of fixed assets' in the profit and loss account.

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

1.8 TRADE AND OTHER RECEIVABLES

Trade and other current receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequently these assets are held at amortised cost, using the effective interest method and net of any impairment losses.

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments – Recognition and Measurement'. This standard introduces new requirements in two areas

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

1. ACCOUNTING POLICIES (continued)**Classification and measurement:**

Financial assets are now classified based on

1. the objective of the Company in holding the asset and
2. the contractual cash flows.

On 1 January 2018, the Company reclassified its financial assets to the new categories based on the Company's reason for holding the assets and the nature of the cash flows from the assets.

Impairment:

A new expected credit loss model is used for calculating impairment on financial assets. A loss event does not have to occur before credit losses are recognised.

From 1 January 2018, the Company implemented an expected credit loss impairment model for financial assets. For trade receivables, the calculation methodology has been updated to consider expected losses based on ageing profile. The adoption of the expected loss approach has resulted in a material change in impairment provision for our financial assets and has been accounted for.

1.9 IFRS 9 FINANCIAL INSTRUMENTS

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments – Recognition and Measurement.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at Fair Value Through Profit and Loss (FVTPL).
 - The designation of certain investments in equity instruments not held for trading as at Fair Value through Other Comprehensive Income (FVOCI).

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

1. ACCOUNTING POLICIES (continued)

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on the asset had not increased significantly since its initial recognition.
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

1.10 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.11 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 determined on an weighted average basis.

Provisions are made for slow moving and obsolete stocks as appropriate. The impairment loss is recognised immediately in the Profit and Loss Account.

1.12 IMPAIRMENT EXCLUDING STOCKS, INVESTMENT PROPERTIES AND DEFERRED TAX ASSETS*Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

1. ACCOUNTING POLICIES (continued)*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Profit and Loss Account. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

1.13 TRADE AND OTHER PAYABLES**TRADE PAYABLES**

Trade payables are initially recognised at fair value less any directly attributable transaction costs. Trade payables are subsequently measured at amortised cost, using the effective interest method.

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

1. ACCOUNTING POLICIES (continued)**OTHER CURRENT PAYABLES**

Other liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent measurement depends on the type of liability:

- Accruals are subsequently measured at amortised cost, using the effective interest method.
- Social security and sundry taxes are subsequently measured at amortised cost, using the effective interest method.
- Others are subsequently measured either at amortised cost, using the effective interest method or at fair value, with changes being recognised in the profit or loss.

1.14 DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are measured at fair value with any related transaction costs expensed as incurred. The treatment of changes in the value of derivatives depends on their use as explained below.

Cash Flow hedges

Derivatives are held to hedge the uncertainty in timing or amount of future forecast cash flows. Such derivatives are classified as being part of cash flow hedge relationships. For an effective hedge, gains and losses from changes in the fair value of derivatives are recognised in equity. Cost of hedging, where material and opted for, is recorded in a separate account within equity. Any ineffective elements of the hedge are recognised in the profit and loss account. If the hedged cash flow relates to a non-financial asset, the amount accumulated in equity is subsequently included within the carrying value of that asset. For other cash flow hedges, amounts deferred in equity are taken to the profit and loss account at the same time as the related cash flow.

When a derivative no longer qualifies for hedge accounting, any cumulative gain or loss remains in equity until the related cash flow occurs. When the cash flow takes place, the cumulative gain or loss is taken to the profit and loss account. If the hedged cash flow is no longer expected to occur, the cumulative gain or loss is taken to the profit and loss account immediately.

1.15 GOVERNMENT GRANTS

Government grants received on capital expenditure are initially recognised within deferred income on the Company's Balance Sheet and are subsequently recognised in Profit and Loss Account on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the Profit and Loss Account in the periods in which the expenditure is recognised.

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

1. ACCOUNTING POLICIES (continued)

1.16 PROVISIONS FOR LIABILITIES

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

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

When payments are eventually made, they are charged to the provision carried in the balance sheet. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.17 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account (except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income).

1.18 TURNOVER

Turnover excludes value added tax and comprises service fees received from Unilever PLC. Unilever U.K. Central Resources Limited recognises turnover based on the criteria of a full performance of a contract or delivery of services.

The company's activities consist solely of the provision of services and undertaking research in the United Kingdom, so no segmental analysis of the business is included in these accounts.

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

1. ACCOUNTING POLICIES (continued)**1.19 FINANCE COSTS**

Net finance costs are comprised of finance costs and finance income, including net finance costs in relation to pensions and similar obligations.

1.20 SHARE BASED PAYMENTS

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as staff cost in the Profit and Loss Account.

Under the Unilever Global Performance Share Plan (Global Share Incentive Plan ("GSIP")), the employees of the Company are granted an award of the parents' shares by the Company itself. Therefore, these options are accounted for as cash settled share based payments under IFRS 2 'Share-based payments'. For these cash settled share based payments, the fair value of the liability is determined at each balance sheet date and the charge is recognised through the Profit and Loss Account over the period in which the related services are provided by the employees.

The Company operates a Share Matching Plan (Management Co-Investment Plan ("MCIP")) which enables managers to invest part of their annual bonus in Unilever PLC and Unilever N.V. shares which will be matched by the Company with the same number of shares. The managers are required to keep all shares for an agreed period and be employed by Unilever on the vesting date. Given these conditions, the expense of awarding these shares is based on the fair value of the shares at the date that the award is made and spread over the vesting period.

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

1. ACCOUNTING POLICIES (continued)

At each balance sheet date the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Profit and Loss Account, with a corresponding adjustment to trade and other payables.

Unilever PLC grants options over its shares to eligible employees under an Employee Share Save Scheme. In consideration of Unilever PLC granting options to its employees, the Company has agreed to contribute its share of the cost of holding the shares. The right to receive dividends on shares held by the Trust has been waived.

1.21 LEASED ASSETS: LESSEE*Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Profit and Loss Account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the period in which they are incurred.

1.22 PENSIONS AND OTHER POST-RETIREMENT BENEFITS*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Profit and Loss Account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans (and other post employment benefits) is calculated (separately for each plan) by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

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

1. ACCOUNTING POLICIES (continued)

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the Profit and Loss Account.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The operating and financing costs of the defined benefit plans are recognised separately in the Profit and Loss Account; service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the plans or changes in the actuarial assumptions, are recognised immediately in the statement of other comprehensive income. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the Profit and Loss Account. The liabilities and the assets of defined benefit plans are recognised at fair value in the Balance Sheet.

1.23 INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the Profit and Loss Account using the effective interest method.

1.24 CURRENT AND DEFERRED TAXATION

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For

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

1. ACCOUNTING POLICIES (continued)

investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income tax is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised or that the Company has determined it is appropriate to recognise the deferred tax asset as it is recoverable due to the fact that the Company is part of a U.K. group for group relief purposes.

1.25 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED BY THE COMPANY

All standards or amendments to standards that have been issued under FRS 101 and are effective from 1 January 2019 onwards are not applicable to the Company except for IFRS 16 Leases. However, the Company has availed exemption under FRS 101 for disclosure of effects of new but not yet effective IFRSs.

UNILEVER U.K. CENTRAL RESOURCES LIMITED

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

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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 have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of debtors

The company makes an estimate of the recoverable value of the debtors. When assessing impairment of debtors, management considers factors including the ageing profile of receivables and historical experience.

Provisions

The Company had recognised provisions for restructuring in the research laboratories and for damage claims.

Recoverability of deferred tax assets

The Company has recognised a significant deferred tax asset which requires judgement for determining the extent of its recoverability at the balance sheet date. The Company assesses recoverability with reference to forecasts on future taxable profits. These forecasts require the use of assumptions and estimates.

3. ANALYSIS OF TURNOVER

	2018 £000	2017 £000
International costs charged out to Unilever PLC	1,033,140	1,023,417
Research costs Colworth charged out to Unilever PLC	78,227	74,010
Research costs Port Sunlight charged out to Unilever PLC	150,115	140,617
UEIT costs charged out to Unilever PLC	296,857	343,336
Profit mark - up reclass and true up	26,604	22,895
Turnover	1,584,943	1,604,275

UNILEVER U.K. CENTRAL RESOURCES LIMITED

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

4. OPERATING PROFIT

	Note	2018 £000	2017 £000
The operating profit is stated after (debiting)/crediting:			
Exchange adjustments		(6,984)	(73,166)
<i>Depreciation</i>			
- on owned tangible fixed assets		(20,955)	(18,365)
- on tangible fixed assets held under finance leases		(6,198)	(6,203)
Auditors' remuneration for audit services		(126)	(151)
Amortization of intangible assets	11	(193,830)	(175,495)
Research and development expenditure		(228,342)	(214,627)
Marketing and development costs		(174,372)	(159,967)
Staff costs	6	(332,038)	(365,122)
<i>Operating lease expenditure</i>			
- plant and machinery		(7,771)	(13,113)
- cars		1,178	(1,629)
- land and buildings		(2,322)	(2,164)
Sublease receipts		4,102	3,395
Operating exceptional items - restructuring costs	17	(30,082)	(37,394)
Operating exceptional items - past service credit	18	(43,457)	901
Operating exceptional items - curtailment gain	18	2,896	3,356
Other administrative costs		(563,937)	(508,129)
Administrative expenses		(1,602,238)	(1,567,873)
Operating (loss) / profit		(17,295)	36,402

5. AUDITORS' REMUNERATION

	2018 £000	2017 £000
Audit of these financial statements	46	48

The fees for KPMG LLP for the statutory audit of the Company's annual financial statements amount to £46,196 (2017: £48,123). The fees borne by the Company and payable to the Company's auditors for the audits of other Group Companies amount to £80,112 (2017: £102,477).

The disclosure of fees payable to the auditors and their associates for other (non-audit) services has not been made because the consolidated financial statements of the Company's ultimate parent company are required to disclose other (non-audit) services on a consolidated basis as appropriate.

UNILEVER U.K. CENTRAL RESOURCES LIMITED

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

6. STAFF COSTS AND EMPLOYEE INFORMATION

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

	2018 Number of employees	2017 Number of employees
Research and development	1,582	1,566
Administration	1,799	1,853
Total	3,381	3,419

Staff costs, including Directors' remuneration, were as follows:

	Note	2018 £000	2017 £000
Staff Costs			
Wages and salaries		210,035	232,096
Share based payments	19	52,795	61,821
Social security costs		36,311	36,584
Other pension costs		32,897	34,621
Total		332,038	365,122

7. DIRECTORS' REMUNERATION

The Directors who served during the year are remunerated by the Company and details of their emoluments are provided below:

All Directors	2018 £000	2017 £000
Aggregate emoluments	1,511	1501
Aggregate pension scheme contributions	3	3

4 (2017: 4) Directors exercised share options or received shares under long-term incentive schemes. Retirement benefits are accruing to 1 (2017: 1) Director in respect of their qualifying services under a defined benefit scheme.

Highest paid Director	2018 £000	2017 £000
Aggregate emoluments	625	537

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

In addition to the above the highest paid Director also received shares as part of a long - term incentive scheme.

8. PROFIT ON DISPOSAL OF FIXED ASSETS

The profit on disposal of fixed assets is made up as follows:

	Note	2018 £000	2017 £000
Yearly release (spread over the 20 year lease agreement) from deferred income of the profit on the sale of Unilever House	16	1,796	1,796
Other		-	2,731
Profit on disposal		1,796	4,527

Other includes the disposal of property buildings, scientific assets and software.

9. INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR INCOME/(CHARGES)

	2018 £000	2017 £000
Interest receivable on loans & current accounts with group undertakings	117,519	105,287
Other interest receivable and similar income	10,617	8,598
Total interest receivable and similar income	128,136	113,885
Interest payable on loans & current accounts with group undertakings	(119,108)	(79,679)
Interest on loans from third parties	(110)	(652)
Finance charges payable under finance leases	(5,269)	(5,609)
Other interest payable and similar expense	(3,638)	-
Total interest payable and similar charges	(128,125)	(85,940)
Total	11	27,945

Interest payable on bank loans are not repayable by instalments and are due wholly within 5 years. Exchange differences of £336,737 (2017: £838,190) have been credited (2017: debited) to Interest receivable and payable on loans to group undertakings and current accounts of group undertakings.

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

10. TAXATION

The taxation (charge)/credit is made up as follows:

Recognised in the Profit and Loss Account	2018 £000	2017 £000
<i>U.K. corporation tax</i>		
Current tax on income for the year	(16,519)	(37,434)
Adjustments in respect of prior periods	10,649	(9,444)
<i>Foreign taxation</i>		
Current tax on income for the year	(691)	(490)
Total current tax	(6,561)	(47,368)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	7,530	33,644
Adjustments in respect of prior periods	(15,743)	(2,275)
Total deferred tax	(8,213)	31,369
Tax charge on profit from ordinary activities	(14,774)	(15,999)
 Income tax recognised in other comprehensive income	 2018 £000	 2017 £000
Effective portion of changes in fair value of cash flow hedges	(1,374)	(5,600)
Remeasurements of defined benefit liability/asset	(26,149)	(161,657)
Impact of Global Performance Share Plan	(372)	2,102
Income tax recognised in other comprehensive income	(27,895)	(165,155)

The current U.K. corporate tax rate that has been used for the year is 19% (2017: 19.25%). This is on the basis that the rate changed from 20% to 19% as of 1 April 2017. A further reduction to the main rate was substantively enacted on 6 September 2016 to reduce the rate to 17% from 1 April 2020.

UNILEVER U.K. CENTRAL RESOURCES LIMITED

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

The current tax assessed for the year is higher (2017: higher) than the standard rate of corporation taxation in the U.K. 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Reconciliation of tax expense		
(Loss) / Profit for the year	2,094	54,529
Total tax expense	<u>(14,774)</u>	<u>(15,999)</u>
Tax using the U.K. corporation tax rate of 19% (2017: 19.25%)	(398)	(10,496)
Effects of:		
Non-deductible expenses	(11,231)	4,257
Effects of tax rates in foreign jurisdictions	(691)	(490)
Difference in tax rate for deferred tax	(886)	(4,453)
Over / (Under) provided in prior years (current tax)	10,649	(9,444)
(Under) provided in prior years (deferred tax)	(15,743)	(2,275)
Items affecting deferred tax only	4,657	6,902
Permanent differences - other (RDEC)	(1,131)	-
Total tax expense	<u>(14,774)</u>	<u>(15,999)</u>

11. INTANGIBLE ASSETS

	Software £000
Cost	
At 1 January 2018	1,141,795
Addition	165,203
Disposal	-
At 31 December 2018	<u>1,306,998</u>
Amortisation	
At 1 January 2018	(577,418)
Charge for the year	(193,830)
At 31 December 2018	<u>(771,248)</u>
Net book value	
At 31 December 2018	<u>535,750</u>
At 31 December 2017	<u>564,377</u>

UNILEVER U.K. CENTRAL RESOURCES LIMITED

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12. TANGIBLE ASSETS

	Land and buildings	Plant and machinery	Computer equipment	Motor vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2018	201,472	264,326	135,725	21	21,772	623,316
Additions	-	1,534	-	-	14,929	16,463
Disposals	(696)	(19,899)	(133)	-	-	(20,728)
Transfers	1,682	14,824	4,066	-	(20,572)	-
At 31 December 2018	202,458	260,785	139,658	21	16,129	619,051
Accumulated depreciation						
At 1 January 2018	91,308	173,421	116,806	21	-	381,556
Depreciation charge	7,993	20,962	8,404	-	-	37,359
Disposals	(557)	(18,526)	(133)	-	-	(19,216)
Transfers	-	-	-	-	-	-
At 31 December 2018	98,744	175,857	125,077	21	-	399,699
Net book value						
At 31 December 2018	103,714	84,928	14,581	-	16,129	219,352
At 31 December 2017	110,164	90,905	18,919	-	21,772	241,760

Land and Buildings

The net book amount of land and buildings comprises:

	2018 £000	2017 £000
Land	91	94
Freehold Buildings	50,263	50,627
Leasehold Buildings	53,360	59,443
	103,714	110,164
Assets held under finance leases included above:		
Net book value	53,360	59,443
Depreciation charge	6,100	6,100

In 2004 the Company entered into a sale-and-leaseback agreement with a third party regarding the Head Office in London, United Kingdom. From 2004 to 2007 the Head Office was refurbished, and the Company was able to use the building again as from 2 July 2007 onwards. As the agreement de facto

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was a finance lease the building was reinstated as an asset for an amount of £123,491,000. The gain of £37,676,157 (being £39,892,151 sale and incurred expenses of £2,215,994) on the initial sale was treated as deferred income and is being released over the term of the lease agreement (i.e. 20 years from the date the Company moved back into the building through to the termination date: 28 September 2027). The building is being depreciated over the same 20 year period commencing 2 July 2007.

13. INVESTMENTS

	2018 £000	2017 £000
Cost		
At 1 January 2018	516	516
At 31 December 2018	516	516
Net book value		
At 31 December 2018	516	516
At 31 December 2017	516	516

14. TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Due after more than one year		
Amounts owed by Group undertakings	4,448,060	4,642,347
Prepayments and accrued income	16,620	17,201
Other receivables	2,097	2,324
Total	4,466,777	4,661,872
Due within one year		
Trade receivables	2,832	4,577
Amounts owed by Group undertakings (including accrued interest)	3,362,639	3,040,845
Forward contracts owed by Group undertakings	-	3,001
Other taxation and social security	12,180	60,396
Deferred tax assets (net)	57,926	62,288
Group relief receivable	35,786	-
Other receivables	7,788	2,688
Prepayments and accrued income	34,788	23,123
Total	3,513,939	3,196,918
Total trade and other receivables	7,980,716	7,858,790

Amounts due from Group undertakings, due within one year (including accrued interest), include a concern loan of £3,100,481,271 (2017: £3,034,574,795) to Unilever PLC and a concern loan £4,880,479 (2017: £4,877,494), £256,277,659 (2017: £3,148,171) and £1,000,000 (2017: NIL) to TIGI International

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Limited, Brooke Bond Assam Estates Limited and REN Limited Holdings Limited respectively. These loans have a maturity date in 2019.

Amounts falling due after more than one year include current account balances with Unilever PLC and Group undertakings which are interest bearing, unsecured and repayable on demand. There is no intention to recall the repayment of the outstanding balance within a year as of 31 December 2018.

The Company uses foreign exchange derivatives to hedge the currency risk. The Company is amongst others group companies exposed to the currency risk in relation to the monthly euro receipts from Unilever Europe Business Centre BV. These receipts relate to the existing pooling agreement whereby Unilever Europe Business Centre BV and Unilever PLC agreed to share the international costs based on the relative share of the service fee income in the subgroups of Unilever N.V. and Unilever PLC.

The Company hedges this currency risk on a 12 months rolling basis. Each month the Company buys £80,000,000 versus Euro. At 31 December 2018, none (2017: four) of these monthly FX covers to hedge these pooling receipts had a positive market value. The notional amount of these covers amounts to € Nil (2017: €353,539,740). The year-end value of the contracts amounted to £Nil (2017: £3,001,235 positive).

15. DEFERRED TAX ASSETS AND LIABILITIES**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets	Assets	Liabilities	Liabilities	Net	Net
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Employee benefits - pension	-	-	(46,170)	(53,133)	(46,170)	(53,133)
Tangible fixed assets	5,522	10,894	-	-	5,522	10,894
Intangible assets	72,259	75,669	-	-	72,259	75,669
Short term temporary differences ("STTDs")	22,719	17,504	-	-	22,719	17,504
Other	3,596	11,354	-	-	3,596	11,354
Total deferred tax asset	104,096	115,421	(46,170)	(53,133)	57,926	62,288

The amount of temporary differences in respect of tangible fixed assets for which no deferred tax asset is recognised is £12,590,000 (2017: £11,642,000).

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Movement in deferred tax during the year:

	1 January 2018	Recognised in income	Recognised in statement of other comprehen- sive income	31 December 2018
	£000	£000	£000	£000
Employee benefits – pension	(53,133)	4,858	2,105	(46,170)
Tangible fixed assets	10,894	(5,372)	-	5,522
Intangible assets	75,669	(3,410)	-	72,259
STTDs	17,504	4,843	372	22,719
Other	11,354	(9,132)	1,374	3,596
Total deferred tax asset (net)	62,288	(8,213)	3,851	57,926

Movement in deferred tax during the prior year:

	1 January 2017	Recognised in income	Recognised in statement of other comprehen- sive income	31 December 2017
	£000	£000	£000	£000
Employee benefits - pension	145,625	-	(198,758)	(53,133)
Tangible fixed assets	6,039	4,855	-	10,894
Intangible assets	63,544	12,125	-	75,669
STTDs	10,144	5,258	2,102	17,504
Other	7,825	9,131	(5,601)	11,354
Total deferred tax asset (net)	233,177	31,369	(202,257)	62,288

16. TRADE AND OTHER PAYABLES

	2018 £000	2017 £000
Amounts falling due within one year		
Obligations under finance leases	(6,548)	(5,891)
Forward contracts owed to Group undertakings	(15,847)	(12,179)
Bank loans and overdrafts	(140)	(5,595)
Trade creditors	(335,790)	(288,107)
Amounts owed to Group undertakings	(9,745,487)	(9,646,581)
Group relief payable	-	(15,482)
Other creditors	(94,072)	(118,885)
Accruals and deferred income	(137,751)	(127,461)
Total	(10,335,635)	(10,220,181)

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	2018	2017
	£000	£000
Amounts falling due after more than one year		
Obligations under finance leases	(78,990)	(85,538)
Accruals and deferred income	(28,599)	(29,364)
Total	(107,589)	(114,902)
Total trade and other payables	(10,443,224)	(10,335,083)

The Company uses foreign exchange derivatives to hedge the currency risk. The Company is amongst others exposed to the currency risk in relation to the monthly euro receipts from Unilever Europe Business Centre BV. These receipts relate to the existing pooling agreement whereby Unilever Europe Business Centre BV and Unilever PLC agreed to share the international costs based on the relative share of the service fee income in the subgroups of Unilever N.V. and Unilever PLC.

The Company hedges this currency risk on a 12 months rolling basis. Each month the Company buys £80,000,000 versus Euro. At 31 December 2018, all twelve (2017: eight) of these monthly FX covers to hedge these pooling receipts had a negative market value. The notional amount of these covers amounts to €1,074,191,843 (2017: €730,756,452). The contracts mature between January and December 2019. The year-end value of the contracts amount to £15,846,755 negative (2017: £12,178,582 negative).

	2018	2017
	£000	£000
Amounts falling due within one year		
Obligations under finance lease	(6,548)	(5,891)
Forward contracts owed to Group undertakings	(15,847)	(12,179)
Bank loans and overdrafts	(140)	(5,595)
Trade creditors	(335,790)	(288,107)
Amounts owed to Group undertakings	(9,745,487)	(9,646,581)
Group relief payable	-	(15,482)
Other creditors	(94,072)	(118,885)
Accruals and deferred income	(137,751)	(127,461)
Total	(10,335,635)	(10,220,181)
Amounts falling due within 1 to 2 years		
Obligations under finance leases	(7,253)	(6,548)
Accruals and deferred income	(16,475)	(11,851)
Total	(23,728)	(18,399)

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	2018 £000	2017 £000
Amounts falling due within 2 to 5 years		
Obligations under finance leases	(26,522)	(24,084)
Accruals and deferred income	(5,389)	(5,389)
Total	(31,911)	(29,473)
	2018 £000	2017 £000
Amounts falling due after 5 years		
Obligations under finance leases	(45,215)	(54,906)
Accruals and deferred income	(6,735)	(12,124)
Total	(51,950)	(67,030)
Total trade and other payables	(10,443,224)	(10,335,083)

Accruals and deferred income include the unamortised balance of a deferred profit on the sale of Unilever House in 2004: amounts due within one year £1,796,179 (2017: £1,796,179); amounts due within 1 to 2 years £1,796,179 (2017: £1,796,179); amounts due within 2 to 5 years; £5,388,537 (2016: £5,388,537); amounts due after 5 years £6,735,672 (2017: £12,124,209).

Amounts due to Group undertakings, falling due within one year, include current account balances from many Group undertakings and are interest bearing, unsecured and repayable on demand.

17. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

Amounts falling due within one year

	Restructuring provision £000	Legal provision £000	Total £000
At 1 January 2018	(24,584)	(3,083)	(27,667)
Charged to Profit and Loss Account	(24,896)	-	(24,896)
Utilisation	35,558	2,675	38,233
At 31 December 2018	(13,922)	(408)	(14,330)

Amounts falling due within more than one year

	Restructuring provision £000	Legal provision £000	Total £000
At 1 January 2018	(1,112)	-	(1,112)
Charged to Profit and Loss Account	(5,617)	-	(5,617)
Utilisation	202	-	202
At 31 December 2018	(6,527)	-	(6,527)

Restructuring continued at the research laboratories at Port Sunlight, Colworth and at UEIT (all in the United Kingdom) during 2018. The legal provision pertains to the damage claims by Procter & Gamble.

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18. PENSIONS AND SIMILAR OBLIGATIONS

All related assets and liabilities of below mentioned pension schemes are shown in the company and provide benefits to employees of Unilever PLC and its subsidiary companies in the U.K.

(a) UUKPF: The Company is a member of a Group pension scheme providing benefits based on covered earnings for employees of Unilever PLC and its subsidiary companies in the U.K. The assets of the scheme are held separately from the Group in an independently administered fund known as the Unilever U.K. Pension Fund (UUKPF). Actuarial advice is provided by a firm of Consulting Actuaries and valuation reports are produced annually. The latest report available is for 2018.

The investment strategy is implemented within the framework of the statutory requirements of the U.K. The Company has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost to the Company of the benefits provided. To achieve this, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The plans continue to invest a good proportion of the assets in equities, which the Company believes offer the best returns over the long term commensurate with an acceptable level of risk. The plans expose the Company to a number of actuarial risks such as investment risk, interest rate risk, longevity risk and inflation risk. There are no unusual entity or plan specific risks to the Company. For risk control, the pension fund also has significant investments in liability matching assets (bonds) as well as in property and other alternative assets; additionally, the Company uses derivatives to further mitigate the impact of the risks outlined above. The assets are managed by a number of external fund managers.

Unilever has a pooled investment vehicle (Univest) which it believes offers its pension plans around the world a simplified externally managed investment vehicle to implement their strategic asset allocation models, currently for bonds, equities and alternative assets. The aim is to provide high quality, well diversified, cost-effective, risk-controlled vehicles. The pension plans' investments are overseen by Unilever's internal investment company, the Univest Company.

(b) UNIAC: The UNIAC Pension Fund provides benefits to certain employees who have expatriate service. The assets of the scheme are held separately from those of the Group in an independently administered fund known as the UNIAC Fund. Actuarial advice is provided by a firm of Consulting Actuaries and valuation reports are produced annually. The latest report available is for 2018.

(c) Unfunded arrangements: In addition to the funded pension schemes described above, provisions are held in the accounts of the Company with respect to ex-gratia and top up pensions granted by Unilever PLC and its subsidiaries in the United Kingdom and also for special contractual early retirement benefits granted to selected employees of these companies. Provisions are also held in respect of pension promises for U.K. employees working in countries in the European Union.

The capital costs of unfunded retirement benefits for employees of Unilever U.K. Central Resources Limited retiring before normal retirement age are charged to the Profit and Loss Account in the year in which the decision to retire an employee is made. In addition where employees work for other subsidiaries of Unilever in the U.K., provision is also made for the ex-gratia benefits granted to these

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employees. Unilever U.K Central Resources Limited receives consideration equal to the capital/service cost of these benefits for accepting responsibility for their payment. In subsequent years, interest credited to the provisions is charged in the company's Profit and Loss Account. Ex-gratia benefits are being funded via the Unilever U.K. Pension Fund with a contribution being made by the employing company to the Fund equal to the capital cost of the benefits.

The liability and level of service/capital costs are assessed by Consulting actuaries for the ex-gratia and early retirement schemes and valuation reports are produced annually. The latest reports available are for 2018.

In addition to the above, provisions are also held for post-employment healthcare for early retired Managers of the company and for past and present Directors of Unilever PLC. The figures also include provisions for employee long service awards which are accrued over the period of their employment. Over the period Unilever made business changes resulting in a material number of active member leaving the UUKPF and a curtailment gain of £2.897m has been recognised. No other special events occurred in 2018.

	2018	2016
	£000	£000
Defined benefit asset	9,303,385	9,719,505
Defined benefit (liability)	(8,778,702)	(9,027,318)
Net asset/(liability) for defined benefit obligations (see following table)	524,683	692,187
Cash-settled share-based payment transactions liability	-	-
Total employee benefits obligation	524,683	692,187

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Movements in net defined benefit (liability)/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
At 1 January	(9,027,318)	(9,323,504)	9,719,505	8,466,883	692,187	(856,621)
Included in profit or loss						
Current service cost	(94,998)	(96,734)	-	-	(94,998)	(96,734)
Expected return on assets	-	-	241,183	234,851	241,183	234,851
Curtailment gain*	2,896	3,356	-	-	2,896	3,356
Past service cost*	(43,457)	901	-	-	(43,457)	901
Interest cost	(223,601)	(249,194)	-	-	(223,601)	(249,194)
Settlement gain	16	-	-	-	16	-
	(359,144)	(341,671)	241,183	234,851	(117,961)	(106,820)
Included in OCI						
Remeasurements loss/(gain):						
Actual less expected return	-	-	(409,810)	738,446	(409,810)	738,446
Actuarial (loss)/gain arising from:						
- Change in financial assumptions	319,410	(167,997)	-	-	319,410	(167,997)
- Change in Demographic Assumption	415	278,181	-	-	415	278,181
- Experience adjustment	(48,939)	127,798	-	-	(48,939)	127,798
	270,886	237,982	(409,810)	738,446	(138,924)	976,428
Other						
Contributions paid by the employer	-	-	71,286	667,658	71,286	667,658
Contributions paid by the employee	-	-	198	129	198	129
Benefits paid	418,074	385,148	(406,947)	(373,736)	11,127	11,412
Transfers	(81,200)	14,726	87,970	(14,726)	6,770	-
	336,874	399,874	(247,492)	279,325	89,381	679,199
At 31 December 2018	(8,778,702)	(9,027,318)	9,303,385	9,719,505	524,683	692,187

*The past service cost of £43.2m relates to a High Court judgement in October 2018 on a case related to the equal treatment of men and women. The judgment triggered the need to immediately recognise additional pension liabilities through the Profit and Loss Account. The curtailment is related to restructuring exercises during the year and the sale of our Spreads business.

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Plan assets

	2018 £000	2017 £000
- Public equity	2,868,467	3,996,493
- Private equity	325,408	344,019
Equities	<u>3,193,875</u>	<u>4,340,512</u>
- Governmental bonds	2,233,507	1,904,624
- Non-governmental bonds	2,225,684	1,797,398
Bonds	<u>4,459,191</u>	<u>3,702,022</u>
- Property	770,948	714,280
- Cash	305,030	320,971
- Hedge funds, derivatives and asset backed securities	574,341	641,720
Other	<u>1,650,319</u>	<u>1,676,971</u>
Total market value of assets	<u><u>9,303,385</u></u>	<u><u>9,719,505</u></u>

The fair values of the above equity and fixed income instruments are determined based on quoted market prices in active markets. The fair value of private equity, properties, derivatives and hedge funds are not based on quoted market prices in active markets.

Equity securities include Unilever securities amounting to £10.5 million (0.11% of total plan assets) and £12.5 million (0.13% of the total plan assets) at 31 December 2018 and 2017 respectively.

Funded and unfunded defined benefit obligations at 31 December 2018

	Funded plans (in surplus)	Funded plans (in deficit)	Unfunded plans	Total (all plans)
Total defined benefit asset	9,303,385	-	-	9,303,385
Total defined benefit liability	(8,537,019)	-	(241,683)	(8,778,702)
Net asset for defined benefit obligations	<u>766,366</u>	<u>-</u>	<u>(241,683)</u>	<u>524,683</u>

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2018	2017	2016
Discount rate for DBO	2.8%	2.5%	2.7%
Discount rate for Service Cost	2.9%	2.6%	2.8%
Inflation assumption	3.2%	3.1%	3.2%
Rate of increase in salaries	3.1%	3.0%	3.1%
Rate of increase in pensions	3.1%	3.0%	3.1%

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy (including expectations for future improvements), plan experience and other relevant

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data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plans.

The year of use S2 series all pensioners ('S2PA') tables have been adopted, which are based on the experience of U.K. pension schemes over the period 2004-2011. Scaling factors are applied reflecting the experience of our pension funds appropriate to the member's gender and status. Future improvements in longevity have been allowed for in line with the 2016 CMI core projections (Sk = 7.5) and a 1% pa long-term improvement rate.

Life expectancy for a pensioner:

	2018	2017
	Years	Years
Males	22	22
Females	24	24

Life expectancy for future retiree upon reaching 65

	2018	2017
	Years	Years
Males	23	23
Females	26	26

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased as a result of a change in the respective assumption by 0.1%

	2018	2017
Discount rate for DBO	1.6%	1.7%
Discount rate for Service Costs	3.2%	3.1%
Inflation assumption for DBO	1.3%	1.4%
Inflation assumption for Service Costs	3.1%	3.0%
One year increase in life expectancy BS	4.2%	4.1%

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

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Funding

The plan is externally funded. The operation of the plan is governed by local regulations and practice in the U.K., as is the nature of the relationship between the Company and the Trustees and their composition. As Trustees are in place to operate the plans, they are generally required to act on behalf of the plan's stakeholders. They are tasked with periodic reviews of the solvency of the fund in accordance with local legislation and play a role in the long-term investment and funding strategy. The Company also has an internal body, the Pensions and Equity Committee, that is responsible for setting the company's policies and decision making on plan matters, including but not limited to design, funding, investments, risk management and governance.

The company expects to pay £74,277,000 in contributions to its defined benefit plan in 2019 in respect of ongoing accrual and £11,445,000 in respect of direct benefits (direct from the company). The weighted average duration of the defined benefit obligation at the end of the reporting period is 16.7 years.

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £15,326,000 (£14,393,000 in 2017). The total expense expected in 2019 is £15,436,000.

19. SHARE BASED PAYMENTS

The Company contributes the costs of the below mentioned Share Based Payment schemes granted by Unilever PLC to eligible employees.

As at 31 December 2018, the Company had the following share-based compensation plans.

Performance Share Plans

Performance share awards are made in respect of the Global Share Incentive Plan ("GSIP") and the Management Co-Investment Plan ("MCIP"). The awards of each plan will vest between 0 and 200% of grant level, subject to the level of satisfaction of performance measures. Under the GSIP, Unilever's managers receive annual awards of N.V. and PLC shares. The performance measures for GSIP are underlying sales growth, underlying operating margin, and cumulative operating cash flow for the Group, although GSIP awards to certain managers below Unilever Leadership Executive level may be subject to similar performance measures specific to their business unit. There is an additional target based on relative total shareholder return for senior executives. GSIP awards will vest after three years. From 2017, the MCIP allows Unilever's managers to invest a proportion of their annual bonus (a maximum of 60% for Executive Directors, 100% for other managers) in shares in Unilever, and to receive a corresponding award of performance-related shares. MCIP awards will vest after four years.

A summary of the status of the Performance Share Plans as at 31 December 2018 and charges during the year are given below:

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	Unilever PLC shares		Unilever N.V. shares	
	2018	2017	2018	2017
At 1 January	2,787,497	2,844,224	1,406,349	1,360,859
Awarded	816,307	984,270	379,560	476,865
Vested	(757,400)	(529,783)	(397,071)	(421,697)
Transferred/(forfeited)	(199,823)	(511,214)	(70,608)	(9,678)
At 31 December	2,646,581	2,787,497	1,318,230	1,406,349

Shares 3+1

A global employee share plan open to work level two and below. Eligible employees can invest between £20 and £156 per month to buy investment shares. For every three investment shares purchased by an employee, Unilever awards one free share. Share 3+1 awards will vest after three years.

The charge to the Profit and Loss Account for GSIP and Shares 3+1 in 2018 amounted to £ 52,795,168 (2017: £ 61,820,756).

The fair value of the award in 2018 was £41.085 (2017: £41.25) per PLC share and €47.42 (2017: €46.96) per N.V. share, based on the market value at the year end, and the total liability as at 31 December 2018 was £ 91,087,949 (2017: £ 101,851,766).

Restricted Share Plan

In specific one-off cases a number of executives are awarded the right to receive N.V. and PLC shares at a specified date in the future, on the condition that they are still employed by Unilever at that time. The amount to be paid to the company by participants to obtain the shares at vesting is zero.

20. CALLED UP SHARE CAPITAL

	2018	2017
	£000	£000
Allotted, called up and fully paid		
100,000,000 (2017: 100,000,000) Ordinary shares of £1 each	100,000	100,000

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21. LEASE AND OTHER FINANCIAL COMMITMENTS

At 31 December 2018, the Company had annual commitments under non-cancellable operating leases expiring as follows:

	2018 £000	2017 £000
In respect of land and buildings, on leases expiring:		
Less than one year	6,193	3,497
Between one and five years	25,634	14,264
More than five years	55,781	49,360
Total	87,608	67,121
In respect of plant and machinery expiring:		
Less than one year	7,158	7,418
Between one and five years	14,093	20,549
More than five years	-	-
Total	21,251	27,967

Future Minimum obligations under finance leases are:

	2018 £000	2017 £000
Obligations falling due:		
Less than one year	11,439	11,160
Between one and five years	48,690	47,502
More than five years	50,246	62,873
Total	110,375	121,535
Less finance charges allocated to future periods:		
Less than one year	(4,891)	(5,269)
Between one and five years	(14,915)	(16,870)
More than five years	(5,031)	(7,967)
Total	(24,837)	(30,106)
Net obligations	85,538	91,429

Obligations on finance leases due within one year and after more than one year are disclosed in Note 16.

In 2004, the Company entered into a sale and leaseback agreement with Sloane Blackfriars Limited to lease the main offices in London (formerly Unilever House) for an initial period of 23 years (up to September 2027).

The date from which Unilever was entitled to exercise its rights to use the leased asset, was based upon the date that rent was first payable, which commenced from September 2007 onwards. This is

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considered the date of commencement of the rental lease and hence the start date of the finance lease. The current rent amounts to approximately £10 million per annum and is subject to yearly review.

Rent for Unilever Research Laboratory Colworth Science Park in Bedford will increase by 1.02% every year till 2034.

Other financial commitments

The Company has the following financial commitments:

	2018	2017
	£000	£000
Outsourcing contract commitments	84,161	18,434
Total other financial commitments	84,161	18,434

The outsourcing contract commitments relate to a contract with IBM Finance, Accenture HR and Accenture IT.

Of which due:

	2018	2017
	£000	£000
Less than one year	37,923	18,426
Between one and five years	46,238	8
Total	84,161	18,434

22. CAPITAL COMMITMENTS

	2018	2017
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,720	536
Total	1,720	536

23. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted IFRS 9 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

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Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.

The nature and effects of the key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

£000	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Original carrying amount under IFRS 9
Financial assets					
Trade and other receivables	14	Loans and receivables	Amortised cost	7,858,790	7,798,992
Total financial assets				7,858,790	7,798,992

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

£000	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 January 2018
Financial assets				
Amortised cost				
Trade and other receivables				
Brought forward: <i>Loans and receivables</i>	7,858,790	-	-	7,858,790
Remeasurement	-	-	(59,798)	(59,798)
Carried forward: <i>Amortised cost</i>	-	-	-	7,798,992
Total amortised cost	7,858,790	-	(59,798)	7,798,992

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The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings and other reserves at 1 January 2018.

£000	Impact of adopting IFRS 9
Profit and Loss Account	
Balance under IAS 39 at 31 December 2017	(1,095,316)
Recognition of expected credit losses under IFRS 9	(59,798)
Balance under IFRS 9 at 1 January 2018	<u>(1,155,114)</u>

24. CONTROLLING PARTY

The ultimate parent company and controlling party is Unilever PLC and the immediate holding company is Unilever U.K. Holdings Limited, both companies incorporated in the United Kingdom. The Company has not disclosed transactions with fellow, wholly owned subsidiaries in accordance with the exemption under the terms of International Accounting Standard (IAS) 24 "Related party disclosures" as the ultimate parent company produces publicly available consolidated financial statements. Copies of Unilever Group financial statements can be publicly obtained from Unilever PLC, Group Corporate Secretary's Department, 100 Victoria Embankment, London EC4Y 0DY and www.unilever.com.

25. PARENT COMPANY SUPPORT

Unilever PLC has indicated its intention to continue to provide support to allow the Company to continue at its current level of operations for the foreseeable future.