

Company registered no 2506007

# **UNITED BISCUITS (UK) LIMITED**

## **Report and Financial Statements**

**For the 52 Weeks Ended**

**2 January 2010**



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**Directors' report**


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The directors present their report and the accounts for the fifty-two weeks ended 2 January 2010

**Results and dividends**

The profit for the period is shown in the profit and loss account on page 10. No dividend was paid or proposed during the period (2008 £nil)

**Directors**

The directors who served during the period were

<b>Name</b>	<b>Date of appointment</b>
Robin Brown	15 December 2006
Susan Furst	13 September 2001
Mark Oldham	28 July 2000
Simon Alan Rose	28 May 2005
Benoit Testard	15 December 2006
Jeffrey Peter van der Eems	02 September 2006

**Principal activity, review of the business, future developments and going concern**

The Company's key financial and other performance indicators from operations during the period were as follows

	<b>2009 £m</b>	<b>2008 £m</b>
Turnover	1,050.6	999.4
Business profit	197.9	160.6
Net current assets	475.3	400.8
Shareholder's equity	443.7	540.3
	<b>Number</b>	<b>Number</b>
Average number of employees	6,492	6,665

The principal activity of the Company is the manufacture and sale of a range of food products, principally biscuits and savoury snacks.

The Company is the leading manufacturer and marketer of biscuits in the United Kingdom. In 2009, the Company's branded biscuit sales accounted for approximately 25% of the overall biscuit market. Among the Company's popular core product brands are *McVitie's Digestives*, *Jacobs Cream Crackers*, *Penguin*, *go ahead!* and *McVitie's Jaffa Cakes*.

The Company is also the largest manufacturer and marketer of branded packaged nuts in the United Kingdom, with a market share of approximately 18% of the packaged nuts market in 2009, and the second largest manufacturer and marketer of branded savoury snacks and crisps in the United Kingdom with a market share of approximately 16.5% of the packaged savoury snacks and crisp market in 2009. The Company's leading snack brands include *McCoy's*, *Hula Hoops*, *Twiglets*, *Skips*, *Mini Cheddars* and *KP Nuts*.

The Company exports its branded products to approximately 100 countries around the world and had export sales of £110.0 million in 2009. Among its key export brands are *McVitie's*, *Carr's*, *BN* and *Delacre*.

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**Directors' report (continued)**

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Turnover from continuing operations in 2009 was £1,050.6 million compared with £999.4 million in 2008, an increase of £51.2 million, or 5.1%. Turnover comprises sales of drive brands, non-drive brands and non-branded products. Drive brands are the Company's most strategic and popular brands which receive priority marketing and innovation support. Non-drive brands receive less marketing and innovation support. Non-branded products are sold by multiple retailers under their own brands. Revenue growth was driven by successful new product development and extensions to priority brands in our UK and overseas markets.

Business profit is the primary measure by which management measures business performance and is used by management for the purpose of business decision-making and resource allocation. Business profit represents the operating profit or loss from continuing operations before the share of results of joint venture, taxes, financing, exceptional items and depreciation and amortisation expense.

Business profit for 2009 was £197.9 million compared with £160.6 million in 2008, an increase of £37.3 million, or 23%. This increase in business profit was driven by revenue growth and cost savings.

The financial statements have been prepared on a going concern basis as the directors are satisfied that the Company has adequate financial resources to continue its operations for the foreseeable future. In making this statement, the Company's directors have reviewed the Company's budget and available facilities and have made such other enquiries as they considered appropriate.

**Principal risks and uncertainties**

As well as financial risks, the Company is subject to a number of significant business risks. These risks include the following:

- Ability to implement its business strategy to respond to consumer trends,
- Funding of defined benefit pension schemes,
- Significant competition,
- Consolidation of grocery retailers in its markets,
- Dependence on raw materials and cost inflation,
- Supply and manufacturing processes,
- Brand reputation
- Trade hostilities,
- Challenges to its brands and intellectual property rights,
- Changes to taxation caused by fiscal legislation, and
- Restrictions on operations and government regulation

Additional risks not presently known to the Company, or that management currently deem immaterial, may also impair future business operations.

**Financial risk management objectives**

In the ordinary course of business, the Company is exposed to a variety of financial risks arising from fluctuations in foreign currency exchange rates, interest rates and commodity prices. To manage these risks effectively, the Company enters into hedging transactions and uses derivative financial instruments, under established internal guidelines and policies, to mitigate the adverse effects of these risks. The Company does not enter into financial instruments for trading or speculative purposes.

The Treasury Management Committee establishes the Company's financial risk strategy. The strategy is implemented by a central treasury department (Group Treasury), which identifies, evaluates and hedges financial risks, working closely with the Company's operating units. The Treasury Management Committee ensures that critical controls exist and are operating correctly within Group Treasury. Written policies, approved by the Treasury Management Committee, provide the framework for the management of the Company's financial risks, and provide specific guidance on areas such as foreign exchange risk, interest rate risk and liquidity risk.

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**Directors' report (continued)**

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**Foreign Exchange risk**

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro and the Canadian dollar. Foreign exchange risk arises as follows:

***Currency Fluctuation***

Although the majority of the Company's sales are generated in the United Kingdom, its operations are geographically diverse. During the period, the company had sales in approximately 100 countries. As a result, the Company's financial position and results of operations are subject to both currency transaction risk and currency translation risk.

***Currency Transaction Risk***

Group Treasury is responsible for managing foreign exchange risk arising from future commercial and financing transactions and recognised assets and liabilities, usually by using forward currency contracts. The Company's risk management policy is to hedge a proportion of its net currency exposure.

Due to the Company's geographically diversified customer base, it generates a portion of its revenues from sales in currencies other than those in which it regularly operates and incurs expenses. The Company hedges against currency transaction risk by matching cash inflows in a particular currency with its costs. The Company enters into forward foreign currency contracts to hedge against its exposure to foreign currency exchange rate fluctuations in, among other things, the purchase of raw materials, sales in Eire and sales in the International Sales business. The Company also purchases forward foreign currency contracts to hedge against expected net exposure to foreign currency exchange rate fluctuations with particular contractual commitments.

**Restructuring programs**

During 2009, the Company continued the implementation of its cost-reduction initiatives. Implementation costs were associated with factory restructuring programs and continued reductions in overhead costs.

**Research and development**

Research and development expenditure plays an essential part in the Company's commitment to product innovation, health and nutrition, and the development of more effective production and packaging technology.

**Charitable donations**

During the period the Company made charitable donations of approximately £94,000 (2008: £30,000).

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**Directors' report (continued)**

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**Employment policies**

The Company has a comprehensive framework of employment policies. The rights and opportunities of all people to seek, obtain and hold employment with dignity and without any form of discrimination remains of great importance to the Company. It is the policy that employees at all levels shall not in their dealings harass or discriminate against other individuals on grounds of gender, race, nationality, religion, marital status, sexual orientation, disability, age or for any other reason whatsoever. This policy applies in respect of all conditions of employment.

Equal opportunity is offered to disabled persons, whether registered or not, applying for vacancies having regard to their aptitudes and abilities. Arrangements are made to continue the employment, wherever possible, of those employees who have become disabled. Consideration is also given to arranging appropriate training facilities or providing special aids where necessary. Disabled persons are also provided with the same opportunities for training, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

The Company not only complies with the health and safety measures required by law, but acts positively to ensure that its premises are healthy and safe places in which to work. It recognises that the health and safety of all its employees whether on Company premises or carrying out Company business elsewhere, and of persons visiting Company premises, is primarily the responsibility of management.

**Employee involvement**

The Company communicates information about the Company through a "Period Brief" report, which is issued every four weeks and made available to all employees. Regular meetings are held between local management and employees and employees participate in the success of the business through the Company's profit sharing schemes.

**Suppliers**

The Company requires management staff responsible for procurement to negotiate appropriate terms and conditions of trade as competitively as it negotiates prices and other commercial matters.

Employees are bound by the terms of the Company's 'Ethics and Operating Principles' which sets out the Company's code of practice on the treatment of suppliers. This policy states that 'all suppliers will be paid on time in accordance with agreed terms of trade'.

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**Directors' report (continued)**

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At 2 January 2010, the Company had an average of 96 days purchases (2008 90 days) outstanding in trade creditors

**Directors interests**

No director had interests in the share capital of either the Company or other UK registered Group companies. No director had, during the period or at the end of the period, any material interest in any contract of significance to the Company's business. During the period the Company maintained liability insurance for its directors and officers.

**Auditors**

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

**Directors' statement as to disclosure of information to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board



**Susan Furst - Director**

28 April 2010

**Registered Office**

Hayes Park  
Hayes End Road  
Hayes,  
Middlesex UB4 8EE

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### **Statement of directors' responsibilities in relation to the financial statements**

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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 the 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). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in financial statements,
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **United Biscuits (UK) Limited**

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### **Independent Auditor's Report to the Member of United Biscuits (UK) Limited**

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We have audited the financial statements of United Biscuits (UK) Limited for the year ended 2 January 2010, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

#### **Respective responsibilities of directors and auditors**

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 2 January 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## United Biscuits (UK) Limited

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### Independent Auditor's Report to the Member of United Biscuits (UK) Limited (Continued)

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

*Ernst & Young LLP*

Andrew Walton ( Senior Statutory Auditor )  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

28 April 2010

# United Biscuits (UK) Limited

## Profit and loss account

For the period 3 January 2009 to 2 January 2010

	Notes	2009 £m	2008 £m
<b>Turnover</b>	2	1,050 6	999 4
<b>Cost of sales</b>		(693 3)	(677 8)
<b>Gross profit</b>		357 3	321 6
Distribution, selling and marketing costs		(134 1)	(125 8)
Administrative expenses		(62 9)	(58 2)
Royalty and foreign exchange income/(expense)		(0 9)	(15 9)
<b>Operating Profit before exceptional items</b>		159 4	121 7
Operating exceptional items	3	(11 5)	(17 6)
<b>Operating profit</b>	3	147 9	104 1
Profit on disposal of fixed assets		-	0 3
<b>Profit before interest and tax</b>		147 9	104 4
Interest receivable and other financial income	4	4 8	1 8
Interest payable and other financial charges	4	(42 6)	(61 0)
Other finance income – pensions	17	4 5	15 7
<b>Profit on ordinary activities before tax</b>		114 6	60 9
Tax charge on profit on ordinary activities	5	(16 6)	(30 4)
<b>Profit attributable to shareholder</b>	16	98 0	30 5

All amounts relate to continuing activities

## United Biscuits (UK) Limited

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### Statement of Total Recognised Gains and Losses

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For the period 3 January 2009 to 2 January 2010

	Notes	2009 £m	2008 £m
Profit attributable to shareholder		98.0	30.5
Actuarial (losses)/gains on defined benefit plans	17	(253.1)	(26.2)
Tax on defined benefit plans recognised directly in equity		70.8	7.3
Gain/(loss) on cashflow hedges recognised in equity		(5.6)	5.8
Gain/(loss) on cashflow hedges transferred to the profit & loss account		(6.7)	4.1
Deferred tax on derivative financial instruments – prior year adjustment		-	0.7
<b>Total recognised (losses)/gains for the period</b>		<b>(96.6)</b>	<b>22.2</b>

# United Biscuits (UK) Limited

## Balance sheet

As at 2 January 2010

	Notes	2009 £m	2008 £m
<b>Fixed assets</b>			
Intangible assets	6	24 2	24 2
Property, plant and equipment	7	223 7	239 7
Investments in subsidiaries	8	186 3	181 5
		<u>434 2</u>	<u>445 4</u>
<b>Current assets</b>			
Inventories	9	42 4	39 0
Trade and other receivables			
- due within one year	10	1,870 1	1,823 9
- due after one year	10	85 4	92 7
Cash and cash equivalents	14	83 2	40 4
		<u>2,081 1</u>	<u>1,996 0</u>
<b>Trade and other payables: amounts falling due within one year</b>	11	1,601 0	1,592 2
Provisions for liabilities and charges	13	4 8	3 0
		<u>1,605 8</u>	<u>1,595 2</u>
<b>Net current assets</b>		<u>475 3</u>	<u>400 8</u>
<b>Total assets less current liabilities</b>		909 5	846 2
<b>Trade and other payables: amounts falling due after more than one year</b>	12	350 5	350 5
Provisions for liabilities and charges	13	6 4	4 1
<b>Net assets excluding pension surplus/(deficit)</b>		<u>552 6</u>	<u>491 6</u>
Retirement benefit (liability)/asset	17	(108 9)	48 7
<b>Net assets</b>		<u>443 7</u>	<u>540 3</u>
<b>Capital and reserves</b>			
Called up equity share capital	15	10 0	10 0
Share premium account	16	321 6	321 6
Hedging reserve	16	-	12 3
Profit and loss account	16	112 1	196 4
<b>Equity shareholder's funds</b>		<u>443 7</u>	<u>540 3</u>

Approved by the Board and signed on its behalf on 28 April 2010



Susan Furst - Director

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## **1 Accounting policies**

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### **Basis of preparation**

The financial statements of United Biscuits (UK) Limited were approved for issue by the Board of Directors on 28 April 2010

The financial statements are prepared on the historical cost basis of accounting, modified to include revaluation to fair value of certain financial instruments as outlined below, and in accordance with applicable accounting standards. The Company is exempt from producing group financial statements, under s400 of the Companies Act 2006 as its ultimate UK parent Company as at 2 January 2010, United Biscuits Topco Limited, has produced group financial statements. These financial statements solely relate to United Biscuits (UK) Limited.

The Company generally presents its financial information based on 13 periods of four calendar weeks. As a result, a normal fiscal year consists of 52 weeks, a first fiscal quarter of four periods (16 weeks) and three fiscal quarters each consisting of three periods (12 weeks). Every five or six years, the final period is lengthened to five weeks, in which case, the fourth quarter consists of 13 weeks and the fiscal year consists of 53 weeks. The financial statements for the previous period show the performance of the Company for the period from 30 December 2007 to 3 January 2009. The Company's next consolidated financial statements will be prepared for the 52 weeks ended 1 January 2011.

Unless the context indicates otherwise, "2009" means the 52 week period ended 2 January 2010 or the financial position as at 2 January 2010 and "2008" means the 53 week period ended 3 January 2009 or the financial position as at 3 January 2009.

The consolidated financial statements are presented in pounds sterling and all references to "sterling" or "£" are to the lawful currency of the United Kingdom. All values are rounded to the nearest one hundred thousand pounds, except where otherwise indicated.

### **Revenue recognition**

Turnover consists of sales to third parties after trade discounts and excluding value added tax. Trade discounts include sales incentives, up-front payments and other non-discretionary payments. Sales are recognised based on confirmed deliveries to customers.

### **Interest income**

Interest income is recognised as interest accrues.

### **Exceptional items**

The Company presents as Operating exceptional items those items of income and expense which, in the opinion of the Directors, because of their nature merit separate presentation to enable users of the financial statements to better understand the elements of financial performance in the year, to facilitate comparison with prior periods and to assess trends in financial performance more easily. Operating exceptional items include restructuring and other non-recurring expenses and charges for impairment of plant, equipment and computer software.

Restructuring and other non-recurring expenses are one-off costs that are incremental to costs the Company would otherwise incur in relation to its normal operations. Principally, they are costs associated with projects implemented to improve efficiency of the Company's operations, integrate acquisitions, restructure departments or reduce the cost base of the business, for example, redundancy costs resulting from the closure or integration of a business or part of a business, costs directly associated with implementing improved ways of working and costs of product recalls. Costs associated with an activity that meets the definition of restructuring and other non-recurring expenses are charged to the Profit & Loss account at the point the Company is effectively committed to incurring those costs.

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**1 Accounting policies (continued)**

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**Intangible assets**

Purchased brands are stated at cost less any provision for a permanent diminution in value. Purchased intangible assets are capitalised and amortised over their estimated useful economic lives on a straight-line basis. Where purchased, brand intangible assets are considered by the Board of Directors to have an indefinite life, given the proven longevity of the brand and the continued level of marketing support, they are not amortised but are subject to at least annual impairment reviews.

**Property, plant and equipment**

Depreciation is calculated to write off the cost of property, plant and equipment, other than freehold land, over their expected useful lives by equal annual instalments, principally at the following rates:

Freehold Buildings	1 5-2 0%
Long leasehold	1 5-2 0%
Short leasehold	Over the life of the lease
Plant and machinery	3-15%
Vehicles	20-30%
Computer software	20-40%
Fixtures and fittings	10-33%

Technical stores consist of spare parts and other items for the repair and maintenance of plant and equipment. Major spare parts (costing more than £1,000) are capitalised as assets under construction until such time as they are brought into use. All other purchases are expensed.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Assets under construction are capitalised but are not depreciated until such time as they are available for use. Finance costs relating to the purchase of tangible fixed assets are not capitalised.

**Leasing and hire purchase commitments**

Assets obtained under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of rental obligations is charged to the profit and loss account over the period of the primary lease and represents a constant proportion of the balance of capital repayments outstanding. Rents paid under operating leases are charged to income on a straight line basis over the term of the lease.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost in the case of raw materials and goods for resale is determined on a first-in, first-out basis. Cost, in the case of products manufactured by the Company, comprises direct material and labour cost together with appropriate factory overheads.

In accordance with FRS 5 inventory held as consignment stock is recognised in the balance sheet at cost together with the liability associated with it in order to recognise that the risks and rewards have been transferred to the Company.

**Onerous leasehold contracts**

Provision is made for all onerous contracts where unavoidable costs exceed anticipated income.

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**1 Accounting policies (continued)**

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**Taxation**

Current tax for the current and prior periods is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or the right to pay less tax, at a future date, at tax rates expected to apply when the timing differences reverse based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Provision is made for tax on gains arising from gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and there are no tax losses available to reduce the gains

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

**Pensions and other post-retirement benefits**

The Company's main post-retirement arrangements are of the defined benefit type, which require contributions to be made to separately administered funds. The Company's plans are closed to new members and membership of a defined contribution plan is now offered for new employees. The Company also provides additional unfunded post-retirement benefits to certain senior management

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine the current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the profit and loss account during the period in which the settlement or curtailment occurs

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the profit and loss account as other finance income or expense

Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses in the period in which they occur

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**1 Accounting policies (continued)**

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The retirement benefit obligation in the balance sheet comprises the total for each plan of the present value of the defined benefit plan obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the amount the Company expects to recover by way of refunds from the plan or reductions in future contributions.

Contributions to defined contribution plans are recognised in the profit and loss account in the period in which they become payable.

**Foreign currency translations**

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**Derivative financial instruments**

The Company uses certain derivative financial instruments for the purpose of hedging foreign exchange, interest rate and commodity price risks.

All derivative financial instruments are carried at fair value. The fair value of foreign exchange forward contracts is calculated using forward exchange market rates at the balance sheet date. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of Commodity hedges is determined by reference to the market values of the commodities traded on the London International Financial Futures Exchange ('LIFFE') at balance sheet date.

Under FRS 26, hedging relationships must meet strict criteria to qualify for hedge accounting. For those derivative financial instruments designated as hedges, the hedging relationship is documented at its inception. This documentation identifies the hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how effectiveness will be measured throughout the instruments' duration. Such hedges are expected at inception to be highly effective.

Hedge accounting is applied where derivative financial instruments are measured to have been highly effective in offsetting the changes in fair value or cash flows of the hedged items. Derivatives outside a hedging relationship are fair valued through the Profit & Loss account.

**(a) Cash flow hedges**

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges of highly probable forecast transactions or firm commitments in foreign currency are recognised in the hedging reserve. Amounts deferred in this way are recognised in the Profit & Loss account in the same period in which the hedged forecasted transaction or firm commitment is recognised in the Profit & Loss account. Any ineffective portion of the changes in the fair value of designated cash flow hedges is recognised immediately in the Profit & Loss account.

The Company discontinues cash flow hedges when a forecast transaction is no longer expected to occur and amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.



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## **1 Accounting policies (continued)**

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and are transferred to the Profit & Loss account as above

### **(b) Fair value hedges**

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to profit or loss. For hedged items carried at amortised cost, the adjustment is amortised through the Profit & Loss account such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

### **Cash flow statement**

The Company has taken advantage of the exemptions under the provisions of FRS1 for subsidiary undertaking and not prepared a cash flow statement.

### **Research and development**

Expenditure on research and development is written off as incurred.

### **Government grants**

The Company has received grants from Government agencies in the United Kingdom as well as from the European Union to assist with the purchase of property, plant and equipment and costs of staff training. Government grants of a revenue nature are deferred and recognised in the Profit & Loss account over the period necessary to match them with the related costs they are intended to compensate for.

Grants relating to the purchase of property, plant and equipment are included in deferred income and amortised over the expected useful life of the associated asset.

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## **2 Segmental analysis**

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No further analysis of results, assets and employee numbers is presented as the business operates in one class.

Turnover is derived from the U.K. with the exception of export sales which amounted to £110.0 million (2008: £108.1 million).

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**3 Profit before interest**

Profit before interest is stated after charging

	<b>2009 £m</b>	<b>2008 £m</b>
Operating exceptional items		
Product recall <sup>(1)</sup>	(0.3)	0.3
Restructuring and associated costs <sup>(2)</sup>	11.8	10.7
Asset impairments <sup>(3)</sup>	-	6.6
	<u>11.5</u>	<u>17.6</u>
Operating lease rentals		
Plant and machinery	2.3	3.7
Land and buildings	2.3	2.7
Depreciation	38.5	38.9
Research and development	3.6	3.6
Directors' emoluments (Note 17)	2.9	2.7

The group paid the following amounts to its auditor's in respect of the financial statements and for other services provided to the Group

	<b>2009 £'000</b>	<b>2008 £'000</b>
Audit of the financial statements <sup>(4)</sup>	<u>364</u>	<u>370</u>
Other fees to auditor's - audit of the Company pension scheme	48	48
- taxation services	-	20
- corporate finance services	-	16
- other services	15	15
	<u>63</u>	<u>99</u>

- (1) During 2008, the company recalled certain products as a precaution following a manufacturing issue. Income of £0.3 million in 2009 related to insurance receipts.
- (2) Restructuring and the associated costs relate primarily to redundancy and other costs associated with cost reduction and efficiency programs. Included within the restructuring and other non-recurring expenses in 2008 was an amount of £0.3 million in relation to exceptional pension expense referred to in Note 18.
- (3) The charge for asset impairments in 2008 was in respect of technical stores assets.
- (4) Audit of the financial statements includes charges in respect of the audit fees for the consolidated financial statements of United Biscuits Topco Limited which are borne by United Biscuits (UK) Limited.

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**4 Financial income and expenses**

	2009 £m	2008 £m
<b>Interest receivable and other financial income:</b>		
Dividend income	0.5	-
Bank deposit interest	3.8	0.7
Interest receivable from fellow subsidiary undertakings	0.5	1.1
	<u>4.8</u>	<u>1.8</u>
<b>Interest payable and other financial charges:</b>		
Bank loans and overdrafts	(13.7)	(30.3)
Interest payable to fellow subsidiary undertakings	(28.9)	(30.7)
	<u>(42.6)</u>	<u>(61.0)</u>

**5 Taxation**

The tax charge is made up as follows

	2009 £m	2008 £m
<b>Current tax charge:</b>		
UK corporation tax	-	-
Adjustment in respect of prior years	-	32.3
<b>Total current tax</b>	<u>-</u>	<u>32.3</u>
<b>Deferred tax charge/(credit).</b>		
Origination and reversal of timing differences	(3.6)	10.1
Defined benefit pension	20.1	(12.0)
Adjustment in respect of prior years	0.1	-
<b>Total deferred tax</b>	<u>16.6</u>	<u>(1.9)</u>
Tax charge on profit on ordinary activities	<u>16.6</u>	<u>30.4</u>

The tax charge on the profit on ordinary activities for the period is lower than the statutory rate of tax in the UK of 28%. Before 1 April 2008, the standard rate of corporation tax was 30%. The difference is reconciled below

	2009 £m	2008 £m
Profit on ordinary activities before taxation	114.6	60.9
Tax charge at UK statutory rate	32.1	17.3
Book depreciation in excess of capital allowances	2.8	10.6
Short term timing differences	0.9	0.5
Pensions contribution less FRS 17 charge	(31.0)	(33.3)
Pension contributions deferred tax relief	10.4	10.6
Adjustment in respect of prior years reversal of group relief credits	-	32.3
UK transfer pricing adjustments	7.3	16.7
Tax losses utilised for no charge	(23.9)	(25.1)
Other items	1.4	2.7
	<u>-</u>	<u>32.3</u>

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

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**5 Taxation (continued)**

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**Unrecognised tax losses**

At 2 January 2010 the Company had capital losses carried forward of approximately £3.9 million (2008: £3.9 million) on which deferred tax has not been provided.

**Factors that may affect future tax charges**

The key factors which may affect future tax charges include the availability of accelerated tax depreciation, losses surrendered from other UK companies without charge and changes in tax legislation.

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**6 Intangible assets**

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	<b>Purchased Brands £m</b>
<b>Cost</b>	
At 2 January 2010 and 3 January 2009	<u>48.7</u>
<b>Accumulated impairment</b>	
At 2 January 2010 and 3 January 2009	<u>24.5</u>
<b>Net Book Value</b>	
At 2 January 2010 and 3 January 2009	<u>24.2</u>

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**7 Property, plant and equipment**

	Freehold £m	Leasehold Improvement £m	Plant, Machinery & Vehicles £m	Fixtures & Fittings £m	Computer Software £m	Assets Under Construction £m	Total £m
<b>Cost</b>							
At 3 January 2009	149.0	14.9	594.3	53.8	57.3	9.1	878.4
Additions	0.4	0.2	5.4	1.2	1.1	14.2	22.5
Reclassifications	2.5	0.1	6.4	(8.1)	11.7	(12.6)	-
Disposals	(0.4)	-	(1.6)	(7.9)	(3.6)	0.0	(13.5)
At 2 January 2010	<u>151.5</u>	<u>15.2</u>	<u>604.5</u>	<u>39.0</u>	<u>66.5</u>	<u>10.7</u>	<u>887.4</u>
<b>Depreciation</b>							
At 3 January 2009	93.4	8.7	438.9	41.2	56.5	-	638.7
Charge for the period	2.8	0.7	30.3	2.2	2.5	-	38.5
Reclassifications	0.3	0.1	(2.7)	(0.2)	2.5	-	-
Disposals	(0.4)	-	(1.6)	(7.9)	(3.6)	-	(13.5)
At 2 January 2010	<u>96.1</u>	<u>9.5</u>	<u>464.9</u>	<u>35.3</u>	<u>57.9</u>	<u>-</u>	<u>663.7</u>
<b>Net book value at 2 January 2010</b>	<u>55.4</u>	<u>5.7</u>	<u>139.6</u>	<u>3.7</u>	<u>8.6</u>	<u>10.7</u>	<u>223.7</u>
3 January 2009	<u>55.6</u>	<u>6.2</u>	<u>155.4</u>	<u>12.6</u>	<u>0.8</u>	<u>9.1</u>	<u>239.7</u>

The net book value of leasehold properties represents £5.7 million (2008 £6.2 million) in respect of leases with under fifty years to run at 2 January 2010.

The net book value of tangible fixed assets acquired under finance lease arrangements, all of which are plant, machinery and vehicles is £0.1 million (2008 £0.2 million) with accumulated depreciation of £0.3 million (2008 £0.2 million).

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**8 Investments**

**Investments in subsidiary undertakings.**

	<b>Cost £m</b>
Cost at 3 January 2009	181.5
Investment in United Biscuits Cyprus Limited <sup>(1)</sup>	4.8
Cost at 2 January 2010	<u>186.3</u>

At 2 January 2010 the Company's principal subsidiary undertakings were

<b>Name of subsidiary undertaking</b>	<b>Incorporated</b>	<b>Percentage shareholding %</b>
UB Snack Foods Ireland Limited	Eire	100
UB Italy SRL	Italy	100
United Biscuits Cyprus Limited <sup>(1)</sup>	Cyprus	100
United Biscuits Private Limited <sup>(2)</sup>	India	100

<sup>(1)</sup> United Biscuits (UK) Limited incorporated United Biscuits Cyprus Limited on 19 May 2009. The investment totalled £4.8m.

<sup>(2)</sup> Held indirectly. On 4 June 2009, United Biscuits Cyprus Limited acquired the share capital of United Biscuits Private Limited, which was newly incorporated in India on 18 March 2009. On 3 August 2009, United Biscuits Private Limited completed the acquisition of manufacturing facilities based in Himachal Pradesh, India from S S Foods Industries. United Biscuits Private Limited will manufacture and distribute biscuits primarily for the domestic market in India.

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**9 Inventories**

	<b>2009 £m</b>	<b>2008 £m</b>
Raw materials and consumables	13 6	12 8
Work in progress	2 2	1 7
Finished goods	26 6	24 5
	<u>42 4</u>	<u>39 0</u>

There is no material difference between the replacement cost and historical cost of stocks

Raw materials and consumables at 2 January 2010 included £1 7m (2008 £1 9 million) in respect of consignment stocks

**10 Trade and other receivables**

	<b>2009 £m</b>	<b>2008 £m</b>
Trade receivables	190 8	161 9
Amounts owed by parent and fellow subsidiary undertakings	1,655 0	1,613 3
Other receivables	0 5	1 5
Prepayments and accrued income	11 8	15 5
Deferred taxation (Note 13)	96 2	103 1
Derivative financial instruments (Note 14)	1 2	21 3
	<u>1,955 5</u>	<u>1,916 6</u>

Included in deferred tax is an amount of £85 4 million, which is due after more than one year (2008 £92 7 million)

**11 Trade and other payables: amounts falling due within one year**

	<b>2009 £m</b>	<b>2008 £m</b>
Trade payables	182 5	163 5
Amounts owed to fellow subsidiary undertakings	1,372 0	1,387 7
Derivative financial instruments (Note 14)	2 6	2 3
Other taxes and social security costs	8 8	8 3
Accruals and deferred income	35 1	30 4
	<u>1,601 0</u>	<u>1,592 2</u>

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**12 Trade and other payables: amounts falling due after more than one year**

	2009 £m	2008 £m
Senior Credit Facility – Loans	350.3	350.3
Obligations under finance leases	0.2	0.2
	<u>350.5</u>	<u>350.5</u>

Details of the Senior Credit Facility (Term B) held by the Company at 2 January 2010 and 3 January 2009 are set out below

Senior Debt	Amount (£ million)	Margin	Type	Maturity
Term Loan B (£)	350.3	2.5% over Libor	Bullet	15 December 2014

In addition to the facilities described above there is the following senior facility available

**Revolving facility of £50.0 million**

This facility can be used to finance working capital requirements, general corporate purposes, to refinance working capital indebtedness and to pay fees, costs and expenses associated with the aforementioned. The facility allows for revolving advances, the provision of ancillary facilities to cover the day to day banking requirements, and the issuance of letters of credit and bank guarantees up to an aggregate amount of £50.0 million outstanding at any time. Each advance made under the revolving facility must be repaid on the last day of the interest period relating to it, although amounts are available to be re-borrowed, subject to the maximum limit available under the facility. The facility is available until 15 December 2013.

At 2 January 2010 an amount of £9.4 million (2008 - £9.4 million) had been drawn down as ancillary facilities under the revolving facility. A total of £8.4 million (2008 - £8.4 million) was to cover day to day requirements of the UK business, £7.9 million (2008 - £7.9 million) of this being for the provision of two overdraft facilities and £0.5 million (2008 - £0.5 million) in the form of a bank guarantee. The balance of £1.0 million (2008 - £1.0 million) was for a letter of credit issued to one of the Group's banks to cover a foreign exchange dealing line. There were no drawings under any of the overdraft facilities at 2 January 2010 (2008 - £nil).

The Senior Facility is secured by floating charges over all the assets of United Biscuits (UK) Limited. In addition, the company has pledged its shares to the lenders and has guaranteed the debt.

The Senior Facilities require United Biscuits Holdco Limited and other fellow subsidiaries to comply with certain financial and non-financial covenants. The financial covenants include limitations on capital expenditure and require the maintenance of certain minimum ratios of earnings before interest, taxes, depreciation and amortisation to interest payable, leverage and cash flows to total funding costs.



### **13 Provisions for liabilities and charges**

	<b>Product Recall £m</b>	<b>Rationalisation Provisions £m</b>	<b>Onerous Contracts £m</b>	<b>Total £m</b>
At 29 December 2007	1.5	3.0	3.6	8.1
Profit & loss account charge	0.3	8.7	2.6	11.6
Amounts utilised	(1.3)	(10.8)	(0.5)	(12.6)
<b>At 3 January 2009</b>	<b>0.5</b>	<b>0.9</b>	<b>5.7</b>	<b>7.1</b>
Profit & loss account (income)/ charge	(0.3)	7.2	3.5	10.4
Amounts utilised	(0.2)	(4.2)	(1.9)	(6.3)
<b>At 2 January 2010</b>	<b>-</b>	<b>3.9</b>	<b>7.3</b>	<b>11.2</b>
Current	0.5	0.9	1.6	3.0
Non current	-	-	4.1	4.1
<b>At 3 January 2009</b>	<b>0.5</b>	<b>0.9</b>	<b>5.7</b>	<b>7.1</b>
Current	-	3.9	0.9	4.8
Non current	-	-	6.4	6.4
<b>At 2 January 2010</b>	<b>-</b>	<b>3.9</b>	<b>7.3</b>	<b>11.2</b>

Rationalisation provisions are recorded only when there is a legal or constructive obligation. Rationalisation provisions principally comprise obligations in relation to overhead-reduction and manufacturing-efficiency programs across the U.K., which are expected to be utilised in the next year.

The provision for onerous contracts relates to the cost of surplus leasehold properties, where unavoidable costs exceed anticipated income. The associated lease commitments are of varying durations and it is anticipated that expenditure will continue to be charged against this provision for a number of years.

The amount and timing of the utilisation of provisions is subject to considerable uncertainty and the above represent the directors' estimate.

### **13 Provisions for liabilities and charges (continued)**

#### **Deferred taxation**

The deferred tax asset relates to other timing differences. The deferred tax asset which has been recognised is as follows:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 29 December 2007	(56.5)	(32.7)	(89.2)
Profit and loss (credit) / debit	(10.0)	10.2	0.2
Phasing out industrial Buildings allowances	(14.1)	-	(14.1)
Prior year adjustment	0.9	(0.8)	0.1
At 3 January 2009	(79.7)	(23.3)	(103.0)
Profit and loss (credit) / debit	(2.6)	9.4	6.8
At 2 January 2010	(82.3)	(13.9)	(96.2)

The deferred tax balance at 2 January 2010 does not include any amounts in respect of the Company's pension scheme, which are shown in the balance sheet after deduction of a net deferred tax asset of £42.4 million (2008 deferred tax liability of £18.9 million).

### **14 Derivatives and financial instruments**

The Company's principal financial instruments, other than derivatives, comprise bank loans, debentures, finance leases and hire purchase contracts, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations.

The Company also enters into derivative transactions (principally interest rate swaps, forward currency contracts and commodity contracts). The purpose of these is to manage the interest rate, currency, liquidity and commodity risks arising from the Company's operations and its sources of finance.

#### **(i) Interest rate risk**

The Company's interest rate risk arises through the interest cash flow risk from borrowing at variable rates. As at 2 January 2010 the Company did not have any fixed rate borrowings (2008: nil).

#### **(ii) Foreign currency risk**

Foreign currency risk arises from future commercial transactions, recognising assets and liabilities denominated in a currency that is not the functional currency of the relevant operating units undertaking the transaction. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar, the Euro and the Canadian dollar.

#### **(iii) Liquidity risk**

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. Such risk may result from inadequate market depth or disruption or refinancing problems.

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**14 Derivatives and financial instruments (continued)**

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The Company's objective is to manage liquidity risk through the availability of committed credit facilities and compliance with related financial covenants and by maintaining sufficient cash to meet obligations as they fall due

**(iv) Credit risk**

Credit risk may arise because of non-performance by a counterparty. The Company is exposed to credit risk on its financial instruments including derivative assets and trade receivables. The Company's policy is for trade receivables to be subject to credit limits, close monitoring and approval procedures. The Company's policy to manage credit risk on derivative assets is to limit all derivative counterparties and cash transactions to high credit quality financial institutions. The Company is not exposed to concentration of credit risk on its derivative assets as these are spread over several financial institutions.

Due to its geographical base and the number and quality of customers, the Company is not exposed to material concentrations of credit risk on its trade receivables. In addition, the Company carries credit insurance to mitigate its exposure to loss.

**(vi) Commodity risk**

The Company's activities expose it to the risk of changes in commodity prices. The Company's objective is to minimise the impact of volatility in commodity prices and seeks to cover its raw material requirements by taking out forward contracts to secure supplies at agreed prices.

Forward cover is taken in physical markets for periods of at least three months and typically would not exceed 12 months, although, in certain circumstances, this may be extended.

In the most volatile of the Company's commodity markets, hedges against fluctuating prices are effected through the use of futures. Unrealised gains or losses at the year-end may not crystallise as they depend upon market movements between the year-end and the maturity dates of outstanding contracts. Providing a successful hedge relationship can be demonstrated, gains or losses that do materialise are charged to the Group's operating results when the raw ingredients which these contracts hedge are used.

From time to time the Company also uses financial derivatives to protect future raw material prices by taking out options.

**United Biscuits (UK) Limited**  
**Notes to the financial statements**

**14 Derivatives and financial instruments (continued)**

**Interest rate risk and currency of borrowings**

	Gross borrowings at floating rate £m	Gross borrowings at fixed rates £m	Total gross borrowings £m	Cash and Cash equivalents at floating rates £m	Total Net Borrowings £m
Sterling	350.3	-	350.3	(33.4)	316.9
Euro	-	-	-	(0.7)	(0.7)
US Dollar	-	-	-	(6.5)	(6.5)
Canadian Dollar	-	-	-	0.2	0.2
At 3 January 2009	<u>350.3</u>	<u>-</u>	<u>350.3</u>	<u>(40.4)</u>	<u>309.9</u>
Sterling	350.3	-	350.3	(67.8)	282.5
Euro	-	-	-	(13.0)	(13.0)
US Dollar	-	-	-	(2.4)	(2.4)
Canadian Dollar	-	-	-	-	-
At 2 January 2010	<u>350.3</u>	<u>-</u>	<u>350.3</u>	<u>(83.2)</u>	<u>267.1</u>

**Fair values**

	Carrying value at 2 January 2010 £m	Fair value at 2 January 2010 £m	Carrying value at 3 January 2009 £m	Fair value at 3 January 2009 £m
<b>Financial assets</b>				
Cash and cash equivalents	<u>83.2</u>	<u>83.2</u>	<u>40.4</u>	<u>40.4</u>
	<u>83.2</u>	<u>83.2</u>	<u>40.4</u>	<u>40.4</u>
<b>Derivative assets</b>				
<i>Cash flow hedges</i>				
Forward currency contracts	1.2	1.2	16.6	16.6
<i>Fair value hedges</i>				
Forward currency contracts	<u>-</u>	<u>-</u>	<u>4.7</u>	<u>4.7</u>
	<u>1.2</u>	<u>1.2</u>	<u>21.3</u>	<u>21.3</u>
<b>Financial liabilities</b>				
Loans and borrowings	350.3	350.3	350.3	350.3
Finance lease obligations	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
	<u>350.5</u>	<u>350.5</u>	<u>350.5</u>	<u>350.5</u>
<b>Derivative liabilities</b>				
<i>Cash flow hedges</i>				
Forward currency contracts	2.2	2.2	1.0	1.0
Commodity contracts	-	-	0.3	0.3
<i>Fair value hedges</i>				
Forward currency contracts	<u>0.4</u>	<u>0.4</u>	<u>1.0</u>	<u>1.0</u>
	<u>2.6</u>	<u>2.6</u>	<u>2.3</u>	<u>2.3</u>

## **14 Derivatives and financial instruments (continued)**

Fair values for derivative assets and liabilities have been calculated by reference to the prevailing mark to market rates on the year-end reporting date. There are no material differences between fair value and book value on any other financial instruments.

### **Hedging activities**

Gains and losses on financial instruments used for hedging foreign exchange risk and commodity risk are not recognised until the exposure that is being hedged is itself recognised. Unrecognised and deferred gains and losses on financial instruments used for hedging are as follows:

	<b>Gains £m</b>	<b>Losses £m</b>	<b>Net £m</b>
<b>2009</b>			
Gains and losses unrecognised at 2 January 2010	1.2	(2.2)	(1.0)
Gains and losses deferred at 2 January 2010	1.2	(2.2)	(1.0)
Of which:			
Gains and losses expected to be recognised in the profit & loss account in 2011	1.2	(2.2)	(1.0)
Gains and losses expected to be recognised in the profit & loss account in 2011 or later	-	-	-
<b>2008</b>			
Gains and losses unrecognised at 3 January 2009	16.6	(1.0)	15.6
Gains and losses deferred at 3 January 2009	16.6	(1.0)	15.6
Of which:			
Gains and losses expected to be recognised in the profit & loss account in 2009	16.6	(1.0)	15.6
Gains and losses expected to be recognised in the profit & loss account in 2010 or later	-	-	-

## **15 Share capital**

	<b>Number</b>	<b>Ordinary Shares (1) £m</b>
<b>Ordinary share capital</b>		
Authorised		
As at 2 January 2010 and 3 January 2009	<u>12,000,000</u>	<u>12.0</u>
<b>Issued, called up and fully paid</b>		
As at 2 January 2010 and 3 January 2009	<u>10,000,000</u>	<u>10.0</u>

(1) ordinary shares of £1 each

**United Biscuits (UK) Limited**  
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**16 Reconciliation of shareholder's funds and movements on reserves**

	Share capital £m	Share premium £m	Hedging Reserve £m	Profit & loss account £m	Total £m
At 29 December 2007	10 0	321 6	1 7	184 8	518 1
Pension reserve (net of deferred tax)	-	-	-	(18 9)	(18 9)
Profit attributable to shareholder	-	-	-	30 5	30 5
Net gain on derivative financial instruments for the period	-	-	10 6	-	10 6
At 3 January 2009	10 0	321 6	12 3	196 4	540 3
Pension reserve (net of deferred tax)	-	-	-	(182 3)	(182 3)
Profit attributable to shareholder	-	-	-	98 0	98 0
Net gain on derivative financial instruments for the period	-	-	(12 3)	-	(12 3)
At 2 January 2010	10 0	321 6	-	112 1	443 7

During the 52 weeks ended 2 January 2010, a loss of £5 6 million was recognised directly in equity (2008 £4 2 million) and a gain of £6 7million was transferred to the profit & loss account in relation to cashflow hedges (2008 £2 9 million)

**17 Pay and benefits to employees**

	2009 £m	2008 £m
Gross wages and salaries	190 4	188 5
Social security costs	16 3	15 9
Other pension costs	7 7	9 1
	<u>214 4</u>	<u>213 5</u>

The average monthly number of employees during the year was made up as follows

	2009 No.	2008 No.
Manufacturing and production	5,457	5,618
Logistics and site service	731	753
Finance and administration	304	294
	<u>6,492</u>	<u>6,665</u>

## **17 Pay and benefits to employees (continued)**

### **Directors' emoluments**

The directors of the Company are also directors of fellow subsidiary companies. The directors received total remuneration for the period of £2.9 million (2008: £2.7 million) including pension contributions of £0.02 million (2008: £0.02 million) paid by the Company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of subsidiary companies.

The highest paid director received remuneration for the period of £1.1 million (2008: £0.9 million) including pension contributions of £Nil (2008: £Nil).

The number of directors to whom retirement benefits are accruing in respect of defined benefit schemes was 4 in 2009 (2008: 4).

### **Pension Schemes**

The Company's principal pension schemes in the UK are of the defined benefit type funded by payments to separate, trustee administered funds.

The Company's retirement benefit (liabilities)/assets at 2 January 2010 and 3 January 2009 were as follows:

	<b>2009 £m</b>	<b>2008 £m</b>
<b>Funded</b>		
UBUK	(90.1)	54.3
Jacob's Bakery	(9.9)	0.6
Other	0.1	0.4
<b>Unfunded</b>	<u>(9.0)</u>	<u>(6.6)</u>
	<u><b>(108.9)</b></u>	<u><b>48.7</b></u>

The total pension service cost to the Company for the 52 weeks ended 2 January 2010 was £7.4 million, of which £1.0 million related to defined contributions plans (2008: £9.4 million of which £0.8 million related to defined contribution plans).

The assets and liabilities in the schemes, the expected rate of return and the net pension retirement obligations were:

	<b>2009 £m</b>	<b>2008 £m</b>
Equities	459.9	387.6
Bonds	530.3	496.8
Other assets	<u>245.3</u>	<u>293.6</u>
Total market value of assets	1,235.5	1,178.0
<b>Present value of scheme liabilities</b>	<u>(1,386.8)</u>	<u>(1,110.4)</u>
Surplus/(deficit) in the scheme	<u>(151.3)</u>	<u>67.6</u>
Related deferred tax (liability)/asset	<u>42.4</u>	<u>(18.9)</u>
Net pension (deficit)/surplus	<u><b>(108.9)</b></u>	<u><b>48.7</b></u>

## **17 Pay and benefits to employees (continued)**

The amounts recognised in the profit and loss account and the statement of total recognised gains and losses for the year in respect of pensions are analysed below

	<b>2009 £m</b>	<b>2008 £m</b>
<b>Recognised in the profit and loss account</b>		
Current service cost	(6 3)	(8 3)
Recognised in operating exceptional items	-	(0 3)
Interest cost on scheme liabilities	(69 5)	(71 2)
Expected return on scheme assets	74 0	86 9
<b>Other finance income</b>	<b>4 5</b>	<b>15 7</b>
<b>Taken to the statement of total recognised gains and losses</b>		
Actual less expected return on scheme assets	8 1	(142 9)
Gain/(loss) on scheme liabilities	(56 6)	(4 4)
Changes in assumptions underlying the present value of scheme liabilities	(204 6)	121 1
<b>Actuarial gains/(losses) recognised in the statement of total recognised gains and losses</b>	<b>(253 1)</b>	<b>(26 2)</b>



## **17 Pay and benefits to employees (continued)**

Pension valuations are prepared, at each balance sheet date, by independent qualified actuaries using the projected unit credit method. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying forecasts to each category of scheme assets.

### **Key assumptions**

	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>
Rate of salary increases		
Final salary	3.45	2.85
CARE	3.1	2.6
Rate of increase of pensions in payment	3.1	2.6
Discount rate	5.66	6.43
Inflation	3.2	2.6
Expected rate of return on scheme assets-		
Equities	9.0	9.0
Bonds	5.5	5.6
Cash	4.3	3.8
Hedge funds, currency and infrastructure	6.5 – 14.5	6.5 – 14.5

The average life expectancy assumed for the UBUK plan for a current male pensioner aged 65 is 20.2 years (2008 – 20.1 years) and for a current female pensioner aged 65 is 21.8 years (2008 – 21.7 years), for a future male pensioner aged 65 in 2029 it is 21.3 years (2028 – 21.2 years) and for a future female pensioner aged 65 it is 22.9 years (2028 – 22.9 years).

Acting on the advice of the Company's actuaries, future contributions payable are set at levels that take account of surpluses and deficits.

Further contributions in addition to the employer's regular contribution are being made in order to eliminate the deficiency in the pension schemes at the last triennial valuation. The total contributions to defined benefit plans in 2010 are expected to be £33.9 million (2009 - £33.8 million).

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**17 Pay and benefits to employees (continued)**

Changes in the present value of the defined benefit pension obligations are analysed as follows

	£m
<b>As at 29 December 2007</b>	1,204.4
Current service cost	8.3
Restructuring and acquisition-related costs	0.3
Interest cost	71.1
Employee contributions	7.6
Benefits paid	(64.6)
Actuarial gains and losses	(116.7)
<b>As at 4 January 2009</b>	1,110.4
Liabilities transferred	(1.0)
Current service cost	6.3
Restructuring and acquisition-related costs	-
Interest cost	69.4
Employee contributions	7.7
Benefits paid	(67.1)
Actuarial gains and losses	261.1
<b>As at 2 January 2010</b>	1,386.8

The defined benefit obligation comprises £12.5 million (2008 £9.2 million) arising from unfunded plans and £1,374.4 million (2008 £1,101.2 million) from plans that are wholly or partly funded

Changes in the value of the defined benefit pension assets are analysed as follows

	£m
<b>As at 29 December 2007</b>	1,255.2
Expected return on plan assets	88.6
Employer contributions	33.8
Contributions by employees	7.6
Benefits paid	(64.3)
Actuarial gains and losses	(142.9)
<b>As at 4 January 2009</b>	1,178.0
Assets transferred	(1.0)
Expected return on plan assets	75.9
Employer contributions	33.7
Contributions by employees	7.7
Benefits paid	(66.8)
Actuarial gains and losses	8.0
<b>As at 2 January 2010</b>	1,235.5

History of experience gains and losses

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
UK Schemes					
Fair value of scheme assets	1,235.5	1,178.0	1,255.2	1,039.8	957.7
Present value of defined benefit obligation	(1,386.6)	(1,110.4)	(1,204.4)	(1,239.5)	(1,268.8)
Surplus/(deficit) in the scheme	(151.3)	67.6	50.8	(199.7)	(311.1)
Experience adjustments arising on plan liabilities	(56.6)	(4.1)	(6.7)	46.8	(90.9)
Experience adjustments arising on plan assets	8.1	(142.9)	0.5	29.3	108.4

## 18 Financial commitments

The Company's financial commitments in respect of capital expenditure and rentals are summarised below

	2 January 2010 £m	3 January 2009 £m
Contracted capital expenditure	0.8	1.5

### Rental commitments

As at 2 January 2010 and 3 January 2009 the Company had annual rental commitments in respect of operating leases as follows

	2009		2008	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring within one year	-	0.5	-	0.5
Between one and five years	0.7	1.5	0.3	2.2
Over five years	5.0	-	5.7	-
	<u>5.7</u>	<u>2.0</u>	<u>6.0</u>	<u>2.7</u>

## 19 Inter-group cross-guarantee

The Company, together with other subsidiary undertakings in the United Biscuits Group, has cross-guaranteed the Group's Senior and Second Lien facility and Mezzanine facility, which is held by United Biscuits Holdco Limited. The amount outstanding under the facility as at 2 January 2010 was £1,355.6m.

## 20 Related party transactions

The Company has taken advantage of the exemptions laid out in the FRS 8, "Related Party Transactions" not to disclose transactions with entities that are part of the group, on the grounds that consolidated financial statements of the group are publicly available.

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**21 Ultimate parent company**

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The Company's ultimate U K parent undertaking as at 2 January 2010 is United Biscuits Topco Limited

The Company's ultimate parent undertaking as at 2 January 2010 is United Biscuits LuxCo S C A , which is registered in Luxembourg

The largest and smallest group in which the Company's financial statements are included is United Biscuits Topco Limited