Unilever United States, Inc.

Nonconsolidated Financial Statements

December 31, 2019 and 2018

Unilever United States, Inc.
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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors of
Unilever United States, Inc.:

Report on the Nonconsolidated Financial Statements

We have audited the accompanying nonconsolidated financial statements of Unilever United States, Inc. (the Company), which comprise the nonconsolidated statements of financial position as of December 31, 2019 and 2018, and the related nonconsolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes to the nonconsolidated financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the nonconsolidated financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged with Governance of the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's nonconsolidated financial reporting process.

Auditors' Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit 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 nonconsolidated financial statements.

KPMG

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the nonconsolidated financial statements including disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the nonconsolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the nonconsolidated financial position of Unilever United States, Inc. as of December 31, 2019 and 2018, and its nonconsolidated financial performance and its nonconsolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

New York, New York
March 27, 2020

Unilever United States, Inc.
Nonconsolidated Statements of Financial Position
December 31, 2019 and 2018

	$ thousands	
	2019	**2018**
Assets		
Non-current assets:		
Investments in subsidiaries (note 3)	28,394,076	28,159,939
Funds in escrow (note 10,16)	1,573	1,883
Right of use asset	-	23
Deferred taxes (note 8)	7,470	8,246
Total non-current assets	28,403,119	28,170,091
Current assets:		
Cash and cash equivalents (note 10)	-	-
Investment in equity shares of Ultimate Parent (note 10,11)	2,317	2,417
Prepaid expenses (note 13)	7,837	5,091
Net amounts due from Unilever Group affiliates (note 9)	6,134	4,415
Total current assets	16,288	11,923
Total assets	28,419,407	28,182,014
Liabilities and Equity		
Equity: (note 14)		
Called up share capital	1	1
Share premium	1,350,173	1,341,561
Retained earnings	16,023,876	16,448,098
Total equity	17,374,050	17,789,660
Non-current liabilities:		
Liabilities to employee benefit plans (note 5)	20,063	21,815
Liabilities for share-based compensation (note 6)	3,548	3,953
Other	1	123
Total non-current liabilities	23,612	25,891
Current liabilities:		
Trade and other payables (note 15)	19,663	18,063
Provisions (note 16)	6,171	1,883
Liabilities to employee benefit plans (note 5)	2,733	3,217
Liabilities for share-based compensation (note 6)	5,734	5,366
Lease liability	-	94
Net amounts due to Unilever Group affiliates (note 9)	40	630
Net amounts due to UNUS Group affiliates (note 9)	10,987,404	10,337,210
Total current liabilities	11,021,745	10,366,463
Total liabilities and equity	28,419,407	28,182,014

The accompanying notes form an integral part of these financial statements.

Unilever United States, Inc.

Nonconsolidated Statements of Operations

Years Ended December 31, 2019 and 2018

	$ thousands	
	2019	**2018**
Management operations:		
Operating costs (note 9)	(2,207)	(14,146)
Finance income (expense):		
Interest on intercompany debt (note 9)	(551,538)	(519,156)
Interest on leases	(4)	(12)
Dividend income from affiliate (note 3)	600,024	-
Interest on benefit plans (note 5)	(935)	(921)
Other interest income	50	12
	47,597	(520,077)
Income (Loss) before taxes	45,390	(534,223)
Income tax benefit (note 8)	(130,291)	(126,213)
Net income (loss)	175,681	(408,010)

The accompanying notes form an integral part of these financial statements.

Unilever United States, Inc.

Nonconsolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2019 and 2018

	$ thousands	
	2019	**2018**
Net income (loss)	175,681	(408,010)
Items that will not be reclassified to income:		
Actuarial gains (losses) on benefit programs, net of tax (expense) benefit of ($117) in 2019 and $190 thousand in 2018	123	(436)
Comprehensive income (loss)	175,804	(408,446)

The accompanying notes form an integral part of these financial statements.

Unilever United States, Inc.

Nonconsolidated Statements of Changes In Equity

Years Ended December 31, 2019 and 2018

	$ thousands			
	Total	Share Capital	Share Premium	Retained Earnings
Equity, December 31, 2017	18,998,216	1	1,341,561	17,656,654
Adjustment on initial application of IFRS 16, net of tax	(110)	-	-	(110)
Equity, December 31, 2017, restated	18,998,106	1	1,341,561	17,656,544
Net loss	(408,010)	-	-	(408,010)
Comprehensive loss	(436)	-	-	(436)
Dividends declared	(800,000)	-	-	(800,000)
Equity, December 31, 2018, restated	17,789,660	1	1,341,561	16,448,098
Net income	175,681	-	-	175,681
Comprehensive income	123	-	-	123
Capital contribution	8,611	-	8,611	-
Dividends declared	(600,024)	-	-	(600,024)
Equity, December 31, 2019	17,374,050	1	1,350,172	16,023,879

The accompanying notes form an integral part of these financial statements.

Unilever United States, Inc.
Nonconsolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	$ thousands	
	2019	**2018**
Cash flows from operating activities:		
Net income (loss)	175,681	(408,010)
Dividend income from affiliate	(600,024)	-
Income tax benefit	(130,291)	(126,213)
Post employment benefits	1,880	1,421
Share-based compensation	3,497	8,233
Interest expense	552,477	520,089
Interest paid	(545,506)	(503,860)
Depreciation expense	23	28
Changes in assets and liabilities:		
Prepaid expenses	(2,746)	(1,582)
Net amounts due from Unilever Group affiliates	(2,309)	8,264
Accounts payable	1,600	3,962
Provisions	4,288	189
Liabilities for share-based compensation	(3,534)	(19,474)
Other payables	(122)	(160)
Liabilities to employee benefit plans	(3,876)	(4,866)
Cash used by operating activities	(548,963)	(521,979)
Cash flows from investing activities:		
Investment in equity securities of Ultimate Parent	(94,476)	(66,038)
Funds in escrow	310	200
Dividend income from affiliate	600,024	-
Cash provided (used) by investing activities	505,858	(65,838)
Cash flows from financing activities:		
Dividend to Unilever Group	(600,024)	(800,000)
Net borrowings from UNUS Group affiliates	643,223	1,387,523
Payment of lease liabilities	(94)	(102)
Cash provided by financing activities	43,105	587,421
Net change in cash and cash equivalents	-	(396)
Cash and cash equivalents:		
Beginning of year	-	396
End of year	-	-

The accompanying notes form an integral part of these financial statements.

1. Presentation and Organization

Unilever United States, Inc. (the Company or UNUS) is a wholly owned subsidiary of UNUS Holding BV (incorporated in the Netherlands) (the "Parent") which itself is an indirect, wholly-owned, joint subsidiary of Unilever N.V. (incorporated in the Netherlands) and Unilever PLC (incorporated in the United Kingdom) (collectively referred to as the "Unilever Group" or "Ultimate Parent"). The Company is incorporated and domiciled in the United States.

The Unilever Group is one of the world's largest suppliers of fast-moving consumer goods. It manufactures, markets and sells products in the food, personal care and household products industries throughout the world. The Unilever Group conducts its business in the United States primarily through Conopco, Inc. (Conopco), an entity wholly owned by UNUS. Unilever Capital Corporation (UCC), another wholly owned subsidiary of the Company, provides financing for Unilever Group's United States operations.

As a holding company UNUS provides management services to its operating subsidiaries (collectively the UNUS Group) and facilitates communications and the flow of information between those subsidiaries and other entities within the Unilever Group.

2. Basis of Presentation

The accompanying financial statements of Unilever United States, Inc. represent the separate (nonconsolidated) financial statements of the Company pursuant to the exemption afforded under paragraph 4a of International Financial Reporting Standard ("IFRS") 10 – *Consolidated Financial Statements*. Accordingly, the accompanying financial statements are separate financial statements of the UNUS Group. The Company's ultimate parents, Unilever N.V. and Unilever PLC, issue publicly available consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. These statements are available at Unilever N.V. Investor Relations Department, Weena 455, PO Box 760, 3000 DK Rotterdam, The Netherlands.

(a) Statement of Compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The functional and reporting currency is the United States dollar.

(b) Basis of Measurement

The separate financial statements have been prepared on the historical cost basis unless otherwise indicated.

(c) Dividend Income

The Company's primary source of income is dividends from Conopco. These are recognized in the statements of operations when the Company's right to receive payment has been established, which is generally when the dividend has been declared. However, to the extent a distribution is considered a return of capital, the carrying value of the Company's investment is reduced. There were no distributions in 2019 or 2018 that represent a return of capital.

(d) ***Financial Asset***

A financial asset is recorded at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company's financial asset consists of an investment in shares of the Ultimate Parent. The Company acquires Unilever N.V. shares and Unilever PLC American Depository Receipts ("ADRs") to satisfy obligations under share-based compensation programs in the near term. These equity securities are recorded at fair value.

Loans and receivables are financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment charges.

(e) Cash and Cash Equivalents

Cash and cash equivalents are financial assets and include deposits, investments in money market funds and highly liquid investments that have are the following characteristics:

- Are readily convertible into cash
- Have an insignificant risk of change in value and
- Have a maturity of three months or less at acquisition

(f) Investment in Subsidiaries

Investments in the Company's subsidiaries are recorded at cost.

(g) Financial Liabilities

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(h) Estimates

The preparation of nonconsolidated financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income, and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. Estimates and judgments are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in applicable subsequent periods.

Significant estimates and judgments involved in the preparation of these nonconsolidated financial statements include the following:

- the measurement of defined benefit obligations and assets and the allocation thereof to subsidiaries
- allocation of income tax obligations to subsidiaries
- the fair value measurement of the investment in Conopco and the related impairment loss recognized
- the measurement of share-based compensation and the allocation thereof to subsidiaries

(i) Share-Based Compensation

The Company purchases shares of its Ultimate Parent (Unilever N.V. shares and Unilever PLC ADRs) to settle share-based compensation awards and therefore considers its award programs to be cash-settled plans in these separate nonconsolidated financial statements. Accordingly, compensation expense determined under share-based compensation plans is adjusted at the end of each reporting period through profit and loss to reflect the fair value of the related liability.

(j) Pensions and Similar Obligations

The Company sponsors one funded defined benefit pension plan and several unfunded defined pension and welfare benefit plans for its employees and the employees of its subsidiaries. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). ERISA sets general and specific standards regarding requirements including, but not limited to plan participation, minimum funding, and participant vesting. In addition, the significant plans are subject to provisions of the Internal Revenue Code governing deductibility of plan contributions and the exemption of plan trusts from income tax.

The operating and financing components related to defined benefit plans are recognized separately in the statements of operations. Operating costs (service costs) represent the cost of accruing benefits to employees during the year plus the cost of other events such as plan amendments involving enhanced benefits for prior service or termination and curtailments. The amount charged or credited to finance costs is a net interest expense calculated by applying the liability discount rate to the net defined benefit liability or asset. Differences between the interest on assets and return actually achieved and any changes in the liabilities over the year due to changes in assumptions or experience within the plans are recognized immediately in the statements of comprehensive income (loss).

The liabilities to employee benefit plans in the statements of financial position are comprised of the present value of the defined benefit plan obligation (determined using the projected unit credit method) allocable to UNUS. That liability is discounted using rates based on high quality corporate bonds less the fair value of plan assets allocable to UNUS. All of the Company's defined benefit plans are subject to annual independent actuarial valuations prepared as of the reporting date.

With respect to defined contribution plans, the Company records an expense in the statements of operations equal to its contribution payable to each plan. The Company's obligation under defined contribution plans is limited to the amounts required to be contributed each year. The assets and liabilities of defined contribution plans are not reflected in these financial statements.

(k) Income Taxes

The Company files its tax returns on a consolidated basis with the UNUS Group for U. S. federal purposes and in many states in which it conducts business. Income taxes reflected in these financial statements are determined using the pro rata method whereby current and deferred income taxes are allocated to members of the UNUS Group based on each member's relative contribution to the UNUS Group's consolidated income tax expense or benefit.

Income taxes are comprised of current and deferred tax. Current taxes are based on the enacted and substantively enacted tax rates and are recognized in the statements of operations except to the extent that they relate to items recognized directly in equity. Current tax benefit may also include adjustments to amounts recorded for tax assets and liabilities in prior years.

The Company recognizes deferred taxes using the asset and liability method on its temporary differences and on any carryforwards except to the extent benefits are not expected to be utilized by the consolidated UNUS Group. Deferred taxes are based on the expected manner of realization or settlement using tax rates enacted or substantively enacted as of the fiscal year end. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax is related to the same regulatory authority. Deferred taxes are not provided on temporary differences related to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future.

(l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation is available. Provisions are discounted if the effect is material to the financial statements. No provisions were discounted in these financial statements.

(m) Impairment of Assets

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

Objective evidence that financial assets are impaired can include default or delinquency to a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

Annually, in accordance with IAS 36 – *Impairment of Assets*, the Company determines whether indicators of asset impairment exist, particularly with respect to its investments in subsidiaries and its receivables from entities within the Unilever Group. There were no indicators of impairment in 2019 or 2018, and therefore no impairment recorded in 2019 or 2018.

(n) Leases – Significant Accounting Policy

The Company has applied IFRS 16 – Leases, using the full retrospective approach and therefore comparative information has been restated. Under the policy applicable from January 1, 2018, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) ***New Accounting Pronouncements***

IFRS 16 – *Leases* for reporting periods beginning on or after January 1, 2019 changed the recognition, measurement, presentation and disclosure of leases. In particular it requires lessees to record all leases on the balance sheet with exemptions available for low value and short-term leases. The new requirements in IFRS 16 did not have a material impact on these financial statements.

IFRIC 23 – *Uncertainty over Income Tax Treatments* effective for periods beginning on or after January 1, 2019 provides requirements that add to the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes. The adoption of IFRIC 23 did not have a material impact on these financial statements.

All other standards or amendments to standards that have been issued by the International Accounting Standards Board and were effective by January 1, 2018 were not applicable to these separate financial statements of the Company.

3. Investments in Subsidiaries

Following is a summary of the Company's investments in wholly-owned subsidiaries as of December 31, 2019 and 2018:

Subsidiary	Country Of Incorporation	Principal Place of Business	$ thousands 2019	$ thousands 2018
Conopco, Inc.	U.S.	U.S.	28,390,629	28,156,492
UCC	U.S.	U.S.	3,447	3,447
			28,394,076	28,159,939

The carrying value of UCC is historical cost. UCC provides financing for all entities within the UNUS Group. It has no other independent operations.

The carrying value of the Company's investment in Conopco is adjusted for the following:

- Acquisition of equity shares of the Ultimate Parent
- Generation of income tax receivables
- Impairment loss (recovery)

During the years ended December 31, 2019 and 2018, the Company acquired equity shares of its Ultimate Parent, which were then provided to employees of Conopco of $76.3 million and $83.2 million, respectively. The contribution of such amounts is not recovered from Conopco, and as such, is treated as an increase in the Company's investment in Conopco. In addition, there were related taxes on the share-based compensation plans in the amount of $835 thousand and $2.1 million for the years ended December 31, 2019 and 2018, respectively. In addition, during the years ended December 31, 2019 and 2018, the Company generated income tax receivables of $130.1 million and $127.9 million, respectively, which are used to offset income taxes payable by Conopco in the Company's consolidated income tax returns. These income tax receivables are not recovered from Conopco, and as such are treated as increases to the Company's investment in Conopco.

During the year ended December 31, 2019, the Company received dividends totaling $600 million from Conopco. During the year ended December 31, 2018 the Company did not receive dividends from Conopco.

4. Employee Compensation

Staff and management costs for the years ended December 31, 2019 and 2018 consist of the following:

	$ thousands	
	2019	2018
Staff costs:		
Remuneration of employees	$ 14,619	$ 19,830
Social Security	1,449	1,814
Post-employment benefits	324	593
Share-based payments	3,025	7,080
	$ 19,417	$ 29,317
Key management compensation:		
Salaries and short-term benefits	$ 2,555	$ 4,075
Post-employment benefits	4	6
Share-based payments	472	1,153
	$ 3,031	$ 5,234

Staff includes all persons not included within key management. Key management includes members of the Executive leadership team and other (executive and non-executive) Company officers.

Total staff and key management compensation of $22.4 million and $34.6 million for 2019 and 2018, respectively are presented in the statements of operations within operating costs. All compensation, with the exception of share-based payments, is rebilled to affiliates. The above amounts represent gross costs incurred including amounts paid related to UNUS Group entities that the Company is reimbursed for. Refer to note 8 for a summary of amounts comprising the operating costs, net of rebilling to affiliates, for the years ended December 31, 2019 and 2018.

5. Post Retirement Benefit Plans

Defined Benefit Plans

General

The Company sponsors pension and welfare benefit plans for both its employees and the employees of its subsidiaries under six pension plans and two welfare benefit plans. The Company's primary post-retirement benefit plan is the Unicare Retirement Plan which is also the only funded post-retirement benefit plan. Collectively, pension and post-retirement benefit plans are referred to as "the Plan". It is the Company's policy to contribute the minimum required contribution and comply with applicable U.S. law. The Company may increase its contribution above the minimum if appropriate to its tax and cash position and the funded position of the Plan. The Company has a stated policy of allocating net defined benefit cost among UNUS Group entities based on the ratio that the pensionable salaries of an individual employer bears to the pensionable salaries of all employers under the plan.

Benefits under pension plans are generally determined based on years of service and pensionable remuneration. Benefits under welfare benefit plans, including post-retirement healthcare plans, are defined in the plan documents.

The Company serves as the entity for the recording of the UNUS Group's defined benefit pension and welfare obligations in order to report the UNUS Group's financial position and results of operations to Unilever Group. For purposes of preparing these separate, nonconsolidated financial statements, the UNUS Group's pension liabilities have been allocated to its subsidiaries based on the ratio of the benefit obligations related to the subsidiaries' employees (current and retired), to the total of all benefit obligations under the plan.

For the years ended December 31, 2019 and 2018, the defined benefit cost related to these plans was based on the ratio of pensionable salaries in UNUS to the total of all pensionable salaries in the plans.

The Company's principal defined benefit pension plan was closed to new participants in 2007. In 2012 the benefits of certain plan participants were frozen. The benefits of most of the remaining plan participants were frozen effective July 1, 2017.

Investment Strategy

The Company follows Unilever Group policy guidelines with respect to the investment of pension assets. Those guidelines require the allocation of plan assets to various classes of investments with the goal of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost of the plans to the Company. The diversification of plan assets is such that the failure of a single investment would not impact the overall level of plan assets. The plan continues to invest a significant proportion of assets in equities which offer the best returns over the long run commensurate with an acceptable level of risk. The plans expose the Company to investment risk, interest rate risk, and longevity risk. In order to mitigate such risks, the plan also has significant investments in bonds and other alternative investments.

Plan Assumptions

The following represent the significant assumptions in the determination of the benefit obligation under the Company's pension and other post-retirement plans as of December 31, 2019 and 2018:

	2019	2018
Discount rate for Balance Sheet	3.30%	4.30%
Discount rate for Service Cost	3.40%	4.30%
Inflation	2.00%	2.00%
Rate of salary increase	3.00%	3.00%
Weighted average return on assets	4.20%	4.90%
Long-term medical care rate	5.00%	5.00%
Number of years a current pensioner is expected to live past 65		
Men	20.58	20.64
Women	22.55	22.65
Number of years a future pensioner currently aged 45 is expected to live past 65		
Men	22.16	21.12
Women	24.11	23.26

Mortality assumptions are based on the table Pri-2012 with generational mortality improvements using scale MP-2019. This table has a built-in allowance for future improvements in longevity.

Sensitivities

The sensitivity of pension and post-retirement health benefit liabilities to changes in key assumptions are as follows:

	Change in Assumptions	Change in Liabilities Pension	Change in Liabilities Post-retirement Health
Discount rate	Increase by 0.1%	-1.4%	-0.7%
Inflation	Increase by 0.1%	0.0%	-0.1%
Long-term medical care rate	Increase by 0.1%	0.0%	0.0%

An equivalent decrease in the indicated rates would have a commensurate effect in the opposite direction. Sensitivity analyses have been determined based on reasonably possible changes in the respective assumptions occurring at the end of the reporting period and may not be representative of an actual change. The analysis is based on a change in the key assumption while holding all other assumptions constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change when compared in the prior period.

Valuations of other post-retirement benefit plans assume a higher initial level of medical cost inflation, which drops from 7% to the long-term rate of 5% within 5 years. Healthcare cost trend assumptions can have a significant impact on the amounts reported for healthcare plans.

Statements of Operations

Net defined benefit cost of the plans charged to the statement of operations for the Company and for the plans as a whole for the years ended December 31, 2019 and 2018 are as follows:

	$ thousands			
	Company		The Plans	
	2019	2018	2019	2018
Charged to operating profit:				
Current service cost	945	500	16,161	17,904
Special termination benefits	-	-	-	4,719
Past service cost	-	-	(9,600)	(6,251)
Settlements/curtailments	-	-	4,719	2,988
Total operating costs	945	500	11,280	19,360
Charged to finance costs:				
Interest on retirement benefits	2,787	2,816	62,601	60,661
Expected return on assets	(1,852)	(1,895)	(37,874)	(38,039)
Finance costs	935	921	24,727	22,622

Statements of Comprehensive Income (Loss)

Net defined benefit cost of the plans charged to comprehensive income (loss) for the Company and for the plans as a whole for the years ended December 31, 2019 and 2018 are as follows:

	$ thousands			
	Company		The Plans	
	2019	2018	2019	2018
Actual return less expected return on plan assets	12,212	(1,515)	164,070	(97,231)
Experience gains (losses)	(4,166)	(4,537)	5,067	4,468
Changes in assumptions	(7,807)	5,426	(134,609)	114,278
Net pre-tax actuarial gain (loss) recognized in comprehensive income (loss)	239	(626)	34,528	21,515

Statements of Financial Position

The assets, liabilities and deficit position of pension and other post-retirement benefit plans at December 31, 2019 and 2018 related to the Company's participation in such plans are as follows:

	$ thousands			
	2019		2018	
	Pension Plans	Other Post-employment Benefit Plans	Pension Plans	Other Post-employment Benefit Plans
Principal plan assets:				
Equities	17,495	-	14,710	-
Bonds	31,557	-	28,725	-
Other	1,211	-	2,371	-
	50,263	-	45,806	-
Present value of liabilities:				
Principal plans	57,468	7,176	54,106	7,928
Other plans	8,415	-	8,804	-
	65,883	7,176	62,910	7,928
Pension liability net of assets	(15,620)	(7,176)	(17,104)	(7,928)
Funded plans in deficit	7,205	-	8,300	-
Unfunded Plans	8,415	7,176	8,804	7,928
	15,620	7,176	17,104	7,928

The assets, liabilities and deficit position of pension and other post-retirement benefit plans at December 31, 2019 and 2018 related to the Plan are as follows:

	$ thousands			
	2019		2018	
	Pension Plans	Other Post-employment Benefit Plans	Pension Plans	Other Post-employment Benefit Plans
Principal plan assets:				
Equities	344,952	-	300,788	-
Bonds	622,193	-	587,382	-
Other	23,877	-	48,493	-
	991,022	-	936,663	-
Present value of liabilities:				
Principal plans	1,133,100	306,091	1,106,373	321,804
Other plans	106,468	6,464	111,868	12,056
	1,239,568	312,555	1,218,241	333,860
Pension liability net of assets	(248,546)	(312,555)	(281,578)	(333,860)
Funded plans in deficit	142,078	-	169,710	-
Unfunded Plans	106,468	312,555	111,868	333,860
	248,546	312,555	281,578	333,860

As of December 31, 2019 and 2018 the Plan’s investment in equity shares of the Ultimate Parent totaled $-0- and $95 thousand, respectively.

Reconciliation of Changes in Assets and Liabilities

Changes in the assets and liabilities of the Plan related to the Company's participation in the plan are as follows:

	$ thousands			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Balance, January 1	$ 45,806	$ 70,838	$ 55,436	$ 83,287
Current service cost	-	945.0	-	500.0
Special termination benefits	-	-	-	-
Past service costs	-	-	-	-
Settlements/curtailments	-	-	-	-
Expected return on assets	1,852.0	-	1,895.0	-
Interest costs	-	2,787.0	-	2,816.0
Actuarial gain (loss)	12,212.0	11,973.0	(1,515.0)	(889.0)
Employer contributions	3,604.0	-	3,653.0	-
Reclassification of benefits	(603)	(876)	(2,219)	(3,432)
Benefit payments	(12,608)	(12,608)	(11,444)	(11,444)
Balance, December 31	$ 50,263	$ 73,059	$ 45,806	$ 70,838

Changes in the assets and liabilities of the Plans as a whole are as follows:

	$ thousands			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Balance, January 1	936,663	1,552,100	1,112,805	1,758,712
Current service cost	-	16,161	-	17,904
Special termination benefits	-	-	-	4,719
Past service costs	-	(9,600)	-	(6,251)
Adjustment for BCS	-	-	9,192	22,806
Settlements/curtailments	-	4,719	-	2,988
Expected return on assets	37,874	-	38,039	-
Interest costs	-	62,601	-	60,661
Plan mergers	-	-	-	-
Actuarial gain (loss)	164,070	129,542	(97,231)	(118,746)
Employer contributions	55,786	-	64,551	-
Benefit payments	(203,370)	(203,370)	(190,693)	(190,693)
Balance, December 31	991,023	1,552,153	936,663	1,552,100

Cash Flow

The Company's cash flow related to pensions and other post–retirement benefits includes contributions to its funded plan and benefits paid under unfunded plans. Amounts paid in 2019 and 2018 as well as an estimate for amounts to be paid in 2020 related to the Company's participation in the Plans are as follows:

	$ thousands		
	(Estimate) 2020	2019	2018
Company contributions to funded plans:			
Defined benefit	5,072	-	-
Defined contribution	1,318	1,207	1,899
Benefits paid under unfunded plans	2,733	3,604	3,653
Cash flow	9,123	4,811	5,552

The current portion related to the benefits paid under unfunded plans is $2.7 million and $3.6 million, respectively.

Amounts paid in 2019 and 2018 as well as an estimate for amounts to be paid in 2020 related to the Plan as a whole are as follows:

	$ thousands		
	(Estimate) 2020	2019	2018
Company contributions to funded plans:			
Defined benefit	100,000	-	-
Defined contribution	51,732	47,363	45,804
Benefits paid under unfunded plans	66,843	55,785	72,885
Cash flow	$ 218,575	$ 103,148	$ 118,689

Defined Contribution Plan

The Company operates the UNICare Savings Plan (the "Plan"), a defined contribution plan open to eligible employees of UNUS Group except employees located in Puerto Rico, employees covered by a collective bargaining agreement and employees of certain companies recently acquired by Unilever. The Plan is a qualified retirement plan under section 401(a) of the Internal Revenue Code of 1986 and is subject to the provisions of ERISA.

Under the Plan the Company matches employee elective deferrals at a rate of 100% of the first 5% of compensation contributed by employees. In addition, the Company makes a non-elective contribution equal to 4% of compensation for all eligible employees employed after January 1, 2007, whether or not they make elective deferrals to the Plan. The Company's matching and non-elective contributions for each of the years ended December 31, 2019 and 2018 was $1.2 million and $1.8 million, respectively, and as of those dates amounts owed to the Plan, included in accounts payable and accrued expenses, totaled $32 thousand and $44 thousand, respectively. It is the Company's policy to fund the Plan on a current basis.

Effective January 1, 2019 Unilever established the Unilever Advantage Savings Plan for employees of certain companies acquired by Unilever. The groups participating in this Plan are Sundial, Schmidt's, Sir Kensington's, Dermalogica, The Laundress and Kingdom Animalia (Hourglass). Under the Plan the Company matches employee elective deferrals based on the rules established by each participating company. In some cases, there may be no match allocated. The Plan is funded on a current basis.

6. Share-Based Payments

The Company has several share-based programs for UNUS Group employees which are covered by the Unilever North America 2002 Omnibus Equity Compensation Plan as amended in November 2012. The Omnibus Plan provides for the granting of options on up to 121.5 million Unilever N.V (New York Registry) shares, 117.9 million shares of Unilever PLC ADRs, 6 million ordinary shares of Unilever N.V and 1.3 million ordinary shares of Unilever PLC (collectively, the "Shares") to key UNUS Group employees. The Company purchases shares of Unilever N.V. and Unilever PLC ADRs to satisfy its share-based compensation program obligations, and as of December 31, 2019 held 9.3 thousand Unilever N.V shares and 31.4 thousand Unilever PLC ADRs. As of December 31, 2018 the Company held 16.4 thousand Unilever N.V. shares and 28.8 thousand Unilever PLC ADRs. For the years ended December 31, 2019 and 2018, share-based compensation expense totaled $3.5 million and $8.2 million, respectively. As of December 31, 2019 and 2018, liabilities related to share-based compensation plans totaled $9.3 million.

(a) Performance Share Programs

Global Performance Share Program ("GPSP")

The GPSP provides for the granting of Share awards to qualified employees within certain manager classes which vest over a three-year performance period at levels ranging from 0 percent to 200 percent of a target award depending upon the achievement of specific performance conditions.

Generally, awards are made annually covering the year of the grant and the subsequent two years. Shares are issued at the end of each three-year performance period based on actual performance versus the pre-established criteria. Individuals receive the shares issued only if they remain eligible at the end of the three-year performance period. Performance metrics of the GPSP relate to sales growth, operating cash flow and core operating margin improvement. Certain employees may elect to defer the payment of vested shares until retirement. Awards are settled in Unilever NV shares or Unilever PLC ADRs in the year following the year in which the awards vest. However, the Company may elect to settle awards under the GPSP in cash. Last award was made in 2018 and is paying out in 2021.

Global Share Incentive Program ("GSIP")

The GSIP, which operates in a manner very similar to the GPSP, is limited to certain executives. Share awards vest over a three-year period at levels ranging from 0% to 200% of a target award depending on the achievement of specific performance conditions. Performance metrics for the GSIP program include those of the GPSP program as well as one additional metric – total shareholder return. Under the GSIP, employees have more flexibility with respect to selecting the type of Shares to be received. Awards are settled in Unilever NV shares or Unilever PLC ADRs in the year following the year in which the awards vest. However, the Company reserves the right to settle its Shares in cash.

Management Co-Investment Program ("MCIP")

The MCIP allows certain employees who are eligible to participate in the GPSP and GSIP to invest up to 100 percent of their annual bonus in Shares (the "Investment Shares"), for which they are immediately vested. Under the MCIP the Company matches each Investment Share with up to one additional Share (the "Match Shares"). Each employee's right to receive Match Shares is subject to a three or four year vesting period and the achievement of specific performance conditions. The number of match Shares awarded can range from 0 percent to 200 percent of the target award.

MCIP participants who either are, or eligible to be, participants of the GPSP are subject to the GPSP performance conditions. MCIP participants who either are or are eligible to be participants of the GSIP are subject to the GSIP performance conditions. Match Shares are distributed at the end of the vesting period based on actual performance versus the pre-established criteria.

In 2017, the Company launched an enhanced MCIP, which relates to MCIP awards granted starting January 1, 2017. The enhanced plan allows participants to invest up to 100% of their annual bonus in Unilever shares called "Investment Shares" and receive a corresponding award in performance shares, which vest after four years, subject to satisfaction of new long-term performance measures. In 2018 Work Level 2 employees are eligible to participate as long as local laws and exchange regulations permit and can invest up to 20% of their annual bonus. In 2019, Work Level 2 employees will be eligible to participate as long as local laws and exchange regulations permit and can invest up to 50% of their annual bonus. In 2020, Work Level 2 employees will be eligible to participate as long as local laws and exchange regulations permit and can invest up to 100% of their annual bonus.

The Shares Plan ("SHARES")

Effective July 23, 2014 the Company adopted a new global employee share plan, SHARES, which eligible employees were allowed to enroll in November 2016 for the 2017 year. SHARES allows eligible employees to invest a minimum of 25 Euros to a maximum of 200 Euros per month, in the USD equivalent towards purchasing shares of the Ultimate Parent (the "Investment Shares"). The minimum and maximum amounts are set in Euros each year and converted to USD before the enrollment period opens. At the end of each quarter the number of Investment Shares an eligible employee purchases will equal the total USD amount contributed in the prior 3 months divided by the applicable Unilever share acquisition price.

Under SHARES at the end of each quarterly investment period, the Company will award "phantom" Match Shares equal to one-third of the number of Investment Shares purchased. Each employee's right to receive the Match Shares is subject to a three-year vesting period. Three years after the "phantom" Match Shares are awarded the eligible employee will receive a Unilever share for every "phantom" Match Share, provided the Investment Shares purchased were not sold or transferred. The SHARES program terminates in 2024.

Compensation expense under the GPSP, GSIP and MCIP, which is charged over the performance period, is initially determined on the date of the award based on the fair value of the target shares awarded and the number of Shares expected to vest; the expense is updated annually for changes in the actual number of Shares expected to vest, changes in the fair value of the underlying Shares and the fair value of the liability to be settled.

Compensation expense under the ESBP is initially determined at the grant date based on the fair value of the matching Shares and adjusted annually over the vesting period based on changes in the current price of the Shares and the value of the liability at each reporting date.

Dividends related to the target award under the GPSP, GSIP and MCIP are credited to each employee and converted into additional target shares which are subject to the same vesting criteria as the original target shares. Dividends on ESBP matching Shares are credited to the employee and converted into additional matching Shares at settlement.

A summary of the status of performance share programs as of December 31, 2019 and 2018 and the changes therein during the years then ended are as follows:

	Number of Shares	
	2019	2018
Outstanding, January 1	251,225	489,560
Awarded	147,778	210,160
Distributed	(187,886)	(448,220)
Forfeited	(52)	(275)
Outstanding, December 31,	211,065	251,225
Fair value per share award as of year end	$ 57.46	$ 53.46

7. Leases

The Company leases office space, which expired in October 2019. Previously, this lease was classified as an operating lease under IAS 17. The right-of-use asset was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The lease liability was measured at the discounted present value of the total remaining lease payments.

Information about leases for which the Company is a lessee are presented below:

Right-of-use asset

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment.

	$ thousands
Balance at January 1, 2018	51
Depreciation charge for the year	(36)
Lease modification adjustment	8
Balance at December 31, 2018	23
Depreciation charge for the year	(23)
Balance at December 31, 2019	-

Measurement of lease liabilities

	$ thousands
Balance at January 1, 2018	(196)
Interest expense	(13)
Lease payments	115
Balance at December 31, 2018	(94)
Interest expense	(3)
Lease payments	97
Lease liability at December 31, 2019	-

Amounts recognized in profit or loss

	$ thousands	
	2019	2018
Interest on lease liabilities	3	13

Amounts recognized

	$ thousands	
	2019	2018
Total cash outflow for leases	94	102

8. Income Taxes

The Company files returns in the United States at the Federal level as part of a consolidated group and is able to utilize any losses. The income tax benefits recognized in 2019 and 2018 are as follows:

	$ thousands 2019	$ thousands 2018
Current tax :		
Current year benefit	$ (130,115)	$ (127,918)
Deferred tax:		
Deferred tax (benefit) expense	(176)	1,705
Income tax benefit	$ (130,291)	$ (126,213)

The reconciliation between U.S. Federal tax rate and the effective tax rate is as follows:

	% 2019	% 2018
U.S. Federal tax rate	21.0	21.0
Differences due to:		
Non-deductible expenses	1.4	(0.1)
State taxes, net of federal benefit	(31.8)	2.7
Non-taxable dividends	(277.6)	-
Effective tax rate	(287.0)	23.6

Deferred tax movements in 2019 are as follows:

	$ thousands January 1, 2019	Profit and Loss	OCI	Investments in Subsidiaries	December 31, 2019
Pension and similar obligations	5,825	(656)	(117)	-	5,052
Share based compensation	3,016	777	-	(835)	2,958
Other	(595)	55	-	-	(540)
	8,246	176	(117)	(835)	7,470

Deferred tax movements in 2018 are as follows:

	$ thousands				
	January 1, 2018	Profit and Loss	OCI	Investments in Subsidiaries	December 31, 2018
Pension and similar obligations	6,387	(752)	190	-	5,825
Share based compensation	5,840	(730)	-	(2,094)	3,016
Other	(372)	(223)	-	-	(595)
	11,855	(1,705)	190	(2,094)	8,246

Deferred tax to be settled after 12 months at December 31, 2019 and 2018 is $8,010 thousand and $8,841 thousand, respectively, which is inclusive of the pension and similar obligations and shared based compensation balances. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are not recorded with respect to the outside basis differences for investments in subsidiaries, where the Company is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The Company has determined that it is impracticable to determine the amount of taxes that would be payable if the temporary differences were to reverse.

9. Related Party Transactions

Related parties include people and entities that have or are subject to the influence or control of the UNUS Group or the Unilever Group.

The Company provides administrative services to entities in the UNUS Group and receives administrative and other services from the Unilever Group. All balances with Unilever Group and UNUS Group entities are uncollateralized and interest bearing. It is Unilever Group's policy to charge interest on all intercompany debt. During each of the years ended December 31, 2019 and 2018 interest on intercompany debt ranged from 2.86% to 3.54% and 2.71% to 3.47%, respectively.

The Company has provided Conopco with two unsecured, non-interest-bearing lines of credit totaling $5.9 million to fund the environmental remediation of two sites in New Jersey. During 2019 one of the lines of credit was closed. The letters of credit automatically renew on an annual basis and can only be terminated by the Company with the permission of the New Jersey Department of Environmental Protection. There were no amounts outstanding under either line of credit as of December 31, 2019 and 2018 or during the years ended December 31, 2019 and 2018.

On a daily basis, available funds are swept from depository accounts into a Unilever Group concentration account and used to settle intercompany borrowings. Cash principally represents the balance of customer checks that have not yet cleared through the banking system and become available to be swept into the concentration account, and deposits made subsequent to the daily cash sweep. The Company does not fund its disbursement accounts for checks it has written until the checks are presented to the bank for payment. Cash overdrafts represent the balance of outstanding checks and are classified with other current liabilities. There are no compensating balance requirements or other restrictions on the transfer of cash associated with the Company's depository accounts.

All balances due to and from affiliates within the UNUS Group are presented as a single net amount in the statements of financial position as the Company has both the legal right and the intent to offset amounts due to and from these affiliates.

Amounts owed to and from different affiliates within the Unilever Group are presented separately in the statements of financial position as these amounts are settled on a current basis. Where the Company has the legal right of offset, amounts due to and from the same affiliate within the Unilever Group but outside the UNUS Group have been presented on a net basis.

Net amounts owed to UNUS Group affiliates at December 31, 2019 and 2018 total $11 billion and $10.3 billion, respectively. Net interest expense on affiliate debt totaled approximately $552 million and $519 million for the years ended December 31, 2019 and 2018, respectively.

	$ thousands	
	2019	2018
Borrowings as of January 1	10,337,210	8,933,458
Proceeds	919,902	1,559,957
Repayments	-	-
Noncash transactions	(269,708)	(156,205)
Total debt guarantees	10,987,404	10,337,210

Net amounts owed from Unilever Group affiliates at December 31, 2019 and 2018 total $6.1 million and $4.4 million, respectively.

A summary of amounts comprising the income (expense) net of rebilling for the years ended December 31, 2019 and 2018 follows:

	$ thousands	
	2019	2018
Compensation (Note 4)	22,448	34,551
Non-personnel costs	18,189	18,136
	40,637	52,687
Amounts rebilled to affiliates	(38,430)	(38,529)
Operating costs	2,207	14,158

Dividends paid to Unilever Group totaled $600 million and $800 million for the years ended December 31, 2019 and 2018, respectively.

The Company is the guarantor of debt issued by Unilever N.V, and Unilever PLC. In addition, the Company guarantees certain debt of its subsidiaries. The guarantees generally require performance in the event of a default under the terms of the debt agreements. The Company considers the possibility of default remote and therefore has not reflected any liabilities associated with these guarantees in the financial statements.

The outstanding amounts of these guarantees as of December 31, 2019 and 2018 are summarized following:

	$ thousands	
	2019	2018
Debt of subsidiaries	12,973,776	12,624,224
Debt of Ultimate Parent	13,509,867	12,316,657
Total debt guarantees	26,483,643	24,940,881

In addition, the Company guarantees eleven lease contracts with future minimum lease payments of $249.7 million and $282.5 million in 2019 and 2018, respectively.

10. Financial Assets and Liabilities

Financial Assets

Financial assets at December 31, 2019 and 2018 are comprised of the following**:**

	$ thousands			
	2019		2018	
	Current	Non-current	Current	Non-current
Cash in bank	-	-	-	-
Funds in escrow	-	1,573	-	1,883
Equity shares of Ultimate Parent	2,317	-	2,417	-
	2,317	1,573	2,417	1,883

Cash and cash equivalents at December 31, 2019 and 2018 are all considered current assets and consist of cash in bank.

Financial Liabilities

The Company's primary financial liabilities consist of trade payables and amounts due to affiliated entities discussed in Notes 14 and 8, respectively.

11. Fair Value of Financial Instruments

The Company's financial instruments subject to fair value reporting on a recurring basis consist of shares of the Ultimate Parent (Unilever N.V and Unilever PLC). The value of such shares for each of the years December 31, 2019 and 2018 totals $2.3 million and $2.4 million, respectively. These assets are classified in the Level 1 fair value hierarchy – quoted prices for identical instruments.

12. Risk Management

(a) Credit Risk

Credit risk is the risk of financial loss if a counter-party fails to meet its contractual obligation. Credit risk related to cash and cash equivalents and funds in escrow is limited since the Company places its deposits in high-quality financial institutions and monitors those institutions on a regular basis. The Company does not require collateral from its financial institutions and has not suffered any losses.

(b) Liquidity Risk

Liquidity risk relates to the Company's ability to meet is financial obligations as they come due. As indicated in Note 1 the Company is a holding entity that provides management services to its subsidiaries. The Company's primary source of income is dividends from these subsidiaries, the timing of which is initiated by management of companies in the UNUS Group. The Company has no line of credit. As such, the Company is dependent upon its subsidiaries to provide it with financing, in the form of inter-company loans, to enable it to satisfy its obligations to unrelated parties as they come due. While amounts due to affiliated entities are considered demand debt, the timing of the settlement of any significant balance would need to be agreed with management of companies in the UNUS Group or the Unilever Group. Substantially all of it is not expected to be settled in the near term. Furthermore, the Company has an unrestricted ability to withdraw funds from its subsidiaries.

(c) Market Risk

Due to the nature UNUS's operations, its direct exposure to market risk is considered minimal. The Company is exposed to limited currency risk related to obligations to foreign, third party vendors. The Company has interest rate risk due to the amount of inter-company debt on its balance sheet. A 38 basis point increase (decrease) in interest rates would result in an increase (decrease) in finance charges on amounts due to affiliated entities by approximately $51 million ($51 million) based on the average amounts outstanding for the year ended December 31, 2019.

The Company does not have any derivative financial instruments.

13. Prepaid Expenses

Prepaid expenses are recorded at amortized cost and consist of the following at December 31:

	$ thousands	
	2019	2018
Current:		
Insurance	3,410	3,921
Duty, taxes, and other	4,427	1,170
	7,837	5,091

14. Equity

The Company considers total equity (share capital, share premium and retained earnings) to be part of managed capital. The primary goal of capital management is to achieve the Ultimate Parent's objectives which include assuring the entity continues as a going concern and optimizing returns to the Ultimate Parent's shareholders. The authorized and issued share amounts of the Company's capital as of December 31, 2019 and 2018 is as follows:

	$ thousands	
	Authorized	Issued
Preferred $73.50 par	7,350	-
Common $.333 par	3	1
	7,353	1

On May 2, 2019 the Ultimate Parent contributed its investment in REN USA, Inc.to the Company, without issuance of new shares. The fair value of the contribution is $8,611.

15. Trade and Other Payables

The following summarizes current trade and other payables which are recorded at present value of the estimated settlement amount:

	$ thousands	
	2019	2018
Employee benefits and withholding taxes	$ 9,309	$ 10,776
Trade payables	6,959	5,159
Trading	1,256	-
Other	2,139	2,128
	$ 19,663	$ 18,063

The carrying value of trade payables approximates fair value.

16. Legal Proceedings and Provisions

Environmental Remediation

A 1997 stock sale of certain Company subsidiaries triggered the New Jersey Industrial Site Recovery Act ("ISRA"). Pursuant to ISRA and its implementing regulations, the Company was obligated to establish a financial assurance in connection with its ISRA obligations to investigate and, if necessary, remediate the industrial establishments that were sold. As such, in July 1997 the Company established a $7 million "Remediation Trust Fund" to cover numerous sites.

The New Jersey Department of Environmental Protection ("NJDEP") is the beneficiary of the Trust' and all earnings of the fund are added to the corpus and are not available to the Company except as determined by the NJDEP and the applicable regulatory provisions.

In light of changes to the regulatory provisions governing financial assurance obligations, and recognizing the degree of remedial work that had been completed at the involved sites, in 2013, the NJDEP authorized the Company to terminate the original Trust Agreement and create two separate Trust Agreements for the two remaining sites requiring remediation. As such, the original Trust was terminated, and the funds were returned to the Company. Thereafter, (in 2014) two separate "Remediation Trust Fund Agreements" were created; one funded at $2.275 million, and the second funded at $302 thousand. In February 2019 one of the trusts was terminated. At December 31, 2019 the amount of the trust fund totaled approximately $1.6 million. At December 31, 2018 amounts in the two trust funds collectively totaled approximately $1.9 million.

The Company reflected a provision of approximately $1.6 million and $1.9 million related to these environmental issues as of December 31, 2019 and 2018, respectively, included in other non-current liabilities in the statements of financial position. Amounts charged to profit and loss in 2019 and 2018 related to site remediation total $81 thousand and $120 thousand, respectively. Changes in provisions as of and for the years ended December 31, 2019 and 2018 follow:

	$ thousands	
	2019	2018
Balance, January 1	1,603	1,694
Current year expense	361	120
Payments	(402)	(211)
Balance, December 31	1,562	1,603

Other Matters

The Company is indirectly involved in legal proceedings that have arisen through the normal course of business in its operating subsidiaries. The majority of these matters relate to consumer product liability, allegedly deceptive advertising and environmental remediation liability issues related to Conopco and its subsidiaries' operations. In many of these matters, the Company is named as a defendant. While the Company is named as a defendant in such matters, the Company does not believe it is probable that the settlement or other resolution of legal obligations related to such matters will result in an outflow of economic benefits from the Company. Provisions for liabilities related to these matters, if any, are recorded in the financial statements of the individual operating subsidiaries and are not considered material to those entities' operations.

17. Events After the Reporting Period

No events have occurred after the reporting period which requires disclosure in or adjustment to the nonconsolidated financial statements.

18. Approval of the Financial Statements

The nonconsolidated financial statements were approved by management and authorized for release on March 27, 2020.