

**PROCTER & GAMBLE PRODUCT SUPPLY
(U.K.) LIMITED**

Annual Report and Financial Statements

For the year ended 30 June 2020



PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A J Appleton
G Branda (resigned 22 October 2019)
V I Sitlani (resigned 10 July 2020)
C J Young
A Pascu
G K Wightman
A G Buckthorp (resigned 26 February 2021)
W Moukarzel (appointed 22 October 2019)
R C Maftai (appointed 10 July 2020)
A M Ewen (appointed 26 February 2021)

COMPANY SECRETARY

A J Appleton

REGISTERED OFFICE

The Heights
Brooklands
Weybridge
Surrey
United Kingdom
KT13 0XP

COUNTRY OF INCORPORATION

United Kingdom

REGISTERED OFFICE OF ULTIMATE PARENT COMPANY

The Procter & Gamble Company
1 Procter & Gamble Plaza
Cincinnati
Ohio 45202
USA

BANKERS

Citibank Centre
25 Canada Square
London
E14 5LB

HSBC Bank plc
110 Grey Street
Newcastle upon Tyne
NE1 6JG

AUDITOR

Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2020.

BUSINESS REVIEW

Procter & Gamble Product Supply (U.K.) Limited ('the company') made a profit after tax during the year of £13,640,000 (2019: £16,945,000), as shown in the profit and loss account on page 14.

Net assets decreased from £323,495,000 to £286,638,000, as a result of an increase in the defined benefit pension liability (as described in note 17) and a decrease in the receivable from the global cash pool as a result of dividends paid of £35,000,000 exceeding profit for the year. The balance sheet is shown on page 15.

The Procter & Gamble Company manages its operations on a global business unit basis and for this reason the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business, and consequently consider there to be no additional KPIs other than those on the primary financial statements. The performance of the European region of The Procter & Gamble Company, which includes the company, is discussed in the group's Annual Report, which does not form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure is a continuing risk for the company. The main risk is to lose business to other service providers, if they are more efficient and cost effective. The company manages this risk by providing added value services to its customers, and develops and maintains strong relationships with them. In addition, the company runs ongoing cost control and reduction programmes.

The company has no third-party finance exposure. Group risks are discussed in the group's Annual Report, which does not form part of this report.

Liquidity risk is managed on a group-wide basis. The group operates a system whereby any excess cash held by an individual company is transferred to a global cash pool. Similarly, if the company requires additional cash resource it can draw down funds from the cash pool. It has a right to receive the funds held within the cash pool within one day's notice. We are not aware of any circumstances that would impact on the ability of the cash pool to provide the funds we require to remain in operation for the foreseeable future.

The company has experienced minimal disruption as a result of the UK exit from the European Union. Procter & Gamble in the UK, through a formal internal Brexit committee, has reviewed and will continue to review the potential impacts of Brexit on its business in the UK and incorporate this into its strategic, operational and financial plans. The committee continues to believe the key risks to the company as a result of Brexit are with regard to its supply chain due to increased administrative processes linked to customs, the potential delays at the ports for the import and export of raw materials and finished goods, and later on any potential regulatory divergence. As such Procter & Gamble has put in place plans to mitigate the operational risk elements and will continue to monitor regulatory changes.

The Procter & Gamble Group remains exposed to the supply, demand, and other operational challenges associated with the coronavirus (COVID-19) outbreak, including increased volatility and uncertainty. The Company has followed recommended actions of government and health authorities to protect our employees with particular measures in place for those working in our plants and distribution facilities. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of our products. We intend to continue to work with government authorities and implement our own employee safety measures to ensure that we are able to continue manufacturing and distributing our products during the pandemic. Procter & Gamble Product Supply (U.K.) Limited continues to monitor this risk and to work to manage its impact to the company's operations.

The directors have reviewed the above key risks, and has concluded that the company does not expect that these risks will have a significant impact on the company's ability to continue to operate under the current business model.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

SECTION 172 COMPANIES ACT 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the following:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the company.

In discharging our section 172 duties the directors of Procter & Gamble Product Supply (U.K.) Limited have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our shareholder, other group companies, pension scheme members and other relevant stakeholders. By considering the Company's Purpose, Values and Principles (PVPs) together with its strategic priorities we aim to make sure that our decisions have taken a broad perspective and considered impacts on our stakeholders.

Our Purpose, Values and Principles (PVP) are the foundation of who we are at the Procter & Gamble Group which has operated in the United Kingdom since 1837. Our **Purpose** is to improve consumers' lives in small but meaningful ways, and it inspires our people to make positive contributions every day. Our **Values** of Integrity, Leadership, Ownership, Passion for Winning, and Trust shape how we work with each other and with our partners. And our **Principles** articulate our deliberate approach to conducting work every day. We know that our employees believe in the personal and business value of this PVP foundation. In our annual survey, employees consistently cite our PVPs as the number one aspect of Procter & Gamble culture they would not change.

We operate within the spirit and letter of the law, maintaining high ethical standards wherever we conduct business. We believe that good governance contributes to better results for shareholders. We maintain governance principles, policies and practises that support management accountability. These are in the best interest of the Company and all stakeholders, and they are consistent with the Company's PVPs.

As is normal for large, private companies, we delegate authority for day-to-day management of the Company to senior management, including directors, and then engage management in setting, approving and overseeing execution of the business strategy and related policies. We also have an established company governance process, led by the delegated company financial steward (a member of the board), with quarterly reviews taking place to monitor business performance and controls. Board and governance meetings are held periodically and where key decisions are being considered, board and governance board members require detailed review and preparation ahead of the board meeting. This includes consideration of, and liaison with, stakeholders as appropriate in order that the board can reach an informed decision. During the year, ongoing reviews were performed when considering the impact of COVID-19, impacts of BREXIT and relationships with pension schemes.

FOSTERING BUSINESS RELATIONSHIPS

The Company's key stakeholders are its employees, customers, consumers, suppliers, shareholder, pension scheme members and trustees, relevant regulatory authorities and the local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for Directors when making relevant decisions. While there are cases where the board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of our stakeholders means that generally our stakeholder engagement best takes place at an operational level. We bring the stakeholder voice into the boardroom through information provided by senior management and by direct engagement by the directors with stakeholders themselves, where appropriate. We acknowledge that in order to continue to improve, we must collaborate and engage with our many stakeholders. This journey of partnership ultimately furthers our commitment to be a good

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FOSTERING BUSINESS RELATIONSHIPS (CONTINUED)

corporate neighbour and to improve lives in the communities where we live and work. Employees, consumers, suppliers and local communities are considered further below.

COMING TOGETHER IN OUR COMMUNITIES

Our employees are making a difference in the communities where they live and work through Procter & Gamble's ongoing 'Community Impact' programme, via fundraising and volunteering. All our sites have dedicated community programmes supporting local charities. Further details are published in our 2020 Procter & Gamble Northern Europe Citizenship Report, available on www.pg.co.uk, which supplements the Global Citizenship report (available via pg.com).

EMPLOYEE ENGAGEMENT

In addition to the section 172 requirements described above, the directors' report for a financial year must contain a statement summarising:

- (i) how the directors have engaged with employees; and
- (ii) how the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

We regard close and open communication with all employees as a key to our long-term growth and success and our ability to manage change successfully. This commitment is influenced by many factors, not least being a strong sense of involvement with the business.

Open communications give employees the opportunity to provide input into decisions that affect their jobs and careers. Some of the key activities that involve employees are:

- the setting of corporate business goals and progress are communicated to employees by video presentations and local meetings on a regular basis;
- the continued training for employees to develop and implement ways of improving results on an ongoing basis;
- the formation of teams from different parts and levels of the business, both to tackle major projects and to ensure optimum efficiency of the ongoing operation;
- the timely notification to employees of changes to the business, its organisation and its products, and full discussion of the likely effects on them;
- the continued regular issue of internal business and operational updates to all employees,
- the encouragement of employee involvement in company performance through participation in the Procter & Gamble 1-4-1 Plan, which entitles employees to purchase shares in The Procter & Gamble Company; and
- Regular employee surveys to identify general opportunities to further improve employee involvement.

At Procter & Gamble we strive to promote a work environment of confidence and trust. Our Worldwide Business Conduct Manual and Employee Rights Policy provides employees with clear guidance on specific situations they may face and directs them where to go when they have questions or concerns. Procter & Gamble is a recognised leader in providing a safe, healthy, secure and productive work environment. We are committed to maintaining a workplace that is free of violence, harassment, intimidation or other unsafe or disruptive behaviours or conditions due to threats inside or outside of our facilities. Each employee has a personal responsibility to their fellow employees and to the Company to follow all Company safety and security procedures, as well as applicable laws and regulations.

At Procter & Gamble we support the intent of UK Gender Pay Gap reporting, laying accountability with business owners to ensure they deliver equitable pay across their organisations and collectively help drive the advancement of women within their companies. Our own pay and reward systems are designed to minimise the potential for bias. In addition to our Gender Pay Gap reporting, we are confident from our internal pay equity analysis, which considers

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

EMPLOYEE ENGAGEMENT (CONTINUED)

legitimate drivers of pay — such as job level and performance — that we have no intentional or unintentional statistically significant differences in pay due to gender.

Procter & Gamble furthered our commitment to driving racial equality both inside our organisation and in wider society, and are now a proud signatory of the Business in the Community (BITC) Race at Work Charter. We know that ethnic minorities still face significant disparities in employment and progression, and that is something we need to change. The Charter is composed of five calls to action for leaders and organisations across all sectors. Signing up means taking practical steps to ensure their workplaces are tackling barriers that ethnic minority people face in recruitment and progression and that their organisations are representative of British society today. We will be reporting our progress back to the organisation in the coming months.

RESPECTING OUR ENVIRONMENT

We recognise that we must be responsible for environmental stewardship and use resources wisely. Our commitments extend to our business partners, whom we expect to share these commitments and maximise the value and quality of their products by using resources responsibly, preserving the environment, and reducing the environmental footprint of their operations.

Our Ambition 2030 environment sustainability goals aim to enable and inspire positive impact while creating value for consumers and our Company. These goals focus on where we know we can make the biggest positive difference — our brands, our supply chain, society and our employees.

People know us through our brands, and we will use the power of our innovation and our brands to delight consumers and drive positive impact. In our supply chain, we will reduce our footprint and strive for circular solutions. We can impact society by creating the right partnerships that enable people, the planet and our business to thrive. And finally, we will tap into our greatest resources, our employees, so that they are engaged and equipped to build sustainability into their daily work and our communities.

Further details are published in the sustainability section of our 2020 Procter & Gamble Northern Europe Citizenship Report, available on www.pg.co.uk.

GOING CONCERN

The directors have considered the UK group's future trading and available liquidity, taking into account possible changes in trading performance.

At 30 June 2020 the company had cash of £9,000, a receivable with the cash pool of £8,443,000, net current assets of £49,511,000 and net assets of £286,638,000. In addition the company generated a profit for the financial year. Because the pandemic has not materially impacted our operations or demand for our products, it has also not negatively impacted the Company's liquidity position. Thus, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note of the financial statements.

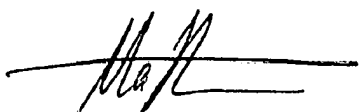
PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

STRATEGIC REPORT (CONTINUED)

FUTURE PROSPECTS

The directors expect the general level of activity of the company to remain stable in the year to 30 June 2021 compared with the current year.

Approved by the Board of Directors and signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'Maftai', written over a horizontal line.

R C Maftai
Director
29 March 2021

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

DIRECTORS' REPORT

PRINCIPAL ACTIVITY

The company is a wholly-owned subsidiary of The Procter & Gamble group and operates as part of the group's Western European region. The principal activity of the company is the manufacture of detergents, health and personal care, baby care, beauty care, and other allied products.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year, and subsequently, are shown on page 1. The company has made qualifying third-party indemnity provisions for the benefit of its directors, some of whom are also directors of other group companies, which were made during the year and remain in force at the date of this report.

EMPLOYMENT OF THE DISABLED

The company operates an equal opportunity employment policy. We recognise the responsibility to employ disabled people in suitable employment and to give full and fair consideration to applications for employment made by disabled people. Employees who become disabled are encouraged to continue in employment wherever possible, and all disabled employees are treated in the same way as other employees with regard to career development, training and promotion.

EMPLOYEE INVOLVEMENT AND ENVIRONMENTAL MATTERS

The directors summarise the company's approach to employee engagement and environmental matters in the Strategic Report. Energy and Carbon Reporting is summarised below.

DIVIDENDS

On 11 October 2019 the company paid a dividend of £35,000,000 to Procter & Gamble (Health & Beauty Care) Limited (2019: £nil).

After the end of the reporting period, on 16 November 2020 the company paid a dividend of £25,000,000 to Procter & Gamble (Health & Beauty Care) Limited.

GOING CONCERN AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors set out in the Strategic Report the reason for the adoption of the going concern basis in preparing the annual report and financial statements for the Company along with policies in relation to financial and liquidity risk.

POLITICAL CONTRIBUTIONS

No contributions were made for political purposes (2019: none).

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

The directors have described future developments in the Strategic Report.

Events after the end of the reporting period have been described in note 23.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

DIRECTORS' REPORT

ENERGY AND CARBON REPORTING

In 2010, the Procter & Gamble Group declared a set of goals and commitments to reduce the Group's environmental footprint across climate, water and waste. Since then the Group's business has continued to grow, while our teams have developed smarter, more efficient ways to operate. Recognising the urgent need to address climate change, the Group accelerated the Group's commitments to reduce Scope 1 & 2 GHG emissions, including a new commitment to be carbon neutral across its operations in the next decade.

The Group has achieved its goal of 100% purchased renewable energy in the USA and Canada and in addition extended this by purchasing 100% renewable energy in Western Europe. The Group will continue progressing toward its 2030 goal to use 100% purchased renewable electricity in all regions and will take further steps to reduce GHG emissions from thermal energy, specifically natural gas.

By 2020, the overall Procter & Gamble Group was able to reduce energy use per unit of production by 19%. In addition our energy conservation efforts significantly reduced our emissions while enabling significant cost savings over the last decade. Furthermore, our manufacturing sites, offices and technical centres continue to improve how we utilise energy to run our operations. This important work has allowed us to decouple business growth from GHG emissions.

Further details of our sustainability goals and progress against these goals are published in the sustainability section of our 2020 Procter & Gamble Citizenship Report available on www.pg.com and also in the sustainability section of our 2020 Procter & Gamble Northern Europe Citizenship Report, available on www.pg.co.uk.

In line with the new SECR Regulations the table below details scope 1 & 2 GHG emissions in the UK for the financial year for Procter & Gamble Product Supply UK Limited.

GHG Emissions	2019/20	2018/19
Energy Consumption used to calculate emissions (Mwh)	183,246	186,099
Scope 1 Direct emissions from sites (tCO ₂ e)	14,641	15,463
Scope 2 Electricity indirect emissions (tCO ₂ e)	25,585	25,050
Total annual net emissions (tCO ₂ e)	40,226	40,514
Overall intensity (tCO ₂ e/£m of turnover)	251.65	255.89

Emissions from business travel in rental cars or employee owned vehicles where the company is responsible for purchasing the fuel (Scope 3) are regarded as immaterial being less than 1% of total emissions.

Principal Energy Efficiency Actions

The principal actions taken to improve energy efficiency in the last year has been the optimisation of equipment in our Dish and Nappies production facilities, decoupling business growth from energy consumption.

Methodology

GHG emissions were assessed and calculated using energy invoice data and emission factors from the International Energy Agency (IEA) and the US EPA MRR for converting energy usage to carbon dioxide equivalent (CO₂(e)) emissions. We have followed the WRI / WBCSD Greenhouse Gas Protocol: A corporate accounting and reporting standard, revised edition and GHG Protocol Scope 2 guidelines. The emissions data relates to all production sites within the operational control of the Company during the period.

All the electric power purchased for our production facilities is covered by UK wind Renewable Energy Guarantees of Origin. However, in accordance with the current SECR legislation, Scope 2 GHG Emissions have been calculated using the International Energy Agency (IEA) emission factors, using the Location-based calculation method.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

DIRECTORS' REPORT

AUDITOR

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

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'Maftai', is written over a horizontal line.

R C Maftai

Director

29 March 2021

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Procter & Gamble Product Supply (U.K.) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED (CONTINUED)

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

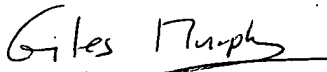
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROCTER &
GAMBLE PRODUCT SUPPLY (U.K.) LIMITED (CONTINUED)**

Use of our report

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



Giles Murphy FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

29 March 2021

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3	159,860	158,322
Cost of sales		(140,872)	(138,523)
OPERATING PROFIT	5	18,988	19,799
Interest receivable and similar income	6	168	1,849
Interest payable and similar expenses	7	(660)	(238)
PROFIT BEFORE TAX		18,496	21,410
Taxation	8	(4,856)	(4,465)
PROFIT FOR THE FINANCIAL YEAR		13,640	16,945

The above results were derived from continuing operations, in relation to the company's principal activity.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Profit for the year		13,640	16,945
Remeasurement of net defined benefit liability	17	(18,790)	(78,357)
Current tax on defined benefit scheme		-	73
Deferred tax on defined benefit scheme		3,570	14,814
Deferred tax charge on defined benefit scheme – reduction in the deferred tax rate		(456)	(1,559)
Total comprehensive expense for the year		(2,036)	(48,084)

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

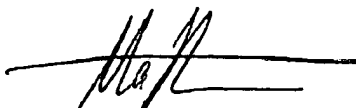
BALANCE SHEET

As at 30 June 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	9	2,693	3,365
Tangible assets	10	290,899	295,078
		<u>293,592</u>	<u>298,443</u>
CURRENT ASSETS			
Stocks	11	3,136	2,889
Debtors	12	72,661	101,806
Cash at bank and in hand		9	356
		<u>75,806</u>	<u>105,051</u>
CREDITORS: amounts falling due within one year	13	(26,295)	(47,937)
NET CURRENT ASSETS		<u>49,511</u>	<u>57,114</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>343,103</u>	<u>355,557</u>
PROVISIONS FOR LIABILITIES	14	(9,584)	(12,024)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>333,519</u>	<u>343,533</u>
NET PENSION LIABILITY	17	(46,881)	(20,038)
NET ASSETS		<u><u>286,638</u></u>	<u><u>323,495</u></u>
CAPITAL AND RESERVES			
Called-up share capital	16	70,101	70,101
Share premium account		60,182	60,182
Profit and loss account		156,355	193,212
TOTAL SHAREHOLDERS' FUNDS		<u><u>286,638</u></u>	<u><u>323,495</u></u>

The financial statements of Procter & Gamble Product Supply (U.K.) Limited (registered number 03074536), were approved by the Board of Directors and authorised for issue 29 March 2021.

Signed on behalf of the Board of Directors



R C Maftai
Director

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total share- holders' funds £'000
Balance as at 1 July 2018	70,101	60,182	241,108	371,391
Profit for the financial year	-	-	16,945	16,945
Remeasurement of net defined benefit liability	-	-	(78,357)	(78,357)
Tax relating to items of other comprehensive income	-	-	13,328	13,328
Total comprehensive expense	-	-	(48,084)	(48,084)
Credit to equity for equity settled share-based payment	-	-	188	188
Balance at 30 June 2019	70,101	60,182	193,212	323,495
Profit for the financial year	-	-	13,640	13,640
Remeasurement of net defined benefit liability	-	-	(18,790)	(18,790)
Tax relating to items of other comprehensive income	-	-	3,114	3,114
Total comprehensive expense	-	-	(2,036)	(2,036)
Credit to equity for equity settled share-based payment	-	-	179	179
Dividends paid	-	-	(35,000)	(35,000)
Balance at 30 June 2020	70,101	60,182	156,355	286,638

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. ACCOUNTING POLICIES

Basis of Accounting

Procter & Gamble Product Supply (U.K.) Limited is a company incorporated in the United Kingdom under the Companies Act. The company is a privately owned company limited by shares, registered in England. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The particular accounting policies adopted are described below. These have all been applied consistently in both the current and preceding financial years.

The financial statements are prepared under the historical cost convention.

The functional currency of Procter & Gamble Product Supply (U.K.) Limited is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

Procter & Gamble Product Supply (U.K.) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Procter & Gamble Product Supply (U.K.) Limited is consolidated in the financial statements of its ultimate parent company, The Procter & Gamble Company, which may be obtained at 1 Procter & Gamble Plaza, PO Box 599, Cincinnati, Ohio 45202, USA. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement, presentation of reconciliation of shares outstanding in the period, remuneration of key management personnel and related party transactions.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position, including COVID-19, are set out in the Strategic Report and the Directors' Report.

Liquidity is managed on a group basis across the entire Procter and Gamble Group. The directors are not aware of any circumstances whereby there would be insufficient liquidity in the Procter and Gamble Group to allow the company to meet its obligations as they fall due.

The directors have considered the company's future trading, cash flows, and available liquidity, taking into account possible changes in trading performance.

The directors believe that the company is well-placed to manage its business risks successfully despite the current uncertain economic conditions. At 30 June 2020 the company had cash of £9,000, a receivable with the cash pool of £8,443,000, net current assets of £49,511,000 and net assets of £286,638,000. In addition the company generated a profit for the financial year. Because the pandemic has not materially impacted our operations or demand for our products, it has also not negatively impacted the Company's liquidity position. Thus the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover represents the invoiced value of services provided in the normal course of business, and excludes value added tax. Turnover is recognised on the despatch of goods or on the provision of services.

Interest Receivable

Interest income and investment income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to the asset's net carrying amount.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

1. ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

Separately acquired intangible assets are included at cost and amortised in equal annual instalments over their estimated useful economic life, as set out below. Provision is made for any impairment.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

Amortisation policy:

Computer software	2 to 5 years
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Goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its estimated useful economic life, which is 10 years. Provision is made for any impairment.

Tangible fixed assets

Fixed assets are stated at purchase price or production cost. Production cost includes the purchase price of raw materials and consumables plus costs incurred which are directly attributable to the production of the asset and, where appropriate, any relevant indirect costs relating to the period of production of the asset.

Depreciation is not provided on freehold land or construction in progress. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% - 20% per annum
Plant and other equipment	5% - 50% per annum

Stocks

Inventories are measured at the lower of cost, which includes direct labour and factory overheads where appropriate, and estimated selling price less costs to complete and sell. Provision is made where necessary for obsolete and slow-moving inventory. Cost is calculated using the FIFO (first-in, first-out) method.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the company has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Assets held under finance leases and hire purchase contracts and their related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the agreements. The amounts by which the payments exceed the recorded obligations are treated as finance charges which are amortised over each agreement term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

Pensions and other post-retirement benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

1. ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The ultimate parent company issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Binomial pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Cash

Cash comprises cash in hand, current balances with bank and similar institutions and highly liquid investments with maturities of three months or less when acquired. They are readily convertible into known amounts of cash and are held at amortised cost.

Other receivables

Financial assets included in debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Trade and other payables

Financial liabilities included in trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2. CRITICAL ACCOUNTING ADJUSTMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

The directors have considered the company's accounting policies and have concluded no critical judgements have been made in the year that would have a material impact on the results as stated.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

2. CRITICAL ACCOUNTING ADJUSTMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key source of estimation uncertainty

Pensions and post-retirement benefits

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the yields available on high quality corporate bonds with a term that matches that of the liabilities. The mortality rate is based on publicly available tables for specific post code areas. Future salary increases and pension increases are based on expected future inflation rates. Changes in these assumptions can have a significant effect on the value of the retirement benefit obligation and the resulting asset or liability recognised on the balance sheet. A scheme surplus is recognised as a defined benefit plan asset to the extent that the surplus can be recovered through future reduced contributions or refunds from the plan in accordance with FRS 102.

Further details on the assumptions used can be found in note 17.

3. TURNOVER

	2020 £'000	2019 £'000
Geographical analysis of turnover		
Europe	159,858	158,284
United States of America	2	38
	<u>159,860</u>	<u>158,322</u>

All of the company's turnover originates in the United Kingdom.

The company is engaged in the manufacturing of detergents, health and personal care, baby care, beauty care, and other allied products, and, in the opinion of the directors, does not carry on classes of business substantially different from each other. Consequently no segmental analysis of business is presented in these financial statements.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2020 £'000	2019 £'000
Directors' emoluments		
Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	615	591
Pension contributions	-	6
	<u>-</u>	<u>6</u>

Two (2019: two) of the directors accrued benefits under a defined benefit pension scheme in respect of qualifying services to the company.

Six (2019: seven) directors exercised share options during the year including the highest paid director.

	2020 £'000	2019 £'000
Highest paid director's remuneration:		
Emoluments (excluding pension contributions, share options and awards in the form of shares)	466	460
	<u>466</u>	<u>460</u>

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The accrued pension benefit relating to the highest paid director is £nil.

	2020 £'000	2019 £'000
Staff costs during the year (including directors)		
Wages and salaries	30,672	28,649
Social security costs	3,743	5,365
Pension costs (note 17)	7,422	6,982
Share based payments (note 18)	179	188
Contribution to employee share plan (note 18)	531	492
	<u>42,547</u>	<u>41,676</u>

Pension costs disclosed above are limited to those charged to operating profit.

	2020 No.	2019 No.
The average monthly number of people employed by the company during the year (including directors) was		
Hourly/technical	544	501
Management/clerical	114	105
	<u>658</u>	<u>606</u>

5. OPERATING PROFIT

	2020 £'000	2019 £'000
Operating profit is arrived at after charging/(crediting):		
Rentals under operating leases:		
- Land and buildings	10	110
- Other	56	27
Depreciation and other amounts written off fixed assets:		
- Own assets	25,942	21,185
- Computer software amortisation	1,132	1,249
Loss on disposal of Property, Plant & Equipment	921	10,873
Inventory expensed during the year	4,647	3,651
Reorganisation, restructuring and closure of production facilities (note 14)	1,745	2,929
	<u>1,745</u>	<u>2,929</u>

Auditor's remuneration of £127,000 (2019: £128,000) has been incurred for the audit of the company's statutory financial statements. This has been paid by a fellow group company. There were no fees for non-audit services in either the current or prior year.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Interest income on balances with group undertakings	141	164
Interest on defined benefit pension scheme (note 17)	-	1,685
Other interest receivable	27	-
	<u>168</u>	<u>1,849</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Net interest on defined benefit liability (note 17)	421	-
Interest expense on balances with group undertakings	239	238
	<u>660</u>	<u>238</u>

8. TAX ON PROFIT

(a) Analysis of the tax charge for the year

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Corporation tax:				
Current year charge at 19% (2019: 19%)	4,127		4,024	
Adjustment in respect of prior periods	651		(446)	
Total current tax charge		4,778		3,578
Deferred tax:				
Origination & reversal of timing differences				
Other	1,942		2,286	
Defined benefit scheme	(1,530)		(1,148)	
Adjustment in respect of prior periods – non defined benefit scheme	(324)		(131)	
Current year charge/(credit) due to rate change	(10)		(120)	
Total deferred tax charge		78		887
Tax charge on profit		4,856		4,465
Total current and deferred tax in other comprehensive income:				
Current tax on defined benefit scheme		-	(73)	
Deferred tax on defined benefit scheme		(3,570)	(14,814)	
Deferred tax on defined benefit scheme – reduction in the deferred tax rate		456	1,559	
				(13,328)
Total tax		<u>1,742</u>		<u>(8,863)</u>

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

8. TAX ON PROFIT (continued)

(b) Factors affecting the tax charge for the year:

	2020 £'000	2019 £'000
Profit before taxation	18,496	21,410
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	3,514	4,068
Net expenses not deductible for tax purposes	1,390	1,193
Deferred tax adjustment due to share price	2	(55)
Reduction in the deferred tax rate	(10)	(120)
Group relief received from another group company	(367)	(44)
Adjustment in respect of prior periods	651	(446)
Adjustment in respect of prior periods - non defined benefit scheme	(324)	(131)
Current tax charge for the period (see (a))	4,856	4,465

Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as result deferred tax balances as at 30 June 2020 continue to be measured at 19%. If all of the deferred tax was to reverse at the amended rate the impact to the closing deferred tax position would be to increase the deferred tax liability by £342,000.

There is no expiry date on timing differences, unused tax losses or tax credits.

9. INTANGIBLE FIXED ASSETS

	Computer software £'000	Goodwill £'000	Total £'000
Cost			
At 1 July 2019	8,882	2,159	11,041
Additions from acquisitions			
Transfer from construction in progress	568	-	568
At 30 June 2020	9,450	2,159	11,609
Amortisation			
At 1 July 2019	7,622	54	7,676
Charge for the year	1,132	108	1,240
At 30 June 2020	8,754	162	8,916
Net book value			
At 30 June 2020	696	1,997	2,693
At 30 June 2019	1,260	2,105	3,365

Goodwill is amortised over its expected useful life of 10 years.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant and other equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 1 July 2019	174,224	402,843	15,278	592,345
Additions	-	13	23,243	23,256
Disposals	(28)	(6,328)	(18)	(6,374)
Transfers from construction in progress	3,031	21,343	(24,942)	(568)
At 30 June 2020	177,227	417,871	13,561	608,659
Depreciation				
At 1 July 2019	54,766	242,501	-	297,267
Charge for the year	3,881	22,061	-	25,942
Disposals	(13)	(5,436)	-	(5,449)
At 30 June 2020	58,634	259,126	-	317,760
Net book value				
At 30 June 2020	118,593	158,745	13,561	290,899
At 30 June 2019	119,458	160,342	15,278	295,078

The net book value of land and buildings comprises:

	2020 £'000	2019 £'000
Freehold Land	30,055	30,032
Freehold Buildings	76,301	78,063
Short Leasehold Buildings	12,237	11,363
	118,593	119,458

Transfers from construction in progress includes £448,000 relating to the capitalisation of computer software, recorded as intangible fixed assets.

11. STOCKS

	2020 £'000	2019 £'000
Raw materials and consumables	3,136	2,889

There is no material difference between the carrying value and replacement cost of raw materials and consumables.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

12. DEBTORS

	2020 £'000	2019 £'000
Amounts owed by group undertakings	43,734	82,754
Other debtors	2,325	3,780
Corporation tax recoverable	26,427	15,177
Prepayments and accrued income	175	95
	<u>72,661</u>	<u>101,806</u>

Amounts owed by group undertakings include receivables from the global cash pool of £8,443,000 (2019: £26,815,000). They are unsecured, bear interest based on the daily GBP LIBOR rate, have no fixed date of repayment and are repayable on demand. Other amounts owed by group undertakings are unsecured and are repayable within less than one month.

Other debtors include investments of £66,000 (2019: £63,000) held in a custody account. Further details of the custody account are given in note 17.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Bank loans and overdraft	-	1
Trade creditors	17,874	18,566
Amounts owed to group undertakings – loan	-	20,000
Amounts owed to group undertakings – other	1,207	1,658
Other tax and social security	29	92
Accruals and deferred income	7,185	7,620
	<u>26,295</u>	<u>47,937</u>

The loan of £20,000,000 from Procter & Gamble (Health & Beauty Care) Limited was repaid during the year.

Other amounts owed to group undertakings are unsecured and are repayable within less than one month.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

14. PROVISIONS FOR LIABILITIES

	Balance 1 July 2019 £'000	Charged/ (credited) to profit and loss account £'000	Charged/ to other comprehensive income £'000	Utilised £'000	Balance 30 June 2020 £'000
Reorganisation, restructuring and closure of production facilities	767	1,745	-	(872)	1,640
Early retirement allowance	6,807	1,122	-	(1,456)	6,473
Employee Liability Provision	330	57	-	-	387
Deferred Tax	4,120	79	(3,115)	-	1,084
	<u>12,024</u>	<u>3,003</u>	<u>(3,115)</u>	<u>(2,328)</u>	<u>9,584</u>

The reorganisation, restructure and closure provisions consist of:

- a) Insurance and employee liability payments expected to be settled in less than 5 years (£387,000).
- b) Separation allowances expected to be settled in less than 1 year (£1,639,000).
- c) Early Retirement Allowances expected to last up to 10 years (£6,473,000).

15. DEFERRED TAXATION

	2020 £'000	2019 £'000
Deferred tax liability		
At 1 July	(4,120)	(16,488)
Credited to the profit and loss account	(78)	(887)
Charged to other comprehensive income	3,114	13,255
At 30 June	<u>(1,084)</u>	<u>(4,120)</u>

The deferred tax liability in the financial statements is as follows:

	Provided 2020 £'000	Provided 2019 £'000
Capital allowances in excess of depreciation	(11,546)	(9,011)
Stock options	95	111
Other timing differences	1,460	1,375
Deferred tax asset on pension schemes	8,907	3,405
	<u>(1,084)</u>	<u>(4,120)</u>

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

16. CALLED-UP SHARE CAPITAL AND RESERVES

	2020 £'000	2019 £'000
Authorised:		
250,000,000 ordinary shares of £1 each	250,000	250,000
250,000,000 "A" preference shares of £1 each	250,000	250,000
200,000 preference shares of £1 each	200,000	200,000
	<u> </u>	<u> </u>
Called-up, allotted and fully paid:		
70,101,000 ordinary shares of £1 each	70,101	70,101
	<u> </u>	<u> </u>

The Company has one class of ordinary shares issued which carry no right to a fixed income.

The company's other reserves are as follows:

Share Premium

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

Profit and loss account

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

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

17. PENSION SCHEMES

A. The Procter & Gamble Pension Fund

The group operates a funded defined benefit pension scheme, The Procter & Gamble Pension Fund (the Fund). The related costs are assessed in accordance with the advice of a professionally qualified actuary.

The aggregated surpluses and deficits recognised for the section are as follows:

	2020 £'000	2019 £'000
Procter & Gamble section liability	(46,881)	(20,038)

All defined benefit sections of the Procter & Gamble Pension Fund, including those sections coming from acquisitions, are closed to new entrants. All new joiners to the Group since 1 July 2003 enter the Defined Contribution section.

Role of Trustees and Regulation

The Procter and Gamble Pension Fund is governed and administered by a Board of Trustees which is legally separate from the Group. The Trustees are appointed by both the employer and the members of the fund in compliance with legislation on member nominated trustees. The Trustees are required by law to act in the interest of all beneficiaries and are responsible in particular for the asset investment policy and the day-to-day administration of the benefits. They are also responsible for agreeing with the employer the level of contributions due to the Fund.

The UK pensions market is regulated by The Pensions Regulator, whose statutory objectives and regulatory powers are described on its website, www.thepensionsregulator.gov.uk.

Funding Requirements

UK legislation requires that pension schemes are funded prudently. On a triennial basis, the Trustees and the Group must agree the contributions required (if any) to ensure the Fund is fully funded over an appropriate time-period and on a suitably prudent measure. The last full actuarial valuation of the Procter & Gamble Pension Fund was carried out by a qualified actuary as at 30 June 2017 and following discussions between the Group and the Trustees was finalised in September 2018. The next actuarial valuation is due to take place as at 30 June 2020 with a likely timescale for completion in mid-2021.

The actuarial valuation discussed above has been updated to incorporate the use of fair values for investments and the use of a corporate bond rate to discount liabilities, in accordance with FRS 102.

GMP Equalisation

A UK High Court Judgement was issued on 26 October 2018 relating to Guaranteed Minimum Pensions ("GMP"). Although the ruling relates to the Lloyds Banking Group pension schemes, it creates a precedent for other UK defined benefit pension schemes. The ruling requires the equalisation of member benefits earned between 1990 and 1997 to address gender inequality in instances where GMP benefits are currently unequal. While there remains some uncertainty, the Group has included a provision in the 30 June 2020 pension obligation of £2MM across the total Group. The estimated impact is based on the broad profile of the Fund (i.e. age profile, service profile and GMP proportion). Further work will be carried out with the Trustees to determine the method of equalisation and exact impact.

During the year ended 30 June 2019, the company made contributions to a separate account held outside of the UK Pension Fund. The assets held in this account were mostly repaid to the company during the year ended 30 June 2019. The structure of this separate account is a custody account with Citibank which holds assets on trust on behalf of each participating company. As at 30 June 2020 the company had £66,000 (2019: £63,000) held in this account within other debtors (note 12). All assets in the account were invested in cash.

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

17. PENSION SCHEMES (CONTINUED)

A. The Procter & Gamble Pension Fund (continued)

The actuarial valuation discussed above has been updated to incorporate the use of fair values for investments and the use of a corporate bond rate to discount liabilities, in accordance with FRS 102. This was carried out at 30 June 2014 and has been updated to reflect the circumstances at the balance sheet date. The major assumptions used by the actuary were:

	30 June 2020 % pa	30 June 2019 % pa	30 June 2018 % pa
Price inflation	2.80	3.20	3.00
Rate of increase in pay	2.00	2.20	2.00
Rate of increase of pension in payment*	2.70	3.00	2.75
Rate of increase for deferred pension – pre 2009	2.00	2.20	2.00
Rate of increase for deferred pension – post 2009	2.00	2.20	2.00
Discount rate – DBO	1.7	2.27	2.84
Discount rate – Service Cost	1.80	2.31	2.50
Discount rate – Interest Cost on DBO	1.54	2.06	2.31
Discount rate – Interest Cost on Service Cost	1.63	2.16	2.43

* In excess of any Guaranteed Minimum Pension ('GMP') element and subject to maximum limits stated in the scheme rules.

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2020 Years	2019 Years
Retiring today:		
Male	22.5	22.5
Female	24.3	24.4
Retiring in 20 years:		
Male	23.8	23.8
Female	25.9	25.7

The assets and liabilities of the Procter & Gamble section operated by the company at 30 June 2020, along with the amounts recognised in the profit & loss account, are shown below:

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

17. PENSION SCHEMES (CONTINUED)

A. The Procter & Gamble Pension Fund (continued)

Employee benefit obligations

The amounts recognised in the balance sheet are as follows:

	2020	2019
	£'000	£'000
Present value of funded obligations	(1,031,615)	(948,029)
Fair value of section assets	984,734	927,991
	<u>(46,881)</u>	<u>(20,038)</u>
Net liability recognised in the balance sheet	<u>(46,881)</u>	<u>(20,038)</u>

The amounts recognised in the profit or loss are as follows:

	2020	2019
	£'000	£'000
Current service cost	(5,933)	(6,044)
Administration cost	(412)	(351)
Net interest (expense)/income	(421)	1,685
	<u>(6,766)</u>	<u>(4,710)</u>
Total pension expense recognised in the profit & loss account	<u>(6,766)</u>	<u>(4,710)</u>
Actual return on section assets	<u>87,040</u>	<u>73,638</u>

The amounts recognised in the statement of comprehensive income are as follows:

	2020	2019
	£'000	£'000
Actual return on plan assets	87,040	73,638
Less: amounts included in net interest on the net defined benefit liability	(18,896)	(22,421)
	<u>68,144</u>	<u>51,217</u>
Other actuarial losses	(86,934)	(129,574)
Remeasurement losses recognised in other comprehensive income	<u>(18,790)</u>	<u>(78,357)</u>
Cumulative loss recognised in statement of comprehensive income	<u>(98,857)</u>	<u>(80,067)</u>

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

17. PENSION SCHEMES (CONTINUED)

A. The Procter & Gamble Pension Fund (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2020 £'000	2019 £'000
Opening defined benefit obligation	(948,029)	(819,274)
Service cost	(5,933)	(6,044)
Interest cost	(19,317)	(20,736)
Plan Participants Contributions	(26)	(27)
Actuarial losses	(86,934)	(129,574)
GMP reserve	-	(511)
Benefits paid	28,624	28,137
	<hr/>	<hr/>
Closing defined benefit obligation	(1,031,615)	(948,029)
	<hr/>	<hr/>

Changes in the fair value of section assets are as follows:

	2020 £'000	2019 £'000
Opening fair value of section assets	927,991	883,253
Interest income on plan assets	18,896	22,421
Return on plan assets greater than discount rate	68,144	51,217
Contributions by employer	168	-
Plan Participants Contributions	26	27
Benefits paid	(28,624)	(28,137)
Expenses paid	(412)	(351)
Transfers out	(1,455)	(439)
	<hr/>	<hr/>
Closing fair value of section assets	984,734	927,991
	<hr/>	<hr/>

The major categories of plan assets as a percentage of total section assets are as follows:

	2020	2019
Equity Securities	50%	50%
Corporate Bonds	25%	25%
Government Bonds	25%	25%
	<hr/>	<hr/>
Total	100%	100%
	<hr/>	<hr/>

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

17. PENSION SCHEMES (CONTINUED)

B. Defined Contribution Scheme

The Group operates a defined contribution retirement benefit scheme for all employees employed post 1 July 2003. The assets of the scheme are held separately from those of the company in funds under the control of the trustees.

The total cost charged to cost of sales of £1,489,000 (2019: £938,000) represents contributions payable to this scheme by the company at rates specified in the rules of the plan.

There is no outstanding or prepaid contribution at the balance sheet date.

18. EQUITY-SETTLED SHARE OPTION SCHEME

Certain employees of the company along with other group employees have been granted options over the shares of The Procter & Gamble Company, its parent company. The required disclosures are therefore included in The Procter and Gamble Company's consolidated financial statements. Options are exercisable at a price equal to the average quoted market price of the parent company's shares on the date of grant. The vesting period is three to five years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the company before the options vest, excluding short term achievement awards which vest immediately at grant date. The company measures its share-based payment expense as a proportion of the expense recognised for the entire share-based payment scheme based on the number of employees participating in the scheme.

The company operates a restricted stock units scheme for certain key managers; some shares granted vest immediately and some shares vest for up to a period of 6 years and are settled in shares of common stock.

The company recognised total expenses of £179,000 and £188,000 related to equity-settled share-based payment transactions (including restricted stock units) in 2020 and 2019 respectively. In addition to the share option scheme and the restricted stock units scheme the company contributes towards an employee share plan. As there is no vesting period the contributions made are recognised immediately as an expense. The company has recognised an expense of £531,000 and £492,000 related to the employee share plan transactions in 2020 and 2019 respectively.

19. CAPITAL COMMITMENTS

The unspent balance of authorised capital expenditure for tangible fixed assets at 30 June, for which no provision has been included in these financial statements, comprises:

	2020 £'000	2019 £'000
Contracts placed	5,046	4,772
Contracts not yet placed	16,583	16,777
	<u>21,629</u>	<u>21,549</u>

PROCTER & GAMBLE PRODUCT SUPPLY (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

20. LEASE COMMITMENTS

At 30 June the company was committed to making the following payments during the next year in respect of operating leases:

	2020 £'000	2019 £'000
Payments due		
Within one year	665	103
In the second to fifth year inclusive	2,232	92
Over five years	2,363	-
	<hr/>	<hr/>
	5,260	195
	<hr/>	<hr/>

21. ULTIMATE AND IMMEDIATE PARENT COMPANIES

The directors regard The Procter & Gamble Company, a company incorporated in the United States of America, as the ultimate parent company, and Procter & Gamble (Health & Beauty Care) Limited, a company incorporated in the United Kingdom, as the immediate parent company.

The smallest and largest group the company is consolidated into is The Procter & Gamble Company, which is incorporated in the United States of America. Copies of the group financial statements for The Procter & Gamble Company can be obtained from 1 Procter & Gamble Plaza, PO Box 599, Cincinnati, Ohio 45202, USA, which is the company's registered address.

The ultimate controlling party is The Procter & Gamble Company.

22. RELATED PARTY TRANSACTIONS

Directors' remuneration is disclosed in note 4.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

23. EVENTS AFTER THE REPORTING PERIOD

On 16 November 2020 the company paid a dividend of £25,000,000 to Procter & Gamble (Health & Beauty Care) Limited.