

Registered No 01601427

# Martin-Brower UK Ltd

## Annual Report and Financial Statements

For the year ended

31 December 2020

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**Martin-Brower UK Ltd**

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Registered No.01601427

**Directors**

R McGonigle  
C McCauley

**Company secretary**

Vistra Company Secretaries Limited  
First Floor, Templeback  
10 Temple Back  
Bristol  
BS1 6FL

**Auditor**

Deloitte LLP  
Statutory Auditor  
3 Victoria Square  
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United Kingdom  
AL1 3TF

**Registered Office**

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**Company Bankers**

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Birmingham  
B1 1HQ

**Legal Advisors**

Jacksons Law Firm  
Innovation House  
Yarm Road  
Stockton on Tees  
TS18 3TN

## Strategic report

for the year ended 31 December 2020

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Martin-Brower UK Ltd and its subsidiary undertakings when viewed as a whole.

The overall Group business strategy is focused on making it easier for our customers to run great restaurants. This is achieved through the Group's knowledge and expertise in supply chain management. Industry leading programmes include Food Quality and Food Safety, Sustainability, Lean Six Sigma Certification, Internal Baseline Auditing, and ongoing Competitive Benchmarking.

### Review of the business

#### Results

The profit for the year, after taxation, amounted to £5,695,000 (2019: profit of £16,698,000) with the main driver of this result being lower product deliveries in all the major operating territories due to temporary restaurant closures and limited restaurant operations; delivery, carryout and takeaway in accordance with government lockdowns and restrictions in response to the coronavirus pandemic.

#### Principal activity and review of the business

The principal activities of the Group throughout the year were the sale and distribution of the supplies to multi-unit restaurants with the main customer being McDonald's restaurants in the UK, France, Canada, Australia, New Zealand, Malaysia, Singapore, and Korea.

The directors are satisfied with the results for the year and do not envisage any major change in the conduct of the business over the next twelve months.

The Group's key financial indicators and other performance indicators during the year were as follows:

	2020	2019
Turnover (£'000)	4,430,333	5,233,352
Profit before tax (£'000)	11,302	25,401
Average number of employees	4,101	4,292

2020 turnover decreased 8.5% as a result of the global pandemic and was impacted by a world-wide case volume decline of 21.5% and offset by an increasing value of sterling versus its affiliates' currency values.

2020 profit before tax decreased 44.5% due to the global pandemic and the introduction of a royalty charge in certain markets. The average number of employees decreased 4.5% commensurate with the decline in case volume and turnover, and the sale of the Malaysian distribution operations as noted below.

For Martin Brower, safety is a foundational core value and the Group has a company-wide target of zero injuries. We believe "zero is possible" as 17 and 16 locations achieved zero accidents in 2020 and 2019 respectively. To support the prioritisation of safety in our business, we conduct an annual safety week campaign designed to provide safe working practices for all of our employees; office workers to warehouse workers and drivers.

The Group considers customer service reliability to be of great importance and regularly monitors performance indicators such as deliveries On-time, In-full and Credits issued. The Group was able to maintain consistent performance on key service metrics at or near locally agreed targets with the customer despite the impact of Covid-19 restrictions on distribution services and restaurant operations.

Martin-Brower Malaysia Co. Sdn Bhd closed on the sale of its business in Malaysia on 31 March 2020. The transaction involved the transfer of trade and assets of all McDonald's distribution operations in Malaysia; however, Martin Brower is maintaining an office in Malaysia with finance and IT support for global Martin Brower markets.

## Strategic report (continued)

for the year ended 31 December 2020

### Principal risks and uncertainties

#### **Customer concentration**

The majority of the commercial activity of the Group is with McDonald's and its franchisee network. Therefore, customer concentration is a significant risk to the Group. This risk is mitigated by the Group's efforts to deliver continuous superior service levels and competitive pricing. The Group continues to maintain strong relationships with its customers as evidenced by the ability to understand and support each other in addressing pandemic related financial impacts.

#### **Covid 19**

Coronavirus (Covid-19) is global pandemic impacting public health and the global economy that has generated millions of confirmed cases that resulted in government instituted shutdowns, business slowdowns, and market volatility. In 2020, the imposed government restrictions have impacted the short-term performance of the Group. The long-term impact of Covid-19 remains unclear; however, the global vaccination programme should mitigate global economic and financial uncertainty. The group continues to engage with its stakeholders to address its responsibilities related to the pandemic. Actions have been put in place to mitigate the impact from a financial perspective, while at the same time implementing new ways of working to ensure the safety of our employees and customers. During 2020 certain countries within the Group qualified for various government support programs; primarily in the form of wage subsidy and furlough schemes, refer to note 4 for further details. Some of these government support programs have been extended into the first half of 2021, and the Group expects significantly lower levels of support as local economies reopen and the business rebounds. The Group does not expect continued and future waves of coronavirus to have a material adverse impact on its financial position, results of its operations, and cash flows.

#### **Brexit**

The UK left the EU on 31 January 2020 and there is a transition period to 31 December 2020. The Group has implemented a series of measures to ensure that any impact of Brexit is minimised. Given the relatively small import activities of in particular the UK and France, this has largely focused around the new administrative requirements. Specific measures implemented include the appointment of a customs agent to manage the declarations, and reviewing, and where necessary, updating company documentation to meet the post Brexit requirements. While the business continues to monitor this area, it believes the preparation made will limit any impacts.

#### **Operational risks**

**Food safety and quality** is a significant risk to the Group and if materialised could damage the reputation of the Group and the customer. The risk is mitigated by robust processes and implemented by an in-house Global Food Safety and Quality Management team. Our Food Safety & Quality Management Program (FSQMP) aims to ensure brand protection for our customers and Martin Brower; develop tools, techniques and global expertise to ensure we remain the Quality partner of choice; and support assured supply and an efficient supply chain. During 2020, Martin Brower enhanced auditing of cleaning and hygiene sanitation practices, enabled remote quality and food safety auditing capabilities, leveraged electronic document management capabilities to share critical new quality and safety protocols, and utilised applications to support compliance auditing of newly introduced social distancing standards.

**Cybersecurity and data protection.** Martin Brower recognises that information is a critical asset and that how information is managed, controlled and protected has a significant impact on the delivery of services. We have identified cybersecurity and data protection as a business risk which we are mitigating through policies and procedures, technology investments and compliance monitoring. Information assets are protected from unauthorised use, disclosure, modification, damage and loss. Additionally, information assets are available when needed, particularly during emergencies and times of crisis.

## Strategic report (continued)

for the year ended 31 December 2020

### Principal risks and uncertainties (continued)

**Business resilience and continuity.** Martin Brower has further identified business risk associated with business disruption and application availability. We are mitigating this risk through enhanced disaster recovery capabilities and application redundancy programs, including routine fail-over testing. This work includes migrating to both the cloud and to a third-party managed data centre, and application hosting in primary and secondary locations. The Group is also investing in a network resiliency project to evaluate and upgrade information flows across our wide-area network and local area-networks.

### People related risks

Recruitment, retention, diversity, equity & inclusion present a risk to the Group. The Directors value their employees and acknowledge they are key to the continued success of the business.

As we evolve our culture, we recognise that a diverse, equitable and inclusive environment builds deeper engagement, bringing higher value to both our team members and our organisation. Each individual brings unique abilities, skills, experiences, and cultural backgrounds every day and only by embracing these differences, are we able to realise the value of *every* team member.

Our CARES values, which are foundational to our culture, guide our actions. Acting as one is a value that is ingrained in our daily work and challenges us to think expansively about how each person can bring their whole self to work including their thoughts, ideas and experiences, to make us a better performing organisation. We are committed to treating everyone fairly and providing all with opportunities to succeed.

### Future developments

The directors anticipate that the Group's current activities will continue in the foreseeable future. Future innovation and service developments for existing and extended market segments, supported by continued investment into organisational systems, will underpin the continued profitable growth path.

The overall growth of the Group's key customers in its various geographies continues to strengthen. The directors believe the partnership with McDonald's will continue to improve with the Group's commitments to outstanding service, modernisation and cost control. Significant investments in infrastructure, technology and innovation continue, including implementation of an advanced restaurant ordering system and supplier portal. The Group is expanding its use of advanced technologies globally driving strategic business process automation through exploration of robotic process automation, artificial intelligence, and machine learning tools. This emphasis on continued innovation and investment to bring value and drive efficiencies across the supply chain, in conjunction with resilient distribution volume growth in all service areas, should lead to continued profitable growth for the years ahead.

### Post Balance Sheet Events

There have been no events between the balance sheet date and the date of approval of these financial statements by the Directors that require inclusion in these financial statements.

The Directors are aware of continuing lockdowns and movement restrictions in certain regions across the globe in response to the coronavirus pandemic and have considered the potential impacts on the business and are satisfied there are no significant events to disclose.

The UK leaving the EU has had little impact to the ongoing business activities; the new requirements for the UK and France businesses have been successfully implemented.

In March 2021, dividends of £970,957 were paid by the Company to its parent, The Martin-Brower Company LLC.

## Strategic report (continued)

for the year ended 31 December 2020  
Sustainability report

Martin Brower takes climate change and our related impacts on the environment seriously. Climate change is part of our Sustainability/Social Responsibility efforts, which are part of our global business strategy. We have partnered with Science Based Targets Initiative (SBTi) to develop and approve a global targeted 40% carbon reduction per ton delivered by 2030. We have been reporting these efforts publicly through the Carbon Disclosure Project (CDP) since 2018 as well. To achieve our targeted carbon reduction, our markets are focusing on sourcing renewable electricity, maintaining and upgrading our fleet and facilities, minimising packaging waste, diverting waste from landfills, and utilising alternative fuels to operate our fleet where feasible. Martin Brower has been recognised for its sustainability efforts and leadership that demonstrates an ability to leverage size and scale, drive innovation and improvement in sustainable sourcing, and drive transformational change. We have implemented a global compliance tool, which supports various globally recognised accreditations as well as internal environmental audits at all our DC's globally. Further Martin Brower has enhanced its sustainability reporting capabilities for more dynamic and real-time access to sustainability data across all markets. For further details, please visit <https://martinbrower.co.uk/responsibility>.

### Section 172(1) statement

The Directors of the Group, in line with their duties under Section 172(1) of the Companies Act 2006 act in the way they consider, in good faith, would be most likely to promote the success of the group for the benefit of its members as a whole and in doing so have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interest of the group's employees,
- c) the need to foster the group's business relationships with suppliers, customers and others,
- d) the impact of the group's operations on the community and the environment
- e) the desirability of the group maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the group.

The Directors have performed their duties as follows:

#### Customers

The Group's customer base is primarily comprised of restaurant franchisees. The Chief Executive Officer and members of the Senior Leadership Team have regular contact with the customer including attendance at franchisee committee meetings and global conferences. During 2020 these interactions were conducted in a remote virtual environment to comply with Covid-19 restrictions. Customer feedback is given on the Group's Key Performance Indicators including service, cost, safety, sustainability, innovation, and food quality measures.

As a result of these interactions in 2020, the Group continues to fortify and strengthen its long-term partner relationship and ensured strategic alignment with its customer.

#### Suppliers

The Group works closely with suppliers, engaging in regular communication and meetings, to build and maintain an effective Supply Chain solution for the customer. The Quality Management System and Quality Inspection Programme implemented in 2019 supported the business through the Covid-19 pandemic by providing standardised global procedures & documentation; track & trace; cold chain and product security assurance; and automated functionality & product data visibility from supplier to restaurant backroom. In 2020, Martin Brower assured supply through robust best in-class quality management programs documenting virus control practices and auditing procedures, which limited the pandemic impact across our DC network. The Group focused on improving supply chain efficiency through artificial intelligence, enhanced user experiences, and expanded data analytics capabilities.

We began a global deployment of a supplier communication portal, which will continue into 2021. The supplier portal is a key component of the digital program to streamline communications, enhance supply

## Strategic report (continued)

for the year ended 31 December 2020

### Section 172(1) statement (continued)

#### *Suppliers (continued)*

chain planning responsiveness, and drive process optimisation. The Group also enhanced data analytics capabilities by creating a global data platform that enables global visibility and reporting across all market domains. This global reporting has allowed us to manage global stock levels more effectively and minimise obsolescence amid unpredictable volume fluctuations during the Covid-19 pandemic.

#### *Employees*

The Group recognises the importance of encouraging all employees to contribute to the achievements of the Group. It has a comprehensive set of employment practices designed to achieve that objective. In particular, the Group's equal opportunities policy is designed to create an environment in which all employees are encouraged to develop their individual potential whatever their sex, race, religion, colour, age, or disability. The same opportunities for training, career development and promotion are available to all employees including those with disabilities, in so far as that disability does not prevent them from performing their job or any suitable alternative available job. Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate accommodations are arranged. Consultation with employees or their representatives takes place at all levels. The Group attaches great importance to the quality of its communication with all employees. Employees are provided with information about the performance of the Group through a variety of briefing mechanisms appropriate to their circumstances. Engagement surveys are completed annually by all locations globally. Personal objectives are agreed between each employee and their manager and reviewed during a mid-year and annual review process. In 2020 Martin Brower introduced a global diversity, equity, and inclusion (DEI) vision to become "Stronger Together" with priorities to educate, engage, empower, and elevate all team members. Martin Brower has established a global DEI council supported by several regional and local councils, formed employee focus groups, administered surveys around the globe, and began providing training in key aspects of DEI most impacting our business.

#### *Group*

Senior leaders from each company within the group participate in periodic meetings to align on the strategic vision and long-term goals, and to discuss key priorities and initiatives. A mid-year strategic review following the initial wave of the coronavirus pandemic re-affirmed its relevance and applicability in the altered operating environment. Consequently, there were no significant strategic changes impacting group operations in 2020.

#### *Community*

Sustainability and social responsibility are part of Martin Brower's global strategy, and this is explained in more detail in the Sustainability statement.

The Group supports fundraising efforts for Ronald McDonald House Charities.

During 2020 the Group was able to donate almost 977,000 kgs of food product to local food banks and community outreach programs to support those most impacted by the global pandemic.

Approved by the Board of Directors and signed on its behalf by:



C. McCauley  
Director

## Directors' report

for the year ended 31 December 2020

The directors present their report on the affairs of the Group, together with the audited financial statements and auditor's report for the year ended 31 December 2020. The Group has chosen to include the following disclosures in the Strategic Report:

- Principal risks and uncertainties
- Future developments
- Post balance sheet events
- Sustainability report
- Employment policies

### **Financial risk management objectives and policies**

The Group's activities expose it to several financial risks including credit risk, cash flow risk, foreign exchange risk, and liquidity risk. The use of financial derivatives is governed by the policies approved by Reyes Holdings, the ultimate parent and controlling party, which provide guidelines on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

### **Cash flow and foreign exchange risk**

The Group's activities expose it primarily to the financial risks of changes in foreign currency prices and energy costs. The Group uses foreign exchange forward contracts and forward fuel purchase contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

### **Credit Risk**

The Group's principal financial assets are bank balances, cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk with exposure spread over many counterparties and franchisees within the McDonald's system in the various countries serviced by the Group.

### **Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

### **Branches outside the UK**

The branches outside of the UK are listed on page 2 of the report under Principal activity and review of the business.

### **Dividends**

The directors have paid total interim dividends of £9,206,767 (£9.30 per ordinary share) in 2020 (2019: £16,498,577 - £16.66 per ordinary share). The directors have not proposed a final dividend.

## **Directors' report (continued)**

for the year ended 31 December 2020

### **Directors**

The directors who served during the year and up to the date of signing are listed on page 1.

### **Directors' indemnities**

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

In general, these indemnity provisions provide coverage for the Company, its parent as well as its subsidiaries and affiliates.

### **Engaging with Stakeholders**

Engagement with stakeholders is paramount to the ongoing success of the business. The key stakeholders are considered in the section 172(1) statement.

### **Charitable and political contributions**

During the year the Group made charitable donations of £196,391 (2019: £209,918). The Company made no political contributions.

### **Creditor payment policy**

The Company policy in each country of operation is to determine terms and conditions of payments with suppliers when negotiating each transaction, to ensure that suppliers are made aware of the terms and how disputes are to be settled, and to abide by the terms of payment.

The number of days credit taken by the Group for trade purchases at 31 December 2020 was 47 days (2019: 39). The number of days credit taken by the Company for trade purchases at 31 December 2020 was 27 days (2019: 17).

## Directors' report (continued)

for the year ended 31 December 2020

### Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under *The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008* as amended.

The following figures make up the baseline reporting for Martin-Brower UK Ltd, as 2020 is the first year that the Company is required to report this information.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets, and grey fleet.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For Martin-Brower UK Ltd, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

### GHG emissions and energy usage

GHG emissions and energy usage data for period 1 January 2020 to 31 December 2020	
	UK
	2020
Emissions from combustion of gas (Scope 1 – tonnes of CO <sub>2</sub> e)	86.71
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO <sub>2</sub> e)	19,411.34
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO <sub>2</sub> e)	3,154.96
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 - tonnes of CO <sub>2</sub> e)	7.48
<b>Total gross CO<sub>2</sub>e based on above</b>	<b>22,660.49</b>
Energy consumption used to calculate emissions - kwh	129,318,097
Intensity metric - tonnes of CO <sub>2</sub> e per '000 tonnes product delivered	37.87

### Reporting boundary and methodology

An organisational boundary approach has been taken for the compilation of energy and carbon data for Martin-Brower UK Ltd. Scope 1 and 2 consumption and CO<sub>2</sub>e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2019 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and kgCO<sub>2</sub>e emissions factors relevant for reporting year 1 January 2020 to 31 December 2020:

Database 2020, Version 1.0.

All consumption data for Martin-Brower UK Ltd was complete for the reporting year, and as such no estimations were required.

The intensity metric has been calculated utilising the 2020 reportable figure for '000 tonnes product delivered of 598.31, and total tCO<sub>2</sub>e emissions was then divided by this figure to determine the metric.

## Directors' report (continued)

for the year ended 31 December 2020

### Energy and carbon reporting (continued)

#### *Energy efficiency actions taken*

Martin Brower is committed to year-on-year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to Martin-Brower UK Ltd has been compiled, with a view to implementing these measures in the next 5 years.

#### *Measures ongoing and undertaken through 2020:*

**LED Lighting Replacements** - Martin Brower throughout 2020 have undertaken a programme of LED upgrades to existing lighting throughout the portfolio. This has included internal lighting and external carpark lighting at the Distribution Centres. This will not only support ongoing efforts to reduce energy consumption and resulting carbon footprint but will also lead to longer term reduction of costs in maintenance of the lighting plant throughout the portfolio.

**Renewable Energy Procurement** - In efforts to reduce the carbon emissions related to the energy consumption within the built portfolio of Martin Brower, the decision was taken to ensure that through 2020, the Distribution Centres within the portfolio were utilising 100% renewable electricity.

**Vehicle Fleet Upgrade** - The UK core fleet of the business upgraded in 2020 to be 100% Euro VI vehicles, increasing the efficiency of performance and reducing the volume of harmful emissions produced. Martin Brower are also championing the use of biodiesel within the fleet and look to increase the use of this in the UK network through 2021.

**Refrigeration System Improvements** - Within two of the Distribution Centres, improvements have been made to improve the energy efficiency of the refrigeration systems. This has included major equipment replacements to improve rapid rise doors and evaporator units, in addition to lagging improvements to reduce thermal losses from the plant.

#### *Measures prioritised for implementation in 2021:*

- Continued work to increase the use of biodiesel (B100) across the UK network
- UK ISO 50001 certification; improving energy management across the business
- Evaluation and introduction if appropriate of the first Plug in Hybrid into UK fleet
- Renewable energy generation investigations
- Explore installing electric vehicle charging points for employees and visitors

### Auditor

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

- So far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditors in the absence of an Annual General Meeting.

## **Directors' report (continued)**

for the year ended 31 December 2020

### **Going Concern**

Despite the uncertainties and complexities surrounding the Covid-19 pandemic, the Directors have continued to adopt the going concern basis of accounting. In making this assessment, the directors have considered a number of scenarios and performed stress testing on expected future performance. Martin-Brower UK Ltd has obtained a letter of support from The Martin-Brower Company, L.L.C. (Martin Brower) which confirms its commitment to support the Martin-Brower UK group for at least 12 months from the date of approval of the financial statement. Based on the cash flow forecasts and letter of support from The Martin-Brower Company, L.L.C. (Martin Brower), they are satisfied that the Group has access to adequate resources to continue in existence for the foreseeable future. The Martin-Brower UK group represents Martin Brower's operations in strategic locations around the world and is highly valuable to Martin Brower. The directors have assessed the cash flow forecasts of Martin Brower and are satisfied that Martin Brower has sufficient cash resource to support the Martin-Brower UK group. Taking these considerations into account, the directors consider the going concern basis of accounting as appropriate.

The UK Group is in a net liabilities position, primarily due to a loan payable to the immediate parent company, The Martin-Brower Company L.L.C.. The loan cannot be recalled, only in the event of default. The interest rate applied to interest payments in 2020 was 6.11%. The interest rate on the loan payable is evaluated annually and updated as appropriate. The Group does not foresee any issues with regard to its ability to pay the loan interest based upon its cash flow forecasts. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Approved by the Board of Directors and signed on its behalf by:



C. McCauley  
**Director**

## **Directors' responsibility statement**

for the year ended 31 December 2020

### **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 judgments 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of Martin-Brower UK Ltd (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's 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 consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 29.

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 group and the parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD (continued)**

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### **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 group's and the parent 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 group or the parent 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD (continued)**

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation and pension legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included employment law, health and safety regulations, general data protection regulation, environmental legislation, food hygiene regulations and customs duties.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax and valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Manual adjustments are made to revenue under the pricing agreement with the customer. We have performed a recalculation of the total adjustments under this agreement and performed test of details on the inputs validating that the inputs are allowable under the pricing agreement with the customer.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARTIN-BROWER UK LTD (continued)**

### **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 group and of the parent company and their 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**

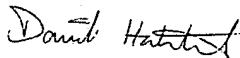
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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



David Halstead (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

St Albans, England

Date: 11 June 2021

**Consolidated profit and loss account**

for the year ended 31 December 2020

	<i>Notes</i>	2020 £000	2019 £000
<b>Turnover</b>	3	4,430,333	5,233,352
Cost of sales		<u>(4,271,980)</u>	<u>(5,048,896)</u>
<b>Gross profit</b>		158,353	184,456
Administration expenses		(108,391)	(98,062)
Distribution costs		(45,166)	(55,312)
Other operating income	4	<u>12,774</u>	<u>-</u>
<b>Operating profit</b>	5	<u>17,570</u>	<u>31,082</u>
Share of results of associated undertakings		1,210	1,982
Finance costs (net)	8	<u>(7,478)</u>	<u>(7,663)</u>
<b>Profit before taxation</b>		11,302	25,401
Tax on profit	10	<u>(5,607)</u>	<u>(8,703)</u>
<b>Profit for the financial year</b>		<u>5,695</u>	<u>16,698</u>
Profit for the financial year attributable to:			
Non-controlling interest		261	385
Equity shareholders of the company		<u>5,434</u>	<u>16,313</u>
		<u>5,695</u>	<u>16,698</u>

## Consolidated statement of comprehensive income

for the year ended 31 December 2020

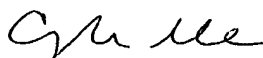
	2020 £000	2019 £000
<b><i>Profit for the financial year</i></b>	5,695	16,698
Currency translation differences on foreign currency net investments	1,215	(1,570)
<b><i>Total comprehensive income</i></b>	<u>6,910</u>	<u>15,128</u>
Total comprehensive income for the year attributable to:		
Non-controlling interest	(270)	112
Equity shareholders of the company	<u>7,180</u>	<u>15,016</u>
	<u>6,910</u>	<u>15,128</u>

**Consolidated balance sheet**

as at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Fixed assets</b>			
Goodwill	12	67,960	72,535
Tangible assets	13	65,641	71,825
Investments	14	9,405	10,486
<b>Total fixed assets</b>		<u>143,006</u>	<u>154,846</u>
<b>Current assets</b>			
Stocks	16	144,448	155,105
Debtors:	17		
amounts falling due within one year		259,810	209,609
amounts falling due after year		9,334	7,061
Total debtors		<u>269,144</u>	<u>216,670</u>
Cash at bank and in hand		114,631	143,198
<b>Creditors: amounts falling due within one year</b>	18	<u>528,223</u> <u>(553,907)</u>	<u>514,973</u> <u>(547,343)</u>
<b>Net current (liabilities)</b>		<u>(25,684)</u>	<u>(32,370)</u>
<b>Total assets less current liabilities</b>		117,322	122,476
<b>Creditors: amounts falling due after more than one year</b>	19	(142,108)	(143,862)
<b>Provisions for liabilities</b>	21	<u>(5,120)</u>	<u>(6,223)</u>
<b>Net (liabilities)</b>		<u>(29,906)</u>	<u>(27,609)</u>
<b>Capital and reserves</b>			
Called up share capital	22	990	990
Share premium account		29,191	29,191
Profit and loss account		2,532	6,305
Merger reserve		(66,672)	(66,672)
Cumulative translation adjustment		3,103	1,357
<b>Shareholders' funds</b>		<u>(30,856)</u>	<u>(28,829)</u>
<b>Non-controlling interest</b>		<u>950</u>	<u>1,220</u>
<b>Total capital employed</b>		<u>(29,906)</u>	<u>(27,609)</u>

The financial statements were approved and authorised for issue on 11 June 2021 by the board of directors and signed on its behalf by:



C. McCauley  
Director

Martin-Brower UK Ltd

Registered No 01601427

**Company balance sheet**  
as at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	13	23,461	26,854
Investments	14	152,552	154,017
<b>Total fixed assets</b>		<u>176,013</u>	<u>180,871</u>
<b>Current assets</b>			
Stocks	16	28,553	31,415
Debtors:	17		
amounts falling due within one year		81,227	36,289
amounts falling due after year		35,394	39,141
Total debtors		116,621	75,430
Cash at bank and in hand		12,077	26,456
		<u>157,251</u>	<u>133,301</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(142,179)</u>	<u>(119,127)</u>
<b>Net current assets</b>		<u>15,072</u>	<u>14,174</u>
<b>Total assets less current liabilities</b>		<u>191,085</u>	<u>195,045</u>
<b>Creditors: amounts falling due after more than one year</b>	19	(140,660)	(145,289)
<b>Provisions for liabilities</b>	21	<u>(1,752)</u>	<u>(1,770)</u>
<b>Net assets</b>		<u>48,673</u>	<u>47,986</u>
<b>Capital and reserves</b>			
Called up share capital	22	990	990
Share premium account		29,191	29,191
Profit and loss account		18,492	17,805
<b>Shareholders' funds</b>		<u>48,673</u>	<u>47,986</u>

The profit for the financial year dealt with in the financial statements of the parent company was £9,894k (2019: £19,585k).

The financial statements of Martin-Brower UK Ltd registration number 01601427 were approved and authorised for issue on 11 June 2021 by the board of directors and signed on its behalf by:



C McCauley  
Director

**Consolidated statement of changes in equity**  
 for the year ended 31 December 2020

	Notes	Called up Share capital £000	Share premium £000	Merger reserve £000	Profit and loss Account £000	Translation Adjustment £000	Total £000	Non- controlling interest £000	Total share- holder's funds £000
<b>At 1 January 2019</b>		990	29,191	(66,672)	6,491	2,654	(27,346)	1,108	(26,238)
Profit for the financial year		-	-	-	16,313	-	16,313	385	16,698
Currency translation difference on foreign currency net investments		-	-	-	-	(1,297)	(1,297)	(273)	(1,570)
<b>Total comprehensive income</b>		-	-	-	16,313	(1,297)	15,016	112	15,128
Dividend paid	9	-	-	-	(16,499)	-	(16,499)	-	(16,499)
<b>At 31 December 2019</b>		990	29,191	(66,672)	6,305	1,357	(28,829)	1,220	(27,609)
Profit for the year		-	-	-	5,434	-	5,434	261	5,695
Currency translation difference on foreign currency net investments		-	-	-	-	1,746	1,746	(531)	1,215
<b>Total comprehensive income</b>		-	-	-	5,434	1,746	7,180	(270)	6,910
Dividends paid	9	-	-	-	(9,207)	-	(9,207)	-	(9,207)
<b>At 31 December 2020</b>		990	29,191	(66,672)	2,532	3,103	(30,856)	950	(29,906)

All recognised income and expenses in the current and prior year are included in the Statement of Changes in Equity.

## Company statement of changes in equity

for the year ended 31 December 2020

	<i>Notes</i>	Called up Share capital £000	Share premium £000	Profit and loss Account £000	Total share- holder's funds £000
<b>At 1 January 2019</b>		990	29,191	14,719	44,900
Profit for the financial year		-	-	19,585	19,585
<b>Total comprehensive income</b>		-	-	19,585	19,585
Dividend paid	9	-	-	(16,499)	(16,499)
<b>At 31 December 2019</b>		990	29,191	17,805	47,986
Profit for the year		-	-	9,894	9,894
<b>Total comprehensive income</b>		-	-	9,894	9,894
Dividends paid	9	-	-	(9,207)	(9,207)
<b>At 31 December 2020</b>		990	29,191	18,492	48,673

All recognised income and expenses in the current and prior year are included in the Statement of Changes in Equity.

**Consolidated cash flow statement**

for the year ended 31 December 2020

	<i>Notes</i>	2020 £000	2019 £000
<b>Net cash flows from operating activities</b>	24	(8,978)	41,940
<b>Cash flows from investing activities</b>			
Proceeds from sale of equipment		1,601	157
Purchase of equipment		(6,864)	(13,099)
Dividends received from associates		1,889	1,385
<b>Net cash flows from investing activities</b>		<u>(3,374)</u>	<u>(11,557)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		(9,207)	(16,499)
Repayments of borrowings		(6,978)	-
Repayments of obligations under finance lease		(655)	(759)
<b>Net cash flows from financing activities</b>		<u>(16,840)</u>	<u>(17,258)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(29,192)</u>	<u>13,125</u>
<b>Cash and cash equivalents at beginning of year</b>		143,198	135,356
Effect of foreign exchange rate changes		625	(5,283)
<b>Cash and cash equivalents at end of year</b>		<u>114,631</u>	<u>143,198</u>
<b>Reconciliation to cash at bank and in hand:</b>			
Cash at bank and in hand		114,631	143,198
Cash equivalents		-	-
<b>Cash and cash equivalents</b>		<u>114,631</u>	<u>143,198</u>

## Notes to the financial statements

for the year ended 31 December 2020

### 1. Accounting policies

#### *Company information*

The Company is a private limited liability entity limited by shares incorporated in the United Kingdom and registered in England and Wales with its registered office at Third Floor (South Wing), One Park Lane, Hemel Hempstead, Hertfordshire, United Kingdom, HP2 4YJ.

The principal activities of the Company and its subsidiaries ('the Group') and the nature of the Group's operations are set out in the Strategic Report on pages 2 to 6.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention amended for certain items at fair value and are in accordance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The functional currency of Martin-Brower UK Ltd is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Martin-Brower UK Ltd 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, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### *Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings from the inception of the Company up to 31 December 2020. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the purchase method.

#### *Going concern*

The Group's business activities, together with factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity, and cash flow risk are described in the Strategic Report. The Group has one significant customer which accounts for the majority of their sales, the Directors are satisfied that this relationship will continue for the foreseeable future and that the growth in this customer's business will continue to be strong. Despite the uncertainties and complexities surrounding the Covid-19 pandemic, the Directors have continued to adopt the going concern basis of accounting. In making this assessment, the directors have considered a number of scenarios and performed stress testing on expected future performance. Martin-Brower UK Ltd has obtained a letter of support from The Martin-Brower Company, L.L.C. (Martin Brower) which confirms its commitment to support the Martin-Brower UK group for at least 12 months from the date of approval of the financial statement. Based on the cash flow forecasts and letter of support from The Martin-Brower Company, L.L.C. (Martin Brower), they are satisfied that the Group has access to adequate resources to continue in existence for the foreseeable future. The Martin-Brower UK group represents Martin Brower's operations in strategic locations around the world and is highly valuable to Martin Brower. The directors have assessed the cash flow forecasts of Martin Brower and are satisfied that Martin Brower has sufficient cash resource to support the Martin-Brower UK group. Taking these considerations into account, the directors consider the going concern basis of accounting as appropriate. The UK Group is in a net liabilities position, primarily due to a loan payable to the immediate parent company, The Martin-Brower Company L.L.C.. The loan cannot be recalled, only in the event of default. The interest rate applied to interest payments in 2020 was 6.11%. The interest rate on the loan payable is evaluated annually and updated as appropriate. The Group does not foresee any issues with regard to its ability to pay the loan interest based upon its cash flow forecasts. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

#### *Intangible assets – goodwill*

Goodwill arising on the acquisition of subsidiary undertakings and 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 useful economic life, which is 20 years. Provision is made for any impairment.

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### *Revenue recognition*

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. When revenue transactions reflect the conditions of the sale being made as an agent the revenue is recognised net (commission only recognised as revenue), where the conditions reflect the sale as a principal the revenue is recognised gross (commission and product value recognised as turnover).

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 102 Section 23 *Revenue* and, in particular, whether the company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income generates from the back to back loans. Interest rates are set annually and the income is collected monthly.

#### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

#### *Tangible fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value on a straight-line basis over the useful economic life of that asset as follows:

Land	–	not depreciated
Buildings	–	five to forty years
Leasehold improvements	–	five to twenty years
Plant, machinery and vehicles	–	three to ten years

Interest on borrowings for fixed assets is not capitalised and is taken to the profit and loss account.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets in the course of construction are not depreciated.

#### *Stocks*

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving, or defective items where appropriate.

#### *Operating lease agreements*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the term of the lease.

#### *Current taxation*

A current tax liability is recognised for tax payable on taxable profits for the current and past periods. A current tax asset is recognised if the amount of tax paid for the current and past periods exceeds the amount of tax payable for those periods. The tax rates and laws enacted or substantively enacted by the reporting date are used to calculate the amount of tax payable or recoverable.

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### *Deferred taxation*

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or future taxable profits. 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Financial Instruments*

##### *(i) Financial assets and liabilities*

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity investments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Most financial assets and liabilities are subsequently measured at amortised cost apart from those specified below.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### *Financial Instruments (continued)*

##### *(i) Financial assets and liabilities (continued)*

- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled, or expires.

##### *(ii) Investments*

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

##### *(iii) Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

##### *(iv) Interest expense*

Interest rates on intercompany loans are set annually and interest is paid monthly.

#### *Derivative Financial Instruments*

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and fuel price movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value, using quoted prices for identical assets, at each reporting date. The resulting gain or loss is recognised in profit or loss immediately

#### *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

##### *Financial assets*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 1. Accounting policies (continued)

#### **Associates**

In the Group financial statements, investments in associates are accounted for using the equity method. Investments in associates are initially recognized at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

In the Company financial statements, investments in associates are accounted for at cost less impairment.

#### **Foreign currencies**

Transactions in foreign currency are translated into sterling at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date or at composite rates where forward cover exists.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity. There is no tax relating to the currency translation adjustment in other comprehensive income.

Other exchange differences are recognised in profit or loss in the period in which they arise.

#### **Government grants**

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

#### **Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision has been recognised for the decommissioning costs of a new distribution centre. Interest is charged annually to the profit and loss account to adjust for the effect of the time value of money.

#### **Retirement benefits**

The Company is a member of the Group pension plan with an insurance company and makes contributions into employee accounts on a money purchase basis. The assets in the scheme are held separately from those of the Company in an independently administered fund. The amount charged in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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 Group's accounting policies*

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

#### *Revenue Recognition*

The Group has control of and responsibility for goods in advance of customer receipt, as such the Group applied judgement in determining that it acts as principal in its dealing with McDonald's restaurants and franchisees and recognizes revenue gross. Due to the high volume and frequency of transactions, sales and costs of sales are recorded at cost.

#### *Key source of estimation uncertainty - impairment of goodwill and investments*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The group utilised both a market rate and hypothetical group rate approach to the discount rates in assessing impairment sensitivities. The group continues to monitor and evaluate these discount rates, but does not expect the rate costs and weighting components to change significantly as they have been consistent for several years. The discount rates utilised are broadly market based; designed to reflect the mix experienced in the marketplace for the food and beverage distribution industry based upon external advisory analyses conducted for valuation purposes. These discount rates would need to increase in excess of 5% before an impairment issue might arise within the group goodwill. The carrying amount of goodwill at the balance sheet date was £67,960k and the carrying amounts of the company only investments at the balance sheet date was £140,324k. There were no impairment charges in 2020.

### 3. Turnover

Turnover represents the amounts derived from the provision of goods which fall within the Company's ordinary activity, stated net of value added tax.

An analysis of the Group's turnover by geographical market is set out below.

	2020	2019
	£000	£000
UK	1,183,518	1,518,507
France	910,323	1,139,421
Canada	947,213	1,053,505
Australia	812,604	778,454
New Zealand	131,355	141,803
Malaysia	62,418	228,873
Singapore	113,652	130,386
Korea	269,250	242,403
	<u>4,430,333</u>	<u>5,233,352</u>

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**4. Other operating income**

In 2020, the group collectively received government grants of £12,774,340 as part of local Government initiatives to provide immediate financial support as a result of the Covid-19 pandemic. There are no future related costs in respect of these grants, which were received solely as compensation for costs incurred in the year.

The Group has not directly benefited from any other forms of government assistance.

**5. Operating profit**

Operating profit is stated after charging/(crediting)

	2020	2019
	£000	£000
Depreciation – tangible fixed assets	12,737	12,151
Amortisation of goodwill	8,125	6,371
(Gain) on disposal of fixed assets	(162)	(63)
Foreign exchange loss	(242)	(5)
Operating lease costs		
- plant and equipment	28,784	25,688
- land and buildings	16,346	15,335
Write-off of investment in subsidiary (see note 15)	1,465	-
	<u>702</u>	<u>694</u>
<b>Fees payable to the company's auditor:</b>		
Audit of the company's subsidiaries	626	634
Audit of the consolidated financial statements	76	60
	<u>702</u>	<u>694</u>
Total audit fees	<u>702</u>	<u>694</u>
Tax compliance services	68	53
Tax advisory services	41	62
Technical advisory services	-	40
Other non-audit services	6	-
	<u>115</u>	<u>155</u>
Total non-audit fees	<u>115</u>	<u>155</u>

Amortisation of intangible assets is included in administrative expenses.

Amortisation of goodwill includes the accelerated amortisation of Malaysian goodwill (£1.76m) following the sale of its distribution business 31 March 2020. (See note 15).

No impairment gains or losses on stocks have been recognised in the profit and loss account.

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**6. Staff costs**

Staff costs for the Group and Company consist of:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Wages and salaries	178,844	179,751	50,974	51,227
Social security costs	13,332	14,343	4,757	4,958
Other pension costs (see note 23)	5,606	6,310	2,730	2,630
	<u>197,782</u>	<u>200,404</u>	<u>58,461</u>	<u>58,815</u>

The average monthly number of employees, including directors, within the Group and Company during the year was:

	Group		Company	
	2020 No.	2019 No.	2020 No.	2019 No.
Selling and distribution	3,282	3,434	1,264	1,275
Administration	819	858	172	177
	<u>4,101</u>	<u>4,292</u>	<u>1,436</u>	<u>1,452</u>

**7. Directors' remuneration**

During the year no directors received remuneration (2019 – £nil) or pension benefits (2019 – £nil) from the Group, in respect of their services provided. The directors are remunerated at the immediate parent level.

The directors are considered to be the key management personnel of the reporting entity. No director has a direct or indirect interest in any transaction, arrangement or agreement which, in the opinion of the directors, requires disclosure. Directors who served the Group during the year have been remunerated from other group companies.

**Pensions**

No directors (2019 – none) who served during the year were members of the pension plan.

<b>Finance costs (net)</b>	2020 £000	2019 £000
Interest receivable and similar income	1,409	1,301
Interest payable and similar expenses	(8,887)	(8,964)
	<u>(7,478)</u>	<u>(7,663)</u>

**Interest receivable and similar income**

	2020 £000	2019 £000
Bank interest receivable	174	899
Other interest receivable	1,235	402
	<u>1,409</u>	<u>1,301</u>

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**8. Finance costs (net) (continued)**

**Interest payable and similar expenses**

	2020 £000	2019 £000
Interest payable to group undertakings	8,458	8,444
Bank interest payable	347	483
Other interest payable	82	37
	<u>8,887</u>	<u>8,964</u>

**9. Dividends**

	2020 £000	2019 £000
Ordinary shares		
Interim dividends paid of £9.30 (2019 - £16.66) per share	9,207	16,499
	<u>9,207</u>	<u>16,499</u>

**10. Tax**

(a) Tax on profit

The tax charge is made up as follows:

	2020 £000	2019 £000
<i>Current tax</i>		
UK corporation tax on profit for the year	483	865
Tax overprovided in previous years	(134)	(431)
	<u>349</u>	<u>434</u>
Double taxation relief	(254)	(287)
	<u>95</u>	<u>147</u>
Foreign tax	8,435	9,046
	<u>8,530</u>	<u>9,193</u>
<i>Deferred tax (10(c))</i>		
Accelerated capital allowances over depreciation	(8)	(65)
Other timing differences	(2,915)	(425)
	<u>(2,923)</u>	<u>(490)</u>
Group deferred tax	(2,923)	(490)
	<u>5,607</u>	<u>8,703</u>
Tax on profit	<u>5,607</u>	<u>8,703</u>

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**10. Tax (continued)**

(b) Factors affecting the tax charge

The tax for the year varies from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before tax	11,302	25,401
Profit at the standard rate of corporation tax in the UK of 19% (2019 – 19%)	2,147	4,826
Net expenses not deductible for corporation tax purposes	2,321	1,634
Timing differences on fixed assets	334	(177)
Other timing differences	(2,252)	(634)
Adjustments to tax in respect of prior years	587	(317)
Withholding taxes on interest and dividends	391	550
Higher rates on overseas tax rates	2,079	2,821
Total tax	<u>5,607</u>	<u>8,703</u>

The standard rate of tax applied to reported profit is 19% (2019:19%). The UK Government announced as part of the Finance Act 2021 that the main rate of corporation tax rate would be increased from 19% to 25% from 1 April 2023. As this tax rate change has not been substantively enacted at the balance sheet date, the deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. The directors have not yet assessed the financial impacts of the tax increase on the group.

(c) Deferred tax

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

	2020 £000	2019 £000
Included in debtors (note 17)	6,416	4,602
Included in provision for liabilities (note 21)	(3,990)	(5,120)
	<u>2,426</u>	<u>(518)</u>
Accelerated capital allowances	(526)	(1,023)
Other timing differences	2,952	505
Provision for deferred tax	<u>2,426</u>	<u>(518)</u>

The movement on deferred tax is as follows:

	£'000
At 1 January 2020	(518)
Credited/(charged) to profit and loss account	2,923
Exchange difference	21
At 31 December 2020	<u>2,426</u>

No reversal of the deferred tax liability is expected before 31 December 2021.

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

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**11. Profit attributable to the Company**

The gain for the financial year dealt with in the financial statements of the parent company was £9,894k (2019: £19,585k). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company

**12. Intangible fixed assets**

<b>Group</b>	<b>Total Goodwill £000</b>
<b>Cost:</b>	
At 1 January 2020	117,851
Exchange adjustment	5,324
	<hr/>
At 31 December 2020	123,175
	<hr/>
<b>Amortisation:</b>	
At 1 January 2020	(45,316)
Provided for the year	(7,723)
Exchange adjustment	(2,176)
	<hr/>
At 31 December 2020	(55,215)
	<hr/>
<b>Net book value:</b>	
At 31 December 2020	67,960
	<hr/> <hr/>
At 31 December 2019	72,535
	<hr/> <hr/>

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 13. Tangible fixed assets

#### Group

	Land and buildings £000	Leasehold improvements £000	Plant machinery and vehicles £000	Total £000
<b>Cost:</b>				
At 1 January 2020	38,817	31,694	89,492	160,003
Additions	389	622	5,853	6,864
Disposals	(162)	(495)	(9,764)	(10,421)
Translation adjustment	885	532	752	2,169
	<u>39,929</u>	<u>32,353</u>	<u>86,333</u>	<u>158,615</u>
At 31 December 2020	39,929	32,353	86,333	158,615
<b>Depreciation:</b>				
At 1 January 2020	12,432	14,174	61,572	88,178
Provided for the year	1,301	2,182	9,376	12,859
Disposals	(163)	(387)	(8,432)	(8,982)
Translation adjustment	194	224	501	919
	<u>13,764</u>	<u>16,193</u>	<u>63,017</u>	<u>92,974</u>
At 31 December 2020	13,764	16,193	63,017	92,974
<b>Net book value:</b>				
At 31 December 2020	<u>26,165</u>	<u>16,160</u>	<u>23,316</u>	<u>65,641</u>
At 31 December 2019	<u>26,385</u>	<u>17,520</u>	<u>27,920</u>	<u>71,825</u>

No impairment losses have been recognised on any of the fixed assets within the Group.

Disposals includes £1.4m of assets related to the sale of the Malaysia distribution business on 31 March 2020. (See note 15).

The Group has assets in the course of construction included within land and buildings with a value of £nil (2019 – £nil), within leasehold improvements with a value of £122,686 (2019 - £255,206) and within plant, machinery and vehicles with a value of £4,269,010 (2019 – £5,121,163), which are not depreciated.

Within land and buildings, the Group has freehold assets of £25,679,860 (2019 - £16,612,227) and short leasehold assets of £484,405 (2019 - £9,773,064).

**Notes to the financial statements (continued)**

for the year ended 31 December 2020

**13. Tangible fixed assets (continued)**

## Company

	Land and Buildings £000	Leasehold improvements £000	Plant machinery and vehicles £000	Total £000
<b>Cost:</b>				
At 1 January 2020	8,445	14,590	36,322	59,357
Additions	-	(61)	770	709
Disposals	-	-	(3,332)	(3,332)
At 31 December 2020	<u>8,445</u>	<u>14,529</u>	<u>33,760</u>	<u>56,734</u>
<b>Depreciation:</b>				
At 1 January 2020	393	6,959	25,151	32,503
Provided for the year	235	767	3,081	4,083
Disposals	-	-	(3,313)	(3,313)
At 31 December 2020	<u>628</u>	<u>7,726</u>	<u>24,919</u>	<u>33,273</u>
<b>Net book value:</b>				
At 31 December 2020	<u>7,817</u>	<u>6,803</u>	<u>8,841</u>	<u>23,461</u>
At 31 December 2019	<u>8,052</u>	<u>7,631</u>	<u>11,171</u>	<u>26,854</u>

The Company has assets in the course of construction included within plant, machinery and vehicles with a value of £1,609,830 (2019 – £2,302,437), which are not depreciated.

Within land and buildings, the Company has freehold assets of £7,817,206 (2019 - £8,052,027) and short leasehold assets of £nil (2019 - £nil).

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**13. Tangible fixed assets (continued)**

Included in the amounts for plant and machinery above are the following amounts related to leased assets and assets acquired under hire purchase contracts:

	<b>Group £000</b>	<b>Company £000</b>
<b>Cost:</b>		
At 1 January 2020	150	127
Additions	-	-
	<u>150</u>	<u>127</u>
At 31 December 2020	150	127
<b>Depreciation:</b>		
At 1 January 2020	130	127
Provided for the year	6	-
	<u>136</u>	<u>127</u>
At 31 December 2020	136	127
<b>Net book value:</b>		
At 31 December 2020	<u>14</u>	<u>-</u>
At 31 December 2019	<u>20</u>	<u>-</u>

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**14. Fixed asset investments**

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Subsidiary undertakings	-	-	140,324	141,789
Associates	9,405	10,486	12,228	12,228
At 31 December	9,405	10,486	152,552	154,017

**Subsidiary undertakings**

	Company £000
<b>Cost and net book value:</b>	
At 1 January 2020	141,789
Investment write-off (note 15)	(1,465)
At 31 December 2020	140,324

**Associates**

	Group £000	Company £000
At 1 January 2020	10,486	12,228
Share of retained profit for the year	1,210	-
Dividends from associates	(1,889)	-
Amortisation of goodwill	(402)	-
At 31 December 2020	9,405	12,228

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 14. Fixed asset investments (continued)

The parent Company and the Group have investments in the following subsidiary undertakings and associates which have been included within the consolidation:

<i>Company</i>	<i>Country of Registration and operation</i>	<i>Registered address</i>	<i>Principal activity</i>	<i>Holding</i>	<i>%</i>
Martin-Brower Australia Holdings Pty. Ltd	Australia	1 Burilda Close, Wetherill Park NSW 2164, Australia	Intermediate holding company	Ordinary	100
Martin-Brower Australia	Australia	1 Burilda Close, Wetherill Park NSW 2164, Australia	Distribution	Ordinary	100
Martin-Brower Australia Intermediate Holdings Pty Ltd	Australia	1 Burilda Close, Wetherill Park NSW 2164, Australia	Intermediate holding company	Ordinary	100
Martin-Brower New Zealand Holdings	New Zealand	12 Golden Arches Place Wiri, Auckland, 2025, New Zealand	Intermediate holding company	Ordinary	100
Martin-Brower New Zealand	New Zealand	12 Golden Arches Place Wiri, Auckland, 2025, New Zealand	Distribution	Ordinary	100
Martin-Brower Malaysia Co. Sdn Bhd	Malaysia	No. 4, Jalan Sungai Ara 32/39, SS 32, Selangor, 40460 Shah Alam, Malaysia	Distribution	Ordinary	100
Martin-Brower Singapore Pte Limited	Singapore	No. 6 Fishery Port /Road - #07-02, Singapore 619747	Distribution	Ordinary	100
Martin-Brower France Holdings SAS	France	ZAC du Bois Chaland, 12, rue du Bois Chaland 91090 LISSES, France	Distribution	Ordinary	100
Martin-Brower France SAS	France	ZAC du Bois Chaland, 12, rue du Bois Chaland 91090 LISSES, France	Distribution	Ordinary	100
Martin-Brower of Canada	Canada	1959 Upper Water Street, Suite 900, Halifax, NS B3J 3N2, Canada	Distribution	Ordinary	100
MBX Logistics Canada Co.	Canada	1959 Upper Water Street, suite 800, P.O. Box 997, Halifax, NS B3J 2X2, Canada	Distribution	Ordinary	100
Korea Food Service Corp (South Korea)	South Korea	Yoongi-ro, 202 beon-gil, Youngin-myun, Asan City, Chung Nam, South Korea	Distribution	Ordinary	80

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 14. Fixed asset investments (continued)

<i>Company</i>	<i>Country of Registration and operation</i>	<i>Registered address</i>	<i>Principal activity</i>	<i>Holding</i>	<i>%</i>
<b>Associates and joint ventures</b>					
STI Freight Management GmbH	Germany	Hochstrasse 190 – 47228 Duisburg, Germany	Distribution	Ordinary	24.3
STI (Deutschland) GmbH	Germany	Hochstrasse 190 – 47228 Duisburg, Germany	Distribution	Ordinary	24.3
STI France S.a.r.l	France	ZAC du Bois Chaland - 10/12, rue du Bois Chaland - 91090 Lisses, France	Distribution	Ordinary	24.3
STI Italia S.r.l	Italy	Via Aldo Moro 31 – 41030 Bomperto (Mo), Italy	Distribution	Ordinary	24.3
STI Glonet S.L	Spain	Km 2,7 Poligono Industrial El Globo, Ctra. Alcalá de Henares-Daganzo, M118, 28814 Daganzo de Arriba – Madrid, Spain	Distribution	Ordinary	24.3
S.T.I. Polska Sp.zp.o	Poland	ul. Daniszewska 25 - 03-230 Warszawa, Poland	Distribution	Ordinary	24.3
STI-Scandinavia AB	Sweden	Tuna Gårdsväg 4 - SE-147 43 Tumba, Sweden	Distribution	Ordinary	24.3
S.T.I. (U.K.) Ltd	United Kingdom	Punchbowl Park, Cherry Tree Lane, Hemel Hempstead, Hertfordshire, HP2 7EU, United Kingdom	Distribution	Ordinary	24.3
STI LLC (Russia)	Russia	3/6 Novoorlovskaya St., 119633 Moscow, Russia	Distribution	Ordinary	24.3
S.T.I Middle East LLC (UAE)	United Arab Emirates	Zaina Mohebi Plaza, Mezzanine Floor, Sheikh Khalifa Bin Zayed Street Al Karama, P O Box 267, Dubai, UAE	Distribution	Ordinary	49
Martin-Brower Logistics (UAE)	United Arab Emirates	Dubai South (DWC) Logistics Districts, Plot WT01 & WT04, Near Al Maktoum Airport, Dubai, UAE	Distribution	Ordinary	49
OLA – LR S.a.r.l.	France	Zi De Jalday, BP 125, 64501, St. Jean De Luz, France	Distribution	Ordinary	10

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 15. Sale of subsidiary undertaking

Martin-Brower Malaysia Co. Sdn Bhd closed on the sale of its distribution business in Malaysia on 31 March 2020. The transaction involved the transfer of trade and assets of all McDonald's distribution operations in Malaysia; however, Martin Brower is maintaining an office in Malaysia with finance and IT support for global Martin Brower markets. Under the asset purchase agreement, Malaysia received the equivalent of £18m for the purchase of the inventory and assets in the business. Malaysia disposed of fixed assets with a net book value equivalent to £1.4m. Prior to the sale Malaysia contributed £1.6m to the net profit of the group.

Proceeds from the sale were used to fully repay the back to back intercompany loans between Martin-Brower Malaysia Co. Sdn Bhd and its parent Martin-Brower UK Ltd (22,561,331 MYR), and Martin-Brower UK Ltd and its parent The Martin-Brower Company LLC (£4,216,713).

The investment held by Martin-Brower UK Ltd in Martin-Brower Malaysia Co. Sdn Bhd was written off 2020 (see notes 5 and 14).

The amortisation of goodwill in Martin-Brower Malaysia Co. Sdn Bhd was accelerated and has been fully amortised in 2020 (see notes 5 and 12).

### 16. Stocks

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Raw materials	162	181	162	181
Finished goods and goods held for resale	144,286	154,924	28,391	31,234
	<u>144,448</u>	<u>155,105</u>	<u>28,553</u>	<u>31,415</u>

During the year inventories of £3,960,642,078 (2019 - £4,719,928,392) were recognised as an expense within cost of sales for the Group. The Company recognised inventories of £1,050,323,131 (2019 - £1,371,667,260) as cost of sales.

### 17. Debtors

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	186,150	173,016	50,945	28,253
Amounts owing by group undertakings	1,816	1,542	35,789	39,885
Amounts due from affiliates	1,410	2,199	1,163	1,896
Other debtors	56,356	21,023	24,174	17
Prepayments and accrued income	11,143	10,823	4,108	4,891
Taxes and social security receivable	3,611	2,460	-	-
Corporation tax receivable	2,242	1,005	442	488
Deferred tax	6,416	4,602	-	-
Total debtors	<u>269,144</u>	<u>216,670</u>	<u>116,621</u>	<u>75,430</u>

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 17. Debtors (continued)

All amounts shown under debtors are receivable within one year except:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts owing by group undertakings	-	-	34,419	38,635
Prepayments and accrued income	523	556	468	506
Other debtors	3,962	3,488	507	-
Deferred tax	4,849	3,017	-	-
	<u>9,334</u>	<u>7,061</u>	<u>35,394</u>	<u>39,141</u>

The maturity date for non-current amounts owing by group undertakings is January 2030. The loans may be pre-paid partially or fully at any time without penalty, premium or notice. The interest rate applied to the loans in 2020 was 6.11% (2019:5.2%). All other debts are interest free and payable upon demand.

### 18. Creditors: amounts falling due within one year

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade creditors	422,875	424,213	127,123	106,039
Amounts owing to group undertakings	1,196	780	303	122
Amounts due to affiliates	4,466	4,873	1,770	808
Corporation tax	1,070	789	-	-
Taxes and social security	3,708	2,943	1,058	1,899
Other creditors	42,281	43,532	412	940
Accruals and deferred income	78,149	66,807	11,513	9,319
Current portion of capital leases	162	627	-	-
Short term bank loans	-	2,779	-	-
	<u>553,907</u>	<u>547,343</u>	<u>142,179</u>	<u>119,127</u>

Amounts due to affiliates and amounts owing to group undertakings within one year are interest-free and payable upon demand.

**Notes to the financial statements (continued)**

for the year ended 31 December 2020

**19. Creditors: amounts falling after more than one year**

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Amounts owing to group undertakings	139,301	140,522	138,632	142,849
Other creditors	2,028	2,440	2,028	2,440
Long term portion capital leases	779	900	-	-
	<u>142,108</u>	<u>143,862</u>	<u>140,660</u>	<u>145,289</u>

The maturity date for amounts owing to group undertakings is January 2030. The loans cannot be unilaterally recalled, only in the event of default. The interest rate applied to the loans in 2020 was 6.11% (2019:5.2%).

Included within other creditors over one year are lease incentives receivable as a result of the lease of a distribution centre, deferred over more than one year of £2,028,082 (2019 - £2,379,616). This is deferred evenly over the duration of the lease. In addition, payments made in advance by a customer have been deferred over the life of an asset; amounts over one year are £nil (2019 - £60,900). None of these amounts is interest bearing.

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 20. Financial Instruments

The carrying value of the Group and Company's financial assets and liabilities are summarised by category below:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
<b>Financial Assets</b>				
Cash	114,631	143,198	12,077	26,456
Equity instrument measured at cost less impairment				
• Fixed assets unlisted investment (see note 14)	9,405	10,486	152,552	154,017
Measured at undiscounted amount receivable				
• Trade and other debtors (see note 17)	242,506	194,038	75,119	28,270
• Amounts due from group undertakings (see note 17)	1,816	1,542	35,789	39,885
• Amounts due from affiliates (see note 17)	1,410	2,199	1,163	1,896
	<u>369,768</u>	<u>351,463</u>	<u>276,700</u>	<u>250,524</u>
<b>Financial Liabilities</b>				
Measured at amortised cost				
• Loans payable (see note 19)	139,301	140,522	138,632	142,849
• Obligations under finance leases	941	1,527	-	-
Measured at undiscounted amount payable				
• Trade and other creditors (see note 18)	465,156	467,745	127,535	106,979
• Amounts owed to group undertakings (see note 18)	1,196	780	303	122
• Amounts due to affiliates (see note 18)	4,466	4,873	1,770	808
	<u>611,060</u>	<u>615,447</u>	<u>268,240</u>	<u>250,758</u>

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
	2020 £000	2019 £000
<b>Interest income and expense (see note 8)</b>		
Interest payable on amounts due to group undertakings	8,458	8,444
Finance lease interest expense	54	85
	<u>8,512</u>	<u>8,529</u>

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 21. Provisions for liabilities

#### Group

	Deferred tax £000	Obligations for Restoration £000	Total £000
<i>Cost:</i>			
At 1 January 2020	5,120	1,103	6,223
Provided during the year	(1,337)	27	(1,310)
Exchange difference	207	-	207
	<u>3,990</u>	<u>1,130</u>	<u>5,120</u>
At 31 December 2020	<u>3,990</u>	<u>1,130</u>	<u>5,120</u>

#### Company

	Deferred tax £000	Obligations for Restoration £000	Total £000
<i>Cost:</i>			
At 1 January 2020	667	1,103	1,770
Provided during the year	(45)	27	(18)
	<u>622</u>	<u>1,130</u>	<u>1,752</u>
At 31 December 2020	<u>622</u>	<u>1,130</u>	<u>1,752</u>

In 2007 the Company signed a 20-year lease contract on a new distribution centre. The contract requires the Company to remove any building alterations at the end of the lease, including sprinkler systems and other refrigeration plant. This obligation in year 2027 has been calculated at current prices, as the full cost of decommissioning such assets. This has been capitalised as a directly attributable cost of the relevant asset and is to be charged to the profit and loss account over the term of the lease.

### 22. Called up share capital

#### Group and Company

	2020		2019	
	No.	£000	No.	£000
<b>Allotted, called up and fully paid</b>				
990,100 ordinary shares of £1 each	990,100	990	990,100	990
	<u>990,100</u>	<u>990</u>	<u>990,100</u>	<u>990</u>

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

The Group and Company's other reserves are as follows:

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

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

reserve for the Company includes other distributions to owners as a result of the restructure during the year.

The merger reserve represents the equity increase associated with the contribution of a group member in May 2018.

The cumulative translation adjustment reserve represents the impact of foreign exchange movements on the net equity investments in the Group's subsidiary undertakings.

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 23. Pensions

Martin-Brower UK Ltd and its subsidiaries are members of a group staff pension plan with an insurance company and makes contributions into employees' accounts on a money purchase basis. The employer's pension cost for the year is set out in note 5 to the financial statements. Included within accruals are outstanding pension contributions of £2,713,000 (2019 - £2,406,000).

### 24. Cash flow statement

#### Reconciliation of operating profit to cash generated by operations:

	2020	2019
	£000	£000
Profit on ordinary activities before interest	17,570	31,082
Adjustment for:		
Depreciation and other amortisation	12,737	12,251
Goodwill amortisation	8,125	6,371
Loss on disposal of subsidiary	1,465	-
Profit on sale of tangible fixed assets	(162)	(63)
Operating cash flow before movement in working capital	39,735	49,641
Decrease/(increase) in stocks	8,276	(23,615)
(Increase) in debtors	(49,648)	(28,861)
Increase in creditors	5,755	60,494
<b>Cash generated by operations</b>	<b>4,118</b>	<b>57,659</b>
Income taxes paid	(8,571)	(7,935)
Interest paid	(4,525)	(7,784)
<b>Net cash flows from operating activities</b>	<b>(8,978)</b>	<b>41,940</b>

#### Analysis of changes in net debt:

	1 January		New	Changes in	31 December
	2020	Cash	finance	market value	2020
	£000	flows	leases	and exchange	£000
		£000	£000	rates	
				£000	
Cash at bank and in hand	143,198	(29,192)	-	625	114,631
Short term bank loans	(2,779)	2,780	-	(1)	-
Finance leases	(1,527)	655	(23)	(46)	(941)
Amounts owing to group undertakings	140,522	-	-	(1,221)	139,301
<b>Net debt</b>	<b>(1,629)</b>	<b>(25,757)</b>	<b>(23)</b>	<b>578</b>	<b>(25,610)</b>

**Notes to the financial statements (continued)**  
for the year ended 31 December 2020

**25. Commitments**

i) Capital commitments as at 31 December are as follows:

	2020 £000	2019 £000
Contracted but not provided	2	16

ii) As at 31 December 2020 the Group had future minimum lease payments under finance leases as follows:

	2020 £000	2019 £000
Amounts payable:		
Within one year	209	684
In two to five years	820	785
In over five years	31	222
	1,060	1,691
Less finance charges allocated to future periods	(119)	(164)
	941	1,527

iii) As at 31 December 2020, the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Plant and machinery	
	2020 £000	2019 £000	2020 £000	2019 £000
Within one year	18,079	12,247	23,821	18,054
Between one and five years	61,867	40,974	57,986	41,693
After five years	100,904	64,965	6,531	5,649
	180,850	118,186	88,338	65,396

**26. Securitisation of assets**

The Group has granted security over substantially all of its assets, including bank accounts, insurances, debts and shares and a floating charge over all its assets as a subsidiary within a group funding arrangement.

## Notes to the financial statements (continued)

for the year ended 31 December 2020

### 27. Related parties

The immediate parent company of the Group is The Martin-Brower Company L.L.C. and its ultimate parent undertaking is Reyes Holdings L.L.C..

The Company has taken advantage of the exemption conferred by FRS 102 'Related party disclosures' not to disclose transactions with other wholly owned subsidiaries within the group.

During the year the Group entered into transactions with related parties of the ultimate parent undertaking, Reyes Holdings L.L.C., in the ordinary course of business. Transactions entered into, and balances outstanding as at 31 December, are as follows:

	Sales to related party £000	Purchases from related party £000	Amounts owed to related party £000	Amounts owed by related party £000
STI UK Limited				
2020	3,529	9,395	1,770	1,146
2019	4,198	16,146	808	1,879
STI Freight Management GmbH				
2020	186	-	-	17
2019	186	-	-	17
STI France S.a.r.l.				
2020	903	25,507	2,696	247
2019	1,386	31,323	4,065	303

STI UK Limited, STI Freight Management GmbH and STI France S.a.r.l. are all 24.3% owned subsidiaries of the Company.

The amounts disclosed all relate to unsecured trading balances.

### 28. Ultimate parent undertaking and controlling party

The Martin-Brower Company L.L.C. is the Company's immediate parent undertaking at the year end.

The Company's ultimate parent company and controlling party is Reyes Holdings L.L.C., a company incorporated in the state of Delaware, in the United States of America. This is the largest and smallest group at which accounts are consolidated. The registered address of Reyes Holdings L.L.C. is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 1980, United States of America.

### 29. Post balance sheet events

There have been no events between the balance sheet date and the date of approval of these financial statements by the Directors that require inclusion in these financial statements.

The Directors are aware of continuing lockdowns and movement restrictions in certain regions across the globe in response to the coronavirus pandemic, and have considered the potential impacts on the business and are satisfied there are no significant events to disclose.

The UK leaving the EU has had little impact to the ongoing business activities; the new requirements for the UK and France businesses have been successfully implemented.