Company registered no: 5957921

United Biscuits Topco Limited (formerly Precis (2648) Limited)

Report and Consolidated Financial Statements

for the period 5 October 2006 to 29 December 2007

Directors' Report

The dırectors present theır report and the financıal statements for the penod from 5 October 2006 to 29 December 2007 ("2007")

Results and dıvidends

The consolıdated loss attnbutable to the shareholder for the penod, after taxatıon, ıs £24 0 mıllıon No dıvıdend was paıd or proposed dunng the penod

Dırectors

The dırectors who served dunng the penod were

Name	Date of appoıntment	Date of Resignatıon
Lıonel Yves Assant[1]	6 November 2006	
Davıd Scott Blıtzer[1]	17 October 2006	
Davıd John Fısh (Chaırman)	23 January 2007	
Oscar Hattınk[1]	23 October 2006	15 November 2006
Benjamın Jacobs[1]	15 November 2006	11 September 2007
Hamısh Robert Muır MacKenzıe[2]	30 October 2006	
Kevın McGurk (Operatıons Dırector)	23 January 2007	
Bertrand Marc Andre Meunıer[2]	6 November 2006	
Peregnne Secretanal Servıces	5 October 2006	23 October 2006
Alan Davıd Roux[1]	11 September 2007	
Frederıc Stevenın[2]	17 October 2006	
Jeffrey Peter van der Eems (CFO)	23 January 2007	

1 Blackstone appoınted

2 PAI appointed

Prıncıpal actıvıty, review of the busıness and future developments

The Company was ıncorporated on 5 October 2006 On 17 November 2006 the Company's name was changed from Precıs (2648) Lımıted to Unıted Bıscuıts Topco Lımıted ("Topco") Topco ıs a portfolıo company owned jointly by Blackstone and PAI

On 15 December 2006 Unıted Bıscuıts Bıdco Lımıted, a subsıdıary of the Company, acquıred the whole of the ıssued share capıtal of Unıted Bıscuıts Equıty Lımıted, a Cayman Islands regıstered company (the "Predecessor") Pnor to thıs, the Company dıd not trade Accordıngly, the Company's consolıdated ıncome statement and cash flow statement for the penod from 5 October 2006 to 29 December 2007 reflects the results of operatıons for the 54 weeks ended 29 December 2007

References to the "Group" refer to Topco together wıth ıts subsıdıanes

The pnncıpal actıvıty of the Group ıs the manufacture and sale of a wıde range of food products, ıncludıng bıscuıts and savoury snacks The Group ıs the leadıng manufacturer and marketer of bıscuıts ın the Unıted Kıngdom and the second largest manufacturer and marketer of bıscuıts ın each of France, the Netherlands and Belgıum In the Unıted Kıngdom, the Group ıs the leadıng manufacturer and marketer of nuts and the second largest manufacturer and marketer of savoury snacks and cnsps The Group manufactures and markets a wıde range of products ın Western Europe under well-recognısed brand names and branded products accounted for approxımately 90% of the Group's sales ın 2007 Among the Group's popular brands are *McVıtıe's, Penguın, go ahead!, McVıtıe's Jaffa Cakes, Jacob's, Jacob's Cream Crackers, Carr's, Twıglets, BN, Delacre, Verkade, Hula Hoops, Skıps, Mını Cheddars, McCoy's and KP nuts*

The Group is well positioned in large, stable markets, which management believe will continue to grow In the medium to long term growth will be driven by consumer trends toward convenience, healthy snacking, out-of-home snacking and demand for products that are produced sustainably The Group continues to pursue an active programme of new product development to respond to these trends

Key performance indicators

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

	2007 £m
Revenue	1,142 3
Business profit	189 0
Net debt	1,344 9
Shareholder's equity	16 2
Expenditure on capital and restructuring	61 4
Cash available for debt servicing	138 3
	Number
Average number of employees	8,726

Revenue for the period was £1,142 3 million This comprised sales of drive brands, non-drive brands and non-branded products Drive brands are the Group's most strategic and popular brands which receive priority marketing and innovation support Non-branded products are sold by multiple retailers under their own brand

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

Business profit was £189 0 million in the period This included costs of goods sold which was impacted by significant raw material cost inflation in the period

On 15 December 2006 the Group entered into arrangements to finance the acquisition of Predecessor and repay debt acquired The Group's net debt now comprises senior, second lien and mezzanine bank loans, 10% PIK notes due 2017, finance leases and other loans less cash and cash equivalents

Shareholder's equity was £16 2 million at 29 December 2007

Cash expenditure on capital and restructuring during the period was £61 4 million Expenditure in the period was focused on projects that drove manufacturing efficiencies within our factories and on projects that supported the growth of our brands

Cash available for debt servicing of £138 3 million represents business profit less expenditure on capital and restructuring, ongoing pension contributions paid in excess of amounts charged to business profit and tax paid, and after adjusting for changes in working capital and proceeds from the disposal of fixed assets

The average number of employees during the period was 8,726 The Group's employees are principally based in the U K , France, the Netherlands and Belgium

Principal risks and uncertainties

The Group has established a Risk Oversight Committee that meets to evaluate key risks to the Group

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

- Substantial leverage,
- 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 Group, or that management currently deem immaterial, may also impair future business operations

Industry factors affecting performance

The Group's financial condition and results of operations are influenced by industry trends 2007 saw significant inflation in global commodity markets due to poor harvests and increased demand coming from emerging markets as well as new uses such as bio-fuels Price increases implemented by food manufacturers to offset this inflation have been passed on to the retailers

In recent years, there has been increased consolidation among the major grocery retailers in the United Kingdom as well as in continental Western Europe These consolidations have concentrated sales channels, increased the bargaining power of the major grocery retailers and intensified price competition among these retailers As a result, grocery retailers and manufacturers frequently engage in pricing campaigns such as "Everyday Low Price" and "Buy One Get One Free" in order to promote their products and gain market share These promotional campaigns require investment from both the manufacturer and the retailer, thus diluting the gross margin when compared to base sales but resulting in significant incremental sales volumes

Retailers focused on offering a reduced choice but lower price range to consumers (discount formats) are continuing to grow at a fast rate These retailers typically carry a smaller range of branded goods, with their own-branded products priced at a significant discount to manufacturer-branded products and traditional supermarket own-label products This has tended to contribute to the price competition in the grocery retail market

Consumer demand for food products has been strongly influenced by the trends toward out-of-home eating and away from the traditional three-meals-a-day eating pattern Consumers now demand convenience foods, including biscuit and snack products that offer greater variety, healthier alternatives and more portable and practical packaging These trends have added to the significance of convenience and impulse channels Retailers in these distribution channels generally seek branded products with high turnover

Financial risk management

In the ordinary course of business, the Group 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 Group enters into hedging transactions and uses derivative financial instruments, under established internal guidelines and policies, to mitigate the adverse effects of these risks The Group does not enter into financial instruments for trading or speculative purposes

The Treasury Management Committee establishes the Group'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 Group'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 Group's financial risks, and provide specific guidance on areas such as foreign exchange risk, interest rate risk and liquidity risk

Foreign Exchange risk

The Group 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 Foreign exchange risk arises as follows

Currency Fluctuation

Although the majority of the Group's sales are generated in the United Kingdom, its operations are geographically diverse During the period, the International Sales business unit had sales in approximately 100 countries In addition, 4 of the 15 manufacturing facilities through which the Group operates are within the Northern Europe business unit and are located in northern Europe As a result, the Group'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 Group's risk management policy is to hedge a proportion of its net currency exposure 100% of the gross sales or purchases value qualifies as 'highly probable' forecast transactions for hedge accounting purposes

Due to the Group'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 Group also had long-term borrowings and related interest payment obligations in currencies other than pounds sterling during the period The Group hedges against currency transaction risk by matching cash inflows in a particular currency with its costs and interest payments in the same currency The Group 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 and in the International Sales business The Group also purchases forward foreign currency contracts to hedge against expected net exposure to foreign currency exchange rate fluctuations with particular contractual commitments As of December 29, 2007, the Group had total forward currency contracts equivalent to £124 1 million, with an aggregate unrealised net gain of £2 9 million on those instruments at that date

Currency Translation Risk

The Group has a number of overseas subsidiaries, whose net assets are subject to currency translation risk The Group borrows in local currencies as appropriate, to minimise the impact of this risk on its balance sheet

Interest rate risk

The Group's interest rate risk arises through the interest cash flow risk from borrowing at variable rates Interest rate swaps have been used to convert a proportion of borrowings from floating rate debt to fixed rate debt from the period to 24 January 2010 Approximately 60% of the Group's total floating rate debt was converted into fixed rate debt at 29 December 2007

Credit risk

Credit risk may arise because of non-performance by a counter party The Group is exposed to credit risks on its financial instruments including trade receivables All derivative counterparties and cash transactions are limited to high credit quality financial institutions The Group is not exposed to concentration of credit risk on its derivative assets as these are spread over several financial institutions Trade receivables are subject to credit limits, control and approval procedures in all entities Due to its large geographical base, number and quality of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables

Liquidity risk

The Group manages 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

Commodity risk

The Commodity Committee establishes the Group's commodity risk strategy and approves activities designed to manage the volatility in commodity prices The Group seeks to cover its raw materials 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 by agreement with the Commodity Committee this may be extended In the most volatile of the Group's commodity markets, it hedges against fluctuating prices through the use of futures Gains or losses at the year-end may not materialise depending upon market movements between the year-end and the maturity dates of outstanding contracts Providing a successful hedged 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 Group also uses financial derivatives to protect future raw materials prices by taking out options

Restructuring programs

During the period, cash expenditure on restructuring programs was £14 6 million including costs associated with factory restructuring, changes made to the UBUK pension scheme and corporate restructuring following the acquisition of Predecessor at the end of 2006

Research and development

Research and development expenditure plays an essential part in the Group's commitment to product innovation and the development of more effective production and packaging technology

Charitable donations

During the period the Group made charitable donations of approximately £40,000

Employment policies

The Group 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 Group It is the Group's 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 Group 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 Group premises or carrying out Group business elsewhere, and of persons visiting Group premises, is primarily the responsibility of management

Employee involvement

The Group operates a framework for communicating information about the Group to employees through a "Period Brief" report which is issued every four weeks Regular meetings are held between local management and employees and employees participate in the success of the business through the Group's bonus schemes

Suppliers

The Group requires its operating companies 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 Group's 'Ethics and Operating Principles' which sets out the Group'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'

At 29 December 2007, the Group had an average of 96 days purchases outstanding in trade creditors

Directors and their interests

The names of the present directors are as stated on page 1 of this Directors' Report 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

Directors' Report (continued)

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

The directors who were members of the board at the time of approving the directors' report are listed on Page 1 Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report which the Group's auditors are unaware of, and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information

On behalf of the board

Director
25 April 2008

Registered Office
Hayes Park
Hayes End Road
Hayes
Middlesex
UB4 8EE

Statement of directors' responsibilities in relation to the Group financial statements

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period In preparing those Group financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance, and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Members of United Biscuits Topco Limited

We have audited the group financial statements of United Biscuits Topco Limited for the period 5 October 2006 to 29 December 2007 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 24 These group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of United Biscuits Topco Limited for the period 5 October 2006 to 29 December 2007

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements

Independent Auditors' Report to the Members of United Biscuits Topco Limited (continued)

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 29 December 2007 and of its loss for the period 5 October 2006 to 29 December 2007,

- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and

- the information given in the directors' report is consistent with the group financial statements

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
London

25 April 2008

Consolidated Income Statement

For the period 5 October 2006 to 29 December 2007

	Notes	2007 £m
Revenue		1,142 3
Cost of goods sold		(745 1)
Gross profit		397 2
Distribution, selling and marketing expenses		(177 5)
General and administrative expenses		(78 0)
Operating Profit before exceptional operating items		141 7
Operating Profit before exceptional operating items is comprised as follows		
Business profit		189 0
Depreciation and amortisation expense	5	(47 3)
Exceptional operating income	4	8 7
Exceptional operating expense	4	(19 3)
Operating profit	5	131 1
Finance income	6	3 7
Finance expense	7	(164 2)
Other finance income – pensions	21	18 2
Loss before taxes and share of results of joint venture		(11 2)
Taxes	8	(13 4)
Loss before share of results of joint venture		(24 6)
Share of results of joint venture	11	0 6
Loss attributable to shareholder		(24 0)

Consolidated statement of recognised income and expense

For the period 5 October 2006 to 29 December 2007

		2007 £m
Income and expense recognised directly in equity		
Actuarial gains on defined benefit plans	21	51 5
Gain on retranslation of intangible assets allocated to Northern Europe		9 2
Exchange differences on translation of foreign operations		(2 7)
Loss on cash flow hedges recognised in equity	20	(4 8)
		53 2
Transfers to the income statement		
Loss on cash flow hedges transferred to the income statement	20	0 1
Income recognised directly in equity		53 3
Tax on items recognised directly in or transferred from equity	8	(14 9)
Net income recognised directly in equity		38 4
Loss attributable to shareholder		(24 0)
Total recognised income and expense for period	20	14 4

United Biscuits Topco Limited

Consolidated Balance Sheet

As at 29 December 2007	Notes	2007 £m
ASSETS		
Non-current assets		
Intangible assets	9	1,163 3
Property, plant and equipment	10	328 9
Investment in joint venture	11	0 6
Retirement benefit asset	21	61 0
Deferred tax assets	8	83 6
Derivative financial instruments	17	0 6
Other non current assets		0 7
Total non current assets		1,638 7
Current assets		
Inventories	12	57 7
Trade and other receivables	13	230 2
Derivative financial instruments	17	3 7
Cash and cash equivalents	14	88 0
Total current assets		379 6
TOTAL ASSETS		2,018 3
EQUITY AND LIABILITIES		
Shareholder's equity		
Issued share capital	20	-
Share premium	20	1 8
Other reserves	20	1 3
Retained earnings	20	13 1
Total equity		16 2
Non current liabilities		
Borrowings	16	1,432 9
Amount due to parent company	23	187 5
Retirement benefit liability	21	12 0
Provisions	18	8 4
Derivative financial instruments	17	6 4
Other non current liabilities		0 1
Tax payable after one year		2 3
Deferred tax	8	7 1
Total non current liabilities		1,656 7
Current liabilities		
Trade and other payables	15	334 8
Derivative financial instruments	17	0 8
Provisions	18	9 8
Current tax payable		-
Total current liabilities		345 4
Total liabilities		2,002 1
TOTAL EQUITY AND LIABILITIES		2,018 3

Approved by the Board and signed on its behalf on 25 April 2008

Director

Consolidated Cash Flow Statement

For the period 5 October 2006 to 29 December 2007

	Notes	2007 £m
Operating activities		
Operating profit		131 1
Adjustments for		
Depreciation and amortisation	9 & 10	47 3
Exceptional operating items	4	10 6
Increase in inventory		(3 1)
Decrease in receivables		13 5
Increase in payables		26 1
Cash outflows relating to restructuring and other provisions		(14 6)
Difference between pension contributions paid and amounts recognised in the income statement		(24 0)
One-off contribution to pension plans	21	(150 6)
Transaction costs of Predecessor settled post acquisition		(14 9)
Cash generated from operations		21 4
Income taxes paid		(2 9)
Net cash inflow from operating activities		18 5
Investing activities		
Acquisition of Predecessor, net of cash acquired	3	(79 0)
Capital expenditure and purchases of intangible assets	9 & 10	(46 8)
Interest received		1 8
Proceeds from disposal of property, plant and equipment		1 1
Amounts received from joint venture		0 6
Net cash used in investing activities		(122 3)
Financing activities		
Proceeds from issue of shares	20	1 8
Increase in borrowings		1,472 7
Repayment of debt	16	(1,187 0)
Deferred finance costs		(29 6)
Interest paid		(66 1)
Net cash used in financing activities		191 8
Increase in cash and cash equivalents in the period		88 0
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	14	88 0

1 Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of United Biscuits Topco Limited and its subsidiaries (the "Group") for the period from the incorporation of United Biscuits Topco Limited on 5 October 2006 to 29 December 2007 were authorised for issue by the board of directors on 25 April 2008 and the balance sheet was signed on the board's behalf by J van der Eems United Biscuits Topco Limited is a limited company, incorporated and domiciled in England and Wales

The principal accounting policies adopted by the Group are set out in Note 2

2 Accounting Policies

Basis of preparation

United Biscuits Topco Limited (the "Company") was incorporated in the United Kingdom on 5 October 2006 as a private company under the name Precis (2648) Limited

The company was formed, together with a number of other entities, by Blackstone LLP and PAI Management in connection with the acquisition (the "Acquisition") of United Biscuits Equity Limited and its subsidiary companies (the "Predecessor")

The purchase of the Predecessor by the Company on 15 December 2006 has been reflected in the consolidated financial statements using the purchase method

These financial statements have been prepared to show the performance of the Company and its subsidiaries (the "Group") for the period from 5 October 2006 (the Company's date of incorporation) to 29 December 2007 Prior to the Acquisition, the Company did not trade Accordingly, the Company's consolidated income statement and cash flow statement for the period from 5 October 2006 to 29 December 2007 reflects the results of operations for the 54 weeks ended 29 December 2007, and no comparative information is presented

The accounting policies which follow set out the policies that were applied in preparing the financial statements of the Group for the period 5 October 2006 to 29 December 2007 and as at 29 December 2007 ("2007") The Group will generally present 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 of the subsidiaries are prepared on the same basis using consistent accounting policies The Group's next consolidated financial statement will be prepared for the 53 weeks ended 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

Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the period from 5 October 2006 to 29 December 2007

The financial reporting standards applied by the Group differ from those issued by the International Accounting Standards Board ("IASB") However, the adoption of the standards issued by the IASB would have made no difference to these financial statements International Financial Reporting Standards as adopted by the European Union are hereinafter referred to as "IFRS "

2 Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of United Biscuits Topco Limited and its subsidiaries as at 29 December 2007 Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and will continue to be consolidated until the date that such control ceases Intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation The Company's principal subsidiaries are listed in Note 11 of the Notes to the financial statements

Significant accounting judgements, estimates, and assumptions

The preparation of the Group's financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of current events and actions, ultimately actual results may differ from those estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of indefinite life intangible assets and the measurement of defined benefit pension obligations The measurement of intangible assets recognised on a business combination involves estimation of future cash flows and the selection of a suitable discount rate The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated This involves estimation of future cash flows and application of a suitable discount rate The cost of pension benefit plans and post-employment medical benefits is determined using actuarial valuations This involves making assumptions about future changes in salaries, future pension increases, mortality rates, the expected return on assets and discount rates Due to the long term nature of these plans such estimates are subject to significant uncertainty

Revenue

Revenue comprises sales of products to third parties at amounts invoiced net of trade discounts and rebates, excluding sales related taxes and sales between Group companies Trade discounts include sales incentives, up-front payments and other non-discretionary payments Revenue is recognised based on confirmed deliveries to customers, when the risks and rewards associated with the underlying products have been substantially transferred At each balance sheet date any expenditure incurred, but not yet invoiced in relation to trade discounts and other allowances, is estimated and accrued

Revenue also includes royalty and foreign exchange income which amounted to £6 1 million and £3 6 million, respectively, for the period 5 October 2006 to 29 December 2007

Business profit

Business profit is the primary measure by which the Group's management measure business performance and is used by the Group's management for the purpose of business decision-making and resource allocation Business profit represents the profit or loss before the Group's share of results of joint ventures, taxes, financing, exceptional operating items and depreciation and amortisation expense

2 Accounting Policies (continued)

Exceptional operating items

The Group presents as exceptional operating items in the income statement 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 This includes restructuring and non-recurring expenses, charges for impairment of plant, equipment and computer software and profits and losses on the disposal of property, plant and equipment

Restructuring and non-recurring expenses are one-off costs that are incremental to costs the Group would otherwise incur in relation to its normal operations Principally, they are costs associated with projects implemented to improve efficiency of the Group'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 and costs directly associated with implementing improved ways of working and product recalls Costs associated with an activity that meets the definition of restructuring or acquisition-related expenses are charged to the income statement below business profit at the point the Group is effectively committed to incurring the cost

Foreign currencies

In individual Group companies, transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the exchange rate prevailing at the balance sheet date Any resulting exchange differences are taken to the income statement, except where hedge accounting is applied and where there are differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation In these circumstances, exchange differences are taken directly to equity until either the hedging instrument or the net investment is disposed of, at which time they are recognised in the income statement

On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into sterling at the exchange rate prevailing at the balance sheet date Income and expense items are translated into sterling at the average rates for the year

Exchange differences arising on the translation of opening net assets of Group companies, together with differences arising from the translation of the net results at average or actual rates to the exchange rate prevailing at the balance sheet date, are taken to equity On disposal of a foreign entity, the deferred accumulated amount recognised in equity relating to that particular foreign operation is recognised in the income statement

Business combinations and goodwill

Business combinations are accounted for using the purchase method Goodwill is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the Group's share of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition Goodwill represents consideration paid by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised

After initial recognition, goodwill is measured at cost less any accumulated impairment losses Goodwill is subject to an annual impairment review or more frequently when events or changes in circumstances indicate an impairment may exist Any impairment is charged to the income statement in the period in which it arises

2 Accounting Policies (continued)

Other intangible assets

On acquisition the Group recognises any separately identifiable intangible assets separately from goodwill, initially measuring the intangible assets at fair value at the date of acquisition Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses

The useful lives of intangible assets are assessed to be either indefinite or finite Intangible assets with indefinite useful lives, as determined by the Group's Board of Directors, are not amortised but are subject to an impairment review on an annual basis or more frequently when events or changes in circumstances indicate an impairment may exist Purchased brands are deemed to have indefinite lives when there is proven longevity of the brand and continued marketing support is envisaged

Intangible assets with finite useful lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired The Group capitalises computer software at cost and also capitalises internally generated software based on costs incurred where certain specific criteria are met Computer software is amortised on a straight-line basis over its estimated useful life, up to 5 years The carrying value of intangible assets with a finite life is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable Any impairment is charged to the Income Statement in the period it arises

Product development expenditure

Internally generated development costs are capitalised where specific criteria are met The Group also monitors the level of product development costs, which may be capitalised once the flow of economic benefits is assured For the Group, this is evident only shortly before a product is launched into the market and the level of costs incurred after these criteria have been met is currently insignificant

Advertising costs

Advertising costs are charged against the profit or loss of the period in which the associated advertisement is first used If an advertisement has not been used, media service prepayments, promotional materials and production costs of future media advertising may be deferred until the period the advertisement is first used

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and provision for impairment where appropriate Freehold land is not depreciated

Depreciation is provided on a straight-line basis based on the expected useful lives of assets Rates of depreciation applied are as follows

Freehold buildings and long leaseholds	1 5% p a
Leasehold improvements	Over the life of the lease
Plant and equipment	3 – 15% p a
Motor vehicles	20 – 30% p a
Fixtures and fittings	10 – 33% p a

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 property, plant and equipment are not capitalised

Property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired Any impairment is charged to the income statement in the period in which it arises Useful lives and residual values of assets are reviewed annually

2 Accounting Policies (continued)

Impairment of assets

Goodwill arising on business combinations is allocated to groups cash-generating units (equivalent to the Group's business units) The recoverable amount of the groups of cash-generating units to which goodwill has been allocated is tested for impairment annually or more frequently when events or changes in circumstances indicate that it might be impaired Previous impairments of goodwill cannot be reversed at a later date

The carrying values of property, plant and equipment and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss

Where purchased intangible assets are considered by the Board of Directors to have an indefinite useful life, they are not amortised but are subject to an impairment review on an annual basis or more frequently if necessary Intangible assets not yet available for use, for example, computer software under development, are tested for impairment annually

An impairment review is performed by comparing the carrying value of the property, plant and equipment or intangible asset or goodwill with its recoverable amount, the recoverable amount being the higher of the fair value of the asset less costs to sell and the asset's value in use The assets fair value less costs to sell is the amount that could be obtained on disposal of the asset The value in use is determined by discounting, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, the expected future cash flows resulting from its continued use, including those on final disposal Impairment losses are recognised in the income statement immediately Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs Considerable management judgement is necessary to estimate discounted future cash flows Accordingly, actual cash flows could vary considerably from forecasted cash flows

Impairment reversals are permitted to property, plant and equipment or intangible assets (but not to goodwill) only to the extent that the new carrying value does not exceed the amount it would have been had no impairment loss been previously recognised

Leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group All other leases are classified as operating leases

Assets held under finance leases are recognised as assets of the Group and capitalised at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments within property, plant and equipment and depreciated over the shorter of the lease term and estimated useful life The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are charged directly against income

Lease payments relating to operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease, or over the period between rent reviews where these exist

2 Accounting Policies (continued)

Joint Venture

The Group has one joint venture KP Ireland Limited is an entity in which the Group has a long-term participating interest and is jointly controlled by the Group and one other party under a contractual arrangement The Group's interest in the results and assets and liabilities of KP Ireland Limited is included in the financial statements using the equity method of accounting

Under the equity method, the Group's interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets less distributions received and less any impairment in the value of the investment The consolidated income statement reflects the Group's share of the jointly owned entity's results after tax

Inventories

Inventories are valued at the lower of cost and estimated net realisable value The cost of products manufactured by the Group comprises direct material and labour costs together with appropriate factory overheads The cost of raw materials and goods for resale is determined on a first-in, first-out basis Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Inventory held as consignment stock is recognised as an asset in the balance sheet at cost, as the risks and rewards of ownership have been transferred to the Group A corresponding liability is also recognised in the balance sheet

Trade and other receivables

Trade and other receivables are stated after deducting adequate provision for doubtful debts

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand with any qualifying financial institutions, less overdrafts from any qualifying institution repayable on demand Cash equivalents are bank deposits which mature in three months or less at the date of acquisition

Government grants

Government grants are deferred and recognised in the income statement over the period necessary to match them with the related costs they are intended to compensate for The Group 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

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

Borrowings

Borrowings are initially recognised at fair value, which is represented by the amount of net proceeds received including any premium on issue and after deduction of issue costs Borrowings are subsequently stated at amortised cost Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method, that is, finance charges are allocated at a constant rate based on the carrying amount over the term of the instrument

2 Accounting Policies (continued)

Taxes

Current tax is based on the results for the year as adjusted for non-assessable or disallowed items It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of investments in subsidiaries and interests in joint ventures where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future Where the temporary difference arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (or loss), deferred tax is also not recognised

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised Their carrying amount is reviewed at each balance sheet date

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset or liability is realised based on tax rates and laws enacted or substantively enacted at the balance sheet date It is recognised in the income statement except when it relates to items recorded directly in equity

Pensions and other post-retirement benefits

The Group's main post-retirement arrangements are in the United Kingdom and are of the defined benefit type, for which contributions are paid into separately administered funds The Group's U K defined benefit plans are closed to new members and membership of defined contribution plans is available for new employees The Group also provides additional post-retirement benefits to certain senior managers in the United Kingdom and post-retirement healthcare benefits in the Netherlands, both of which are unfunded

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 is recognised in the income statement 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 income statement as other finance income or costs

2 Accounting Policies (continued)

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

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 sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in future contributions

Contributions to defined contribution plans are recognised in the income statement in the period in which they become payable

Provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reasonably estimated If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability

Derivative financial instruments and hedging

The Group 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 the balance sheet date

Under IAS 39, 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

(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 income statement in the same period in which the hedged forecast transaction or firm commitment is recognised in the income statement

The Group 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 and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above

2 Accounting Policies (continued)

(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 income statement 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 Group 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 Group revokes the designation

(c) Hedges of net investment

Where foreign currency loans are designated as hedges of net investments in foreign operations the portion of the foreign exchange gain or loss on the borrowing that is determined to be an effective hedge is recognised directly in the currency translation reserve On disposal of a foreign operation, the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal

Where a hedging instrument fails to meet the criteria for hedge accounting, or where a portion of a qualifying hedging relationship is ineffective, the movement in the fair value of the hedging instrument relating to hedge ineffectiveness is recognised in the income statement immediately

New standards and interpretations not applied

The IASB and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations which will be effective for future accounting periods of the Group

		Effective for accounting periods beginning on or after
IAS		
IFRS 7	Financial instruments Disclosure	1 January 2007
IAS 23	Borrowing Costs – Revised	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Amendment – Presentation of Financial Statements Capital Disclosures	1 January 2009
IFRS 3	Business Combinations - Revised	1 July 2009
IAS 27	Consolidated and Separate Financial Statements - Revised	1 July 2009
IFRIC		
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS19 – The limit on a Defined Benefit Asset Minimum Funding Requirement and their interaction	1 January 2008

2 Accounting Policies (continued)

Management do not anticipate that the adoption of these standards and interpretations, where applicable, and once adopted by the EU, will have a material impact on the Group's financial statements in the initial period of application

Upon adoption of IFRS 7, the Group will be required to disclose additional information about its financial instruments, their significance and the nature and extent of the risks that they give rise to More specifically, the Group will be required to disclose the fair value of its financial instruments and its risk exposure in greater detail There will be no effect on reported results or net assets

3 Business combinations

The Group acquired a 100% interest in United Biscuits Equity Limited on 15 December 2006 The transaction has been treated as an acquisition for accounting purposes

The fair value of the identifiable assets and liabilities of United Biscuits Equity Limited assumed as at the date of acquisition and the corresponding carrying amounts immediately before the Acquisition were as follows

	Fair Value recognised on acquisition £m	Previous Carrying Value £m
Intangible assets – purchased brands and software	640 4	735 0[1]
Deferred tax liability recognised on intangible assets[2]	(170 3)	-
Deferred tax asset relating to non-trading and capital losses[2]	170 3	-
Property, plant and equipment	320 3	323 9
Cash and cash equivalents	33 1	33 1
Inventories	54 6	54 6
Trade receivables	239 5	239 5
Deferred tax and other assets[2]	111 7	111 7
	1,399 6	1,497 8
Trade payables	(259 8)	(261 6)
Provisions	(13 2)	(12 7)
Debt	(1,317 6)	(1,317 6)
Retirement benefit obligations	(202 1)	(202 1)
Deferred tax and other liabilities[2]	(11 7)	(11 7)
	(1,804 4)	(1,805 7)
Net liabilities acquired	(404 8)	(307 9) [1]
Goodwill arising on acquisition	516 9	
Total consideration (including transaction costs of £31 2 million)	112 1	

(1) Includes goodwill previously recognised on consolidation by Predecessor

(2) Net deferred tax asset as at Acquisition was £101 1 million

3 Business combinations (continued)

The total cost of the combination of £112 1 million comprised cash payment for the shares of United Biscuits Equity Limited and costs directly attributable to the combination

	£m
Cash outflow on acquisition	
Net cash acquired with the subsidiary	33 1
Cash paid	(112 1)
Net cash outflow	(79 0)

The Company did not trade prior to the Acquisition Revenue and business profit contributed by the acquired group for the period 5 October 2006 to 29 December 2007 were £1,142 3 million and £189 0 million, respectively

Goodwill represents future sales growth and cost synergies from corporate restructuring as well as the value of customer relationships, manufacturing knowledge and capability and management, which cannot be separately identified and valued

4 Exceptional operating income and expense

Period from 5 October 2006 to 29 December 2007	Restructuring and non-recurring expenses £m	Impairment of plant, equipment £m	Profit on disposal of property, plant and equipment £m	Total £m
Exceptional operating income				
Defined benefit past service income (1)	7 9	-	-	7 9
Profit on disposal of surplus land		-	0 8	0 8
	7 9	-	0 8	8 7
Exceptional operating expense				
Costs associated with product recall (2)	(1 0)	-	-	(1 0)
Restructuring and associated costs (3)	(17 5)	-	-	(17 5)
Impairment of manufacturing equipment	-	(0 8)	-	(0 8)
	(18 5)	(0 8)	-	(19 3)

(1) Defined benefit past service income principally occurred as a result of benefits accrued to 1 December 2007 in the UBUK plan becoming linked to inflation rather than salary increases This credit is deemed to be non-recurring and by function related to general and administrative expenses

(2) Prior to its acquisition by the Company, the Group's operating subsidiary in the Netherlands recalled fruit slice products as a precaution following a manufacturing issue A product recall also occurred in the UK during the fourth quarter of 2007 Stated costs are net of insurance proceeds By function the costs relate mainly to cost of goods sold

(3) Restructuring and associated costs relate primarily to redundancy and other costs associated with cost reduction and efficiency programs No analysis of these expenses by function exists, however, they will relate to cost of goods sold, distribution, selling and marketing and general and administrative expenses

5 Operating profit

Operating profit is stated after charging	2007 £m
Depreciation and amortisation expense	
Depreciation of property, plant and equipment	43 6
Amortisation of computer software	3 7
Depreciation and amortisation expense	47 3
The depreciation and amortisation expense by function is as follows	
Cost of goods sold	38 2
Distribution, selling and marketing expenses	1 4
General and administrative expenses	7 7
	47 3
Operating lease rentals	
Property	3 4
Plant and equipment	5 9
	9 3
Product research and development	5 0
Advertising costs	18 2
Exchange loss	1 3
Staff costs and directors' emoluments	
Gross wages and salaries, holiday pay and sick pay	226 9
Social security costs	29 6
Pension costs	6 3
	262 8

	£m
Directors' emoluments (1)	1 9
Emoluments in respect of the highest paid director	0 9

(1) Number of directors to whom retirement benefits are accruing in respect of defined benefit schemes was 1 in 2007 and 1 director is a member of the defined contribution scheme

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

	£'000
Audit of the financial statements	395
Other fees to auditors – audit of pension scheme	49
- local statutory audits for subsidiaries	410
- taxation services	14
- corporate finance services	-
- other services	210
	1,078

6 Finance income

	2007 £m
Bank interest receivable	2 4
Interest rate swaps	1 1
Other interest	0 2
	3 7

7 Finance expense

	2007 £m
Bank credit facility	127 8
10% PIK notes due 2017	13 6
Other bank loans and overdrafts	2 6
Interest payable to parent company	14 5
Derivative contracts	5 5
Finance leases	0 2
	164 2

8 Taxes

Tax on profit on ordinary activities

Tax is charged in the income statement as follows

	2007 £m
Current income tax	
UK corporation tax	-
Foreign tax	2 8
Current income tax charge	2 8
Adjustment relating to prior years	0 8
Total current income tax	3 6
Deferred tax	
Relating to origination and reversal of temporary differences	6 0
Relating to changes in the tax rate	6 8
Adjustments relating to prior years	(3 0)
Total deferred tax	9 8
Tax charge in the income statement	13 4

8 Taxes (continued)

Tax relating to items charged or credited to equity is as follows

	2007 £m
Deferred income tax:	
Actuarial gains and losses on pension schemes	(14 4)
Retranslation of Northern Europe intangible assets	(2 6)
Translation differences on foreign currency net investments	0 8
Net gain on revaluation of cash flow hedges	1 3
Tax charge in the statement of recognised income and expense	**(14 9)**

Reconciliation of the total tax (credit)/charge

The tax charge in the income statement for the period is higher than the standard rate of corporation tax in the U K of 30% From 1 April 2008, the standard rate of U K tax will be 28% The differences are reconciled below

	2007 £m
Tax on ordinary activities at the statutory rate	(3 4)
Change in UK statutory tax rate	6 8
Expenses not deductible for tax purposes	3 0
Prior year adjustments	(2 2)
Loss carried forward	9 2
Tax charge in the income statement	13 4
Loss from operations before taxation	(11 2)

Unrecognised tax losses

A deferred tax asset has not been recognised on tax losses of approximately £87 million at 29 December 2007 It is not anticipated that any of these losses will be able to be offset against profits arising within the foreseeable future

Approximately £51 million of the losses are capital and non-trading losses arising in the United Kingdom The losses have no expiry dates, but can only be utilised against future U K capital gains and non-trading profits, respectively The balance of the losses has arisen in France, Belgium and the United States Approximately £2 million will expire at various dates from 2008 to 2015, and the remaining £34 million have no expiry date

Temporary differences associated with group investments

At 29 December 2007, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or joint venture

8 Taxes (continued)

Deferred tax

	2007 £m
Deferred tax assets	
Accelerated capital allowances	55 5
Pensions and post-employment medical benefits	31 6
Revaluation in respect of financial derivatives	1 7
Payables and provisions	13 0
Capital losses carried forward	4 3
Non-trading losses carried forward	170 3
Deferred tax asset	276 4
Deferred tax liability	
Accelerated capital allowances	8 4
Intangible assets	170 3
Pensions and post-employment medical benefits	14 3
Revaluation in respect of financial derivatives	0 8
Translation differences on foreign currency net investments	1 8
Rolled-over gains	4 3
Deferred tax liability	199 9
Net deferred tax asset	76 5
Reflected in the balance sheet as follows	
Deferred tax asset	83 6
Deferred tax liability	(7 1)
	76 5
Deferred tax in the income statement	
Accelerated capital allowances	(14 4)
Pensions and post-employment medical benefits	26 2
Payables and provisions	(7 2)
Revaluation in respect of foreign currency cash flow hedges	0 4
Temporary losses	(2 0)
Tax rate change	6 8
	9 8

9 Intangible assets

	Goodwill £m	Purchased brands £m	Computer software £m	Total £m
Cost				
At 5 October 2006	-	-	-	-
Business acquired	516 9	632 6	7 8	1,157 3
Additions	-	-	0 3	0 3
Exchange	5 4	3 8	0 2	9 4
At 29 December 2007	522 3	636 4	8 3	1,167 0
Amortisation				
Charge for period	-	-	3 7	3 7
At 29 December 2007	-	-	3 7	3 7
Net book value at 29 December 2007	522 3	636 4	4 6	1,163 3

The Group manufactures and markets a wide range of products in Western Europe under well-recognised brands with proven longevity that are well-supported by advertising and marketing activity Among the Group's popular brands are *McVitie's, Penguin, go ahead!, McVitie's Jaffa Cakes, Jacob's, Jacob's Cream Crackers, Carr's, Twiglets, BN, Delacre, Verkade, Sultana, Hula Hoops, Skips, Mini Cheddars, McCoy's and KP nuts*

All purchased brands have been deemed to have indefinite useful lives and are therefore not subject to amortisation but are tested at least annually for impairment

Impairment of goodwill and intangible assets with indefinite lives

At 29 December 2007, goodwill and brands acquired through business combinations have been allocated for impairment purposes to three groups of cash-generating units as follows

- U K cash-generating unit
- International Sales cash-generating unit
- Northern Europe cash-generating unit

These represent the lowest level within the Group at which goodwill and other intangible assets are monitored for internal management purposes

U.K. cash-generating unit

The recoverable amount of the U K unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period The discount rate applied to the cash flow projections was 10% A long-term growth rate assumption of 2 5% was used

International Sales cash-generating unit

The recoverable amount of the International Sales unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period The discount rate applied to the cash flow projections was 10% A long-term growth rate assumption of 0% was used

9 Intangible assets (continued)

Northern Europe cash-generating unit

The recoverable amount of the Northern Europe unit has been determined based on a value in use calculation using cash flow projections based on financial budgets and forecasts approved by management covering a five-year period The discount rate applied to the cash flow projections was 10% A long-term growth rate assumption of 2 5% was used

The carrying amounts of goodwill and brands allocated to the groups of cash-generating units were as follows

	UK 2007 £m	Northern Europe 2007 £m	International Sales 2007 £m	Total 2007 £m
Carrying amount of				
Goodwill	419 8	63 9	38 6	522 3
Brands with indefinite useful lives	583 7	45 8	6 9	636 4

Key assumptions applied to value in use calculations

The calculation of value in use for the U K, Northern Europe and International Sales units is most sensitive to the following assumptions

- *Discount rates* – these reflect management's estimate of the return on capital employed (ROCE) required by each business taking into account the respective business size, location and risk profile
- *Raw materials price inflation* – estimates are based on expectation of the Group's procurement specialists, with reference to appropriate market prices for the Group's raw materials such as cocoa and sugar
- *Market share* – estimates are based on management's assessment of how each cash-generating unit's position relative to its competitors might change over the budget period
- *Growth rates used to extrapolate cash flows* – estimates are based on industry expectations of growth in the market where each cash-generating unit is located This is adjusted to reflect the Group's relative weight in faster, or slower, growing market categories

Sensitivity to changes in assumptions

With regard to the assessment of value in use of all units, management believes that no reasonably possible change in any of the above key assumptions would cause the recoverable amount to be less than the carrying value of the unit

10 Property, plant and equipment

	Property		Plant & Equipment			
	Freehold £m	**Leasehold Improvement £m**	**Plant, Machinery & Vehicles £m**	**Fixtures & Fittings £m**	**Assets Under Construction £m**	**Total £m**
Cost						
At 5 October 2006	-	-	-	-	-	-
Business Acquired	76 5	7 5	209 7	8 4	18 2	320 3
Exchange Adjustments	1 3	-	5 3	0 4	0 3	7 3
Additions	1 9	-	25 1	3 6	15 9	46 5
Reclassifications	0 6	-	5 0	0 2	(5 8)	-
Disposals	(0 9)	-	(10 5)	(0 1)	-	(11 5)
At 29 December 2007	**79 4**	**7 5**	**234.6**	**12 5**	**28.6**	**362 6**
Depreciation						
At 5 October 2006	-	-	-	-	-	-
Exchange adjustments	-	-	0 4	-	-	0 4
Charge for the period	4 8	0 8	33 7	4 3	-	43 6
Impairment	-	-	-	0 8	-	0 8
Disposals	(0 6)	-	(10 4)	(0 1)	-	(11 1)
At 29 December 2007	**4 2**	**0.8**	**23 7**	**5 0**	**-**	**33 7**
Net book value at 29 December 2007	**75 2**	**6 7**	**210 9**	**7 5**	**28 6**	**328 9**

The net book value of leasehold improvements of £6 7 million is in respect of properties held under operating leases with remaining lease terms of under 50 years as at 29 December 2007

The net book value of assets acquired under finance lease arrangements, all of which are either plant, machinery or vehicles, is £0 4 million

11 Investments

	2007 £m
Investment in joint venture	0 6

(a) Investment in joint venture

The Group holds a 50% interest in the ordinary shares of KP Ireland Limited, which is incorporated in and operates in the Republic of Ireland The principal activity of KP Ireland Limited is the manufacture of snack products

The Group's share of assets and liabilities as at 29 December 2007 and its share of income and expenses of the jointly controlled entity for the period 15 December 2006 to 29 December 2007 were as follows

	2007 £m
Share of the joint venture's balance sheet	
Non-current assets	0 2
Current assets	0 8
Share of total assets	1 0
Current liabilities	0 4
Non-current liabilities	-
Share of total liabilities	0 4
Share of net assets	0 6
Share of results of joint venture.	
Revenue	2 0
Operating costs	(1 3)
Net profit before taxes	0 7
Taxes	(0 1)
Net profit after taxes	0 6

11 Investments (continued)

(b) Details of Group undertakings

At 29 December 2007, all the principal subsidiaries of United Biscuits Topco Limited listed below were wholly owned The Group also held investments in other subsidiaries which were either not trading or not significant In compliance with the Companies Act 1985, details of all subsidiaries will be annexed to the Company's next annual return

Principal subsidiary	Country of incorporation and operation	Activity
United Biscuits Bondco Limited	UK	Holding Company
United Biscuits VLNco Limited	UK	Holding Company
United Biscuits Holdco Limited	UK	Holding Company
United Biscuits Holdco 2 Limited	UK	Holding Company
United Biscuits Bidco Limited	UK	Holding Company
United Biscuits Dutchco BV	Netherlands	Holding Company
Regentrealm Limited	UK	Holding Company
Finalrealm Limited	UK	Holding Company
United Biscuits (Holdings) Limited	UK	Holding Company
UB Overseas Limited	UK	Holding Company
McVitie & Price Limited	UK	Holding Company
UB Investments plc	UK	Holding company
United Biscuits (UK) Limited	UK	Food manufacturer
UB Humber Limited	UK	Finance Company
UB Foods US Limited	UK	Finance Company
Koninklijke Verkade NV	Netherlands	Biscuit manufacturer
United Biscuits France SAS	France	Biscuit manufacturer
United Biscuits Industries SAS	France	Biscuit manufacturer
N V Biscuits Delacre S A	Belgium	Biscuit manufacturer

12 Inventories

	2007 £m
Raw materials and consumables	21 2
Work in progress	2 2
Finished goods	34 3
	57 7

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

Raw materials and consumables at 29 December 2007 included £2 0 million in respect of consignment stock

Inventories recognised as an expense during the period 5 October 2006 to 29 December 2007 amounted to £567 8 million

The amount of inventories written down and recognised as an expense during the period 5 October 2006 to 29 December 2007 was £0 5 million

13 Trade and other receivables

	2007 £m
Trade receivables	207 5
Other receivables	6 5
Prepayments and accrued income	16 2
	230 2

Trade receivables are stated net of provisions for bad and doubtful debts of £0 9 million

Trade and other receivables are all expected to be settled within one year Trade receivables are non-interest bearing and are generally on 30 – 90 days' terms

14 Cash and cash equivalents

	2007 £m
Cash at bank and in hand	37 6
Short term deposits	50 4
	88 0

Cash at bank earns interest at floating rates based on daily bank deposit rates Short-term deposits are made for varying periods of between two days and two weeks depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates The fair value of cash and cash equivalents is £88 0 million

15 Trade and other payables

	2007 £m
Trade payables	218 7
Other payables	4 6
Other taxes and social security costs	9 9
Accruals and deferred income	101 6
	334 8

16 Borrowings

	2007 £m
Non-current	
Senior facilities	1,288 9
10% PIK Notes due 2017	143 6
Other loans	0 2
Finance lease obligations	0 2
Total borrowings	1,432 9

On December 15, 2006, United Biscuits Bidco Limited, a subsidiary of United Biscuits Topco Limited, acquired the whole of the issued share capital of United Biscuits Equity Limited, which at that date was the ultimate parent company of the United Biscuits group

At the point of acquisition, the borrowings of the United Biscuits group totalled £1,317 6 million and comprised senior bank debt and accrued interest of £510 3 million, unsecured loan notes due 2049 of £806 7 million, other loans of £0 2 million and finance lease obligations of £0 4 million Immediately following the Acquisition, the senior bank debt was repaid together with a £2 0 million early redemption fee The unsecured loan notes 2049 were repaid, £130 0 million being satisfied by the issue of 10% PIK Notes due 2017 ("Vendor Loan Notes") and the balance in cash In total, £1,187 0 million of debt was repaid in cash and £2 0 million was paid in respect of debt redemption

The Acquisition and debt repayment was financed by
- Senior and Second Lien bank facilities totalling £1,159 0 million and €172 0 million and a bank Mezzanine loan of £175 0 million (jointly, the Senior Facilities)
  - £1,033 4 million and €172 0 million was drawn down on 15 December 2006 to finance the debt repayment and the Acquisition
  - £150 6 million was drawn down subsequently in January 2007 and paid to the Group's UK defined benefits plans in accordance with the Acquisition Sale and Purchase Agreement
- Issue of £130 0 million Vendor Loan Notes
- Loan from the ultimate parent company of United Biscuits Topco Limited, United Biscuits LuxCo S C A ("Parent"), in the sum of £172 9 million (see note 23 – Related party transactions)

Senior Facilities

Details of the Senior Facilities amounts outstanding at 29 December 2007 are set out below

Senior Debt	Amortised debt £m	Principal[1] £m	Margin %	Type	Maturity
Term loan B	831 8	849 0	LIBOR + 2 5	Bullet	15 December 2014
Term loan B (€)	124 6	127 0	EURIBOR + 2 5	Bullet	15 December 2014
Second lien	156 8	160 0	LIBOR + 4 0	Bullet	15 June 2016
Mezzanine	175 7	179 2	LIBOR + 3 75 Cash LIBOR + 4 0 PIK	Bullet	15 December 2016
Total term loans	1,288 9	1,315 2			

(1) Includes rolled up interest where applicable

16 Borrowings (continued)

In addition to the facilities described above there are two further senior facilities available

Acquisition and capex facility of £100 0 million

This facility had not been drawn at 29 December 2007 The facility can be used for financing capital expenditure, acquisitions which are permitted under the senior facilities agreements, including refinancing any indebtedness acquired therewith, joint ventures which are permitted under the senior facilities agreements and restructuring costs The facility is available to be drawn up to 15 June 2010 If drawn by then, amounts outstanding are repayable in seven equal instalments starting on 15 December 2010 and ending on 15 December 2013

Revolving facility of £50.0 million

The facility can be used to finance working capital requirements, general corporate purposes of the Group, to refinance working capital indebtedness of the Group 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 of subsidiary companies, 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 reborrowed, subject to the maximum limit available under the facility The facility is available until 15 December 2013

An amount of £9 4 million has been drawn down as ancillary facilities under the revolving facility A total of £8 4 million is to cover day to day requirements of the UK business, £7 9 million of this being for the provision of two overdraft facilities and £0 5 million in the form of a bank guarantee The balance of £1 0 million is for a letter of credit issued to one of the Group's banks to cover an overdraft facility for the Group's subsidiaries in the Netherlands There were no drawings under any of the overdraft facilities at 29 December 2007

The Senior Facilities are secured by fixed and floating charges over all the assets of United Biscuits Holdco Limited and its principal UK subsidiaries (see Note 11(b)) In addition, those companies have pledged their shares to the lenders and have guaranteed the debt United Biscuits Dutchco BV has also guaranteed the debt

The Senior Facilities require the Group 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

Vendor Loan Notes

An amount of £130 0 million of Vendor Loan Notes were issued by a wholly owned subsidiary of United Biscuits Topco Limited, VLNco Limited, to the former owners of United Biscuits (Equity) Limited Cinven and MidOcean Partners hold £70 0 million and £60 0 million of the notes respectively The notes accrue interest of 10% per annum and are due for repayment on 15 December 2017 The holders of the notes have entered into a Put and Call deed This gives Parent the right to call amounts of up to £30 0 million of the notes, plus accrued interest thereon, on or after 15 December 2007 and the right to call up to all of the outstanding notes, plus accrued interest thereon, on or after 15 December 2008 None of the notes have yet been called In addition the loan note holders have the right to require both Blackstone and PAI, who jointly own Parent, but not either of them separately, to repay the notes outstanding plus accrued interest on or after 15 December 2008 In addition should there be a change of control on or before 15 December 2008, the loan note holders have the right to require both Blackstone and PAI, but not either of them separately, to repay the notes outstanding plus accrued interest

As at 29 December 2007 the amount outstanding on the loan notes was £143 6 million

16 Borrowings (continued)

Other loans

At 29 December 2007, £0 2 million was outstanding in relation to an interest free loan taken out by a subsidiary of the Company in 2000 in an amount of €0 3 million The loan is repayable in instalments over a 10-year period Repayments commenced in 2004

Maturities of borrowings

	Senior facilities[1] 2007 £m	Other loans 2007 £m	Finance leases 2007 £m	Total 2007 £m
Within one year or on demand	(3 3)	-	-	(3 3)
Between one and two years	(3 3)	-	0 2	(3 1)
Between two and three years	(3 3)	-	-	(3 3)
Between three and four years	(3 3)	-	-	(3 3)
Between four and five years	(3 3)	-	-	(3 3)
After five years	1,305 4	143 8	-	1,449 2
	1,288 9	143 8	0 2	1,432 9

(1) Amounts presented in years 1 to 5 represents amortisation of deferred finance costs

Available committed facilities

	2007 £m
Expiring in one year or less	-
Expiring in more than two years	149 5
	149 5

17 Financial Instruments

Financial risk management and commodity price risk management

The Group is exposed to a variety of financial risks through its activities The Treasury Management Committee establishes the Group'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 Group'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 Group's financial risks, and provide specific guidance on areas such as foreign exchange risk, interest rate risk and liquidity risk

17 Financial Instruments (continued)

(a) Foreign exchange risk

The Group 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 Foreign exchange risk arises from future commercial and financing transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the Group entity undertaking the transaction and net investments in overseas entities

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 Group's risk management policy is to hedge a proportion of its net currency exposure 100% of the gross sales or purchases value qualifies as 'highly probable' forecast transactions for hedge accounting purposes

The Group has a number of overseas subsidiaries, whose net assets are subject to currency translation risk The Group borrows in local currencies as appropriate, to minimise the impact of this risk on the balance sheet

(b) Interest rate risk

The Group's interest rate risk arises through the interest cash flow risk from borrowing at variable rates Interest rate swaps have been used to convert a proportion of borrowings from floating rate debt to fixed rate debt

(c) Credit risk

Credit risk may arise because of non-performance by a counterparty The Group is exposed to credit risks on its financial instruments including trade receivables All derivative counterparties and cash transactions are limited to high credit quality financial institutions The Group is not exposed to concentration of credit risk on its derivative assets as these are spread over several financial institutions Trade receivables are subject to credit limits, control and approval procedures in all entities Due to its large geographical base, number and quality of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables

(d) Liquidity risk

The Group manages 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

(e) Commodity risk

To manage the volatility in commodity prices, the Group seeks to cover its raw materials 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 by agreement with the commodity committee this may be extended In the most volatile of the Group's commodity markets, it hedges against fluctuating prices 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 hedged 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 Group also uses financial derivatives to protect future raw materials prices by taking out options

17 Financial Instruments (continued)

Interest rate risk and currency of borrowings (excluding finance leases and other loans)

2007	Gross borrowings at floating rates £m	Gross borrowings at fixed rates £m	Total gross borrowings £m	Cash and cash equivalents at floating rates £m	Total net borrowings £m
Third party borrowings					
Sterling	461 9	843 6	1,305 5	(57 1)	1,248 4
US dollar	-	-	-	(3 6)	(3 6)
Euro	38 4	88 6	127 0	(27 2)	99 8
Canadian dollar	-	-	-	(0 1)	(0 1)
Loan from Parent					
Sterling	-	187 5	187 5	-	187 5
At 29 December 2007	500 3	1,119 7	1,620 0	(88 0)	1,532 0

Other loans of £0 2 million and finance leases of £0 2 million are not included in the above tables as they are non-interest bearing and are not therefore subject to interest rate risk

The Group has the following interest rate swaps which were put in place in January 2007 and which will expire on 24 January 2010

2007	Fixed rate borrowings £m	Effect of interest rate swaps £m	Effective fixed rate borrowings £m	Swap rate %
Sterling - parent	187 5	-	187 5	-
Sterling – third party	143 6	700 0	843 6	5 767
Euro	-	88 6	88 6	4 113
	331 1	788 6	1,119 7	

17 Financial Instruments (continued)

Fair Values

	Carrying value 2007 £m	Fair value 2007 £m
Financial assets		
Cash and short term deposits	88 0	88 0
Derivative assets		
Cash flow hedges		
Forward currency contracts	2 8	2 8
Interest rate swaps	0 6	0 6
Fair value hedges		
Forward currency contracts	0 9	0 9
	4 3	4 3
Of which		
Current asset	3 7	
Non current asset	0 6	
	4 3	
Financial liabilities		
Amounts due to parent company	187 5	187 5
Loans and borrowings	1,432 5	1,458 8
Finance lease obligations	0 2	0 2
Other loans	0 2	0 2
	1,620 4	1,646 7
Derivative liabilities		
Cash flow hedges		
Forward currency contracts	0 4	0 4
Interest rate swaps	6 4	6 4
Commodity contracts	-	-
Fair value hedges		
Forward currency contracts	0 4	0 4
	7 2	7 2
Of which		
Current liability	0 8	
Non current liability	6 4	
	7 2	

The fair values of debt and derivatives are based on market values where available Where market values are not available they have been calculated by discounting cash flows at prevailing interest and exchange rates

All derivative assets and liabilities fall due within one year, except interest swaps which fall due on 24 January 2010

17 Financial Instruments (continued)

Cash flow hedges

At 29 December 2007, the Group held a number of forward foreign exchange contracts designated as hedges of highly probable forecast transactions These forward contracts were accounted for as cash flow hedges The forward contracts are typically taken out with twelve-month maturity dates at regular intervals throughout the year Gains and losses recognised in the hedging reserve as equity will be released to the income statement at various dates within one year of the balance sheet date

	2007		Range of rates	
	£m	USD	EUR	CAD
Foreign exchange contracts				
Buy against sterling	69 7	2 1 – 1 9	1 5 – 1 4	-
Sell against sterling	3 8	1 5 – 1 3	-	-
	73 5			

A profit of £2 3 million was recognised directly in equity during the period 5 October 2006 to 29 December 2007 and a loss of £0 1 million was transferred to the income statement in relation to foreign exchange cash flow hedges During the same period a loss of £7 1 million was recognised directly in equity in respect of interest rate swaps

Fair value hedges

At 29 December 2007, the Group held a number of forward foreign exchange contracts designated as hedges of foreign currency debtors and creditors These forward contracts were accounted for as fair value hedges All such contracts mature within one year

	2007		Range of rates	
	£m	USD	EUR	CAD
Foreign exchange contracts				
Buy against sterling	41 0	2 1 – 2 0	1 4	-
Sell against sterling	9 6	2 1 – 2 0	1 5 – 1 4	2 0
	50 6			

Hedges of net investment in foreign entities

Included in borrowings at 29 December 2007 were loans of €172 million, which were designated as hedges of net investments in overseas subsidiaries, used to reduce exposure to foreign exchange risk Gains or losses on re-translation of these borrowings are transferred to equity to offset any gains or losses on translation of the net investments in the overseas subsidiaries

18 Provisions

	Product Recall £m	Early Retirement Provision £m	Rationalisation Provisions £m	Onerous Contracts £m	Total £m
At 5 October 2006	-	-	-	-	-
Business acquired	-	8 1	1 3	3 8	13 2
Income statement charge	1 5	1 5	4 5	1 3	8 8
Amounts utilised	-	(2 5)	(0 7)	(1 3)	(4 5)
Exchange adjustments	-	0 6	0 1	-	0 7
At 29 December 2007	1 5	7 7	5 2	3 8	18 2
Current	1 5	1 9	4 7	1 7	9 8
Non Current	-	5 8	0 5	2 1	8 4
At 29 December 2007	1 5	7 7	5 2	3 8	18 2

The early retirement provision principally comprises long-term early retirement indemnities given to employees in Northern Europe to which the Group are committed for a number of years

Provisions are recorded only where there is a legal or constructive obligation Rationalisation provisions at 29 December 2007 principally comprised obligations in relation to overhead-reduction and manufacturing-efficiency programs across the Group and are expected to be utilised in the next year

The provision for onerous contracts principally relates to the cost of surplus leasehold properties, where unavoidable costs exceed anticipated income The associated lease commitments are of varying duration and it is anticipated that expenditure will continue to be charged against the provision for a number of years The weighted average period until maturity is 3 4 years

Prior to its acquisition by the Company, the Group's operating subsidiary in the Netherlands recalled fruit slice products as a precaution following a manufacturing issue A product recall also occurred in the UK during the fourth quarter of 2007 The provision is expected to be utilised within the next year

The amount and timing of the utilisation of provisions is subject to considerable uncertainty and the above analysis represents management's estimate

19 Employee share ownership

The Group has no employee share schemes However, following the Acquisition on 15 December 2006 certain employees of the Group were given the entitlement to purchase shares in United Biscuits LuxCo S C A , the Group's parent company, at market value

20 Reconciliation of movements in equity

Share Capital

Authorised

	Number of shares
Ordinary shares of £1 each	100

Ordinary shares issued and fully paid

	Number of shares	£m
On 5 October 2006, 2 ordinary shares with aggregate nominal value of £2 were allotted for cash	2	-
On 15 December 2006, 8 ordinary shares with aggregate nominal value of £8 were issued for total cash of £1 7 million	8	1 7
On 20 June 2007, 10 ordinary shares with aggregate nominal value of £10 were issued for total consideration of £0 1 million on the conversion of United Biscuits LuxCo S C A loan notes	10	0 1
At 29 December 2007	20	1 8

	Share Premium £m	Currency Translation Reserve £m	Hedging Reserve £m	Retained Earnings £m	Total £m
At 5 October 2006	-	-	-	-	-
Share Premium	1 8	-	-	-	1 8
Total recognised income and expense for the period	-	4 7	(3 4)	13 1	14 4
At 29 December 2007	1 8	4 7	(3 4)	13 1	16 2

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries It is also used to record the effect of hedging net investments in foreign operations

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is deemed to be an effective hedge

21 Pensions and other post-retirement benefits

The Group's main post-retirement arrangements are in the United Kingdom and are of the defined benefit type, for which contributions are paid into separately administered funds ("UK Schemes") The UK Schemes are closed to new members and membership of defined contribution plans is available for new employees The Group also provides additional post-retirement benefits to certain senior managers in the United Kingdom and post-retirement healthcare benefits in the Netherlands, both of which are unfunded

At the time of the Acquisition, the Predecessor had a funded defined benefit pension plan in the Netherlands with assets of £46 0 million and liabilities of £43 4 million The Group did not attribute any value to the plan on acquisition as the transfer of the plan assets and liabilities to a third party insurer was already in progress, whereby the insurer agreed to assume all the plan liabilities in return for receiving all of the plan assets On 1 January 2007, all active members were transferred to the insurer and deferred and pensioner members were similarly transferred on 1 May 2007

At the time of the Acquisition the UK Schemes were in deficit On 2 January 2007 a one-off contribution, of £150 6 million was made by United Biscuits (UK) Limited, the sponsoring employer, in accordance with the Acquisition Sale and Purchase Agreement

On 1 December 2007, following employee consultation, the UBUK plan changed from a Final Salary Scheme to a Career Average Revalued Earnings (CARE) Scheme with respect to future pension accruals only

The Group's retirement benefit asset/(liability) and asset/(liability) net of deferred tax, comprised the following

	At 29 December 2007	
	Gross	Net
	£m	£m
UK Schemes		
Funded		
UBUK	57 7	41 5
Jacob's Bakery	2 2	1 6
Other	1 1	0 8
Unfunded	(9 9)	(7 1)
	51 1	36 8
Netherlands Scheme		
Post-retirement healthcare scheme – unfunded	(2 1)	(2 1)
Net post retirement benefit asset	49 0	34 7
Balance sheet presentation·		
Post retirement benefit asset	61 0	
Post retirement benefit liability	(12 0)	
	49 0	

The total amount relating to pensions recognised in business profit for the period from 5 October 2006 to 29 December 2007 was £14 2 million and the total pension cost for the Group was £6 3 million, after taking account of exceptional operating income of £7 9 million This amount includes £0 3 million related to defined contribution plans

The Netherlands post-retirement benefit healthcare scheme is closed to current employees, so there is no annual service cost charged in the income statement

21 Pensions and other post-retirement benefits (continued)

The assets and liabilities in the schemes and the net pension retirement obligations were

	UK Schemes £m	Netherlands Scheme £m	Total £m
Equities	507 2	-	507 2
Bonds	464 5	-	464 5
Hedge funds, currency and infrastructure	215 9	-	215 9
Cash	70 0	-	70 0
Total market value of assets	1,257 6	-	1,257 6
Present value of scheme liabilities	(1,206 5)	(2 1)	(1,208 6)
Surplus/(deficit) in the scheme	51 1	(2 1)	49 0
Related deferred tax liability	(14 3)	-	(14 3)
Net pension surplus/(deficit)	36 8	(2 1)	34 7

The amounts recognised in the consolidated income statement and in the consolidated statement of recognised income and expense for the period 5 October 2006 to 29 December 2007 in respect of defined benefit pensions and post retirement health care are analysed below

	5 October 2006 to 29 December 2007		
	Pension Schemes U.K. £m	Post Retirement Healthcare The Netherlands £m	Total £m
Recognised in the income statement			
Current service cost [1]	(14 0)	-	(14 0)
Past service cost	0 1	-	0 1
Recognised in business profit	(13 9)	-	(13 9)
Recognised as operating exceptional items			
Restructuring and non-recurring income [2]	7 9	-	7 9
Expected return on scheme assets	83 7	-	83 7
Interest cost on scheme liabilities	(65 5)	-	(65 5)
Other finance income - pensions	18 2	-	18 2
Taken to the statement of recognised income and expense			
Actual less expected return on scheme assets	(0 8)	-	(0 8)
Gain on scheme liabilities	1 2	-	1 2
Changes in assumptions underlying the present value of scheme liabilities	50 8	0 3	51 1
Actuarial gains and losses recognised in the statement of recognised income and expense	51 2	0 3	51 5

(1) Costs are recognised in cost of goods sold, distribution and marketing expenses and general and administrative expenses

(2) Amount recognised in restructuring and non-recurring income represents benefits arising on change from final salary to CARE scheme

21 Pensions and other post-retirement benefits (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 at 29 December 2007

Pensions

	%
Rate of salary increases –	
Final salary	3 45
CARE	3 1
Rate of increase of pensions in payment	3 1
Discount rate	5 95
Inflation	3 2
Expected rate of return on scheme assets -	
Equities	8 5
Bonds	5 3
Cash	4 9
Hedge funds, currency and infrastructure	6 7 – 16 2

The average life expectancy assumed for the principal UK plan for a current male pensioner aged 65 is 19 3 years and for a future male pensioner aged 65 in 2027 is 20 5 years

Acting on the advice of the Group'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 UK Schemes on a funding basis The total contributions to the Group's defined benefit plans in 2008 are expected to be approximately £35 0 million

Post-retirement healthcare

	%
Discount rate	5 5
Inflation	2 0
Rate of increase in healthcare costs	2 0

A one-percentage point change in the assumed rate of increase in healthcare costs would have the following effect

	Increase £m	Decrease £m
Effect on defined benefit obligation	(0 2)	0 2

21 Pensions and other post-retirement benefits (continued)

Changes ın the present value of the defined benefit pensıon oblıgatıons are analysed as follows

	Pension Schemes U.K. £m	Post-retirement Healthcare The Netherlands £m	Total £m
As at 5 October 2006	-	-	-
Lıabılıty assumed on acquısıtıon	1,242 0	2 4	1,244 4
Current servıce cost	14 0	-	14 0
Past servıce cost	(0 1)	-	(0 1)
Exceptıonal operatıng ıncome	(7 9)	-	(7 9)
Interest cost	65 5	-	65 5
Employee contrıbutıons	6 6	-	6 6
Benefits paıd	(61 6)	(0 2)	(61 8)
Actuarıal gaıns and losses	(52 0)	(0 3)	(52 3)
Foreıgn currency dıfferences	-	0 2	0 2
As at 29 December 2007	1,206 5	2 1	1,208 6

The defined benefit oblıgatıon comprıses £1,196 6 mıllıon arısıng from funded plans and £12 0 mıllıon from plans that are unfunded

Changes ın the value of the defıned benefit pensıon assets are analysed as follows

	Pension Schemes U K £m	Post-Retirement Healthcare The Netherlands £m	Total £m
As at 5 October 2006	-	-	-
Asset assumed on acquısıtıon	1,042 4	-	1,042 4
Expected return on plan assets	83 7	-	83 7
Employer contrıbutıons	187 1	-	187 1
Contrıbutıons by employees	6 6	-	6 6
Benefits paıd	(61 4)	-	(61 4)
Actuarıal gaıns and losses	(0 8)	-	(0 8)
Foreıgn currency dıfferences	-	-	-
As at 29 December 2007	1,257 6	-	1,257 6

21 Pensions and other post-retirement benefits (continued)

History of experience gains and losses:

	2007 £m
U.K. Schemes	
Fair value of scheme assets	1,257 6
Present value of defined benefit obligation	(1,206 5)
Surplus in the scheme	51 1
Experience gains (losses) arising on plan assets	0 5
Experience gains (losses) arising on plan liabilities	(6 7)
The Netherlands Healthcare	
Present value of defined benefit obligation	(2 1)
Experience adjustments arising on plan liabilities	-

The cumulative amount of actuarial gains and losses recognised since 5 October 2006 in the consolidated statement of recognised income and expense is £51 5 million

22 Financial commitments

The Group's financial commitments in respect of finance lease and hire purchase obligations and in respect of retirement benefits are set out in Notes 16 and 21 respectively The Group's financial commitments in respect of capital expenditure and commitments are summarised below

Group capital expenditure relating to plant and equipment contracted, but not provided for at 29 December 2007 amounted to £3 0 million

Future minimum commitments for property, plant and equipment under non-cancellable operating leases are as follows

	2007 £m
Not later than one year	10 0
Later than one year but not later than five years	28 9
Later than five years	42 6
	81 5

The future minimum sub-lease payments which the Group expects to receive under non-cancellable sub-leases at 29 December 2007, was £4 8 million Sub-lease rents received in the period 5 October 2006 to 29 December 2007 were £1 1 million

22 Financial commitments (continued)

Contingent liabilities

In 1997, the Group's operating subsidiary in the Netherlands, Koninklijke Verkade N V ("Verkade"), initiated negotiations with property developers Dura Vermeer Bouw Amsterdam B V ("Dura") to sell its entire factory site located at Zaandam, the Netherlands No agreement was reached and negotiations ceased A dispute has arisen whereby Dura claim an agreement was reached, which under local law was legally binding The Group continues to resist the claim Based on legal advice, Verkade sold its chocolate factory, which is a part of the Zaandam site, to a third party in 2004 Subsequently Dura served a summons on Verkade in November 2004 for €14 million (approximately £9 9 million) Verkade filed a defense to the summons and strongly contested the claim In May 2006, at the legal hearing, Verkade won its case Dura subsequently lodged an appeal

During 2005 the Group's operating subsidiary in the UK received a grant of £1 0 million from the North West Development Agency The grant is dependent upon maintaining manufacturing operations, at the Group's Carlisle site, for a specified period

23 Related party transactions

Except as otherwise disclosed in these financial statements, there were no transactions during the period with the Group's joint venture or other related parties, which were material either to the Group or the counter party and which are required to be disclosed under the provisions of IAS 24 "Related Parties Transactions "

Amounts due to parent company

At 29 December 2007, amounts due by the Group to United Biscuits LuxCo S C A was as follows

	Loan £m	Accrued interest £m	Total £m
Loan from United Biscuits LuxCo S C A	186 9	0 6	187 5

The loan from United Biscuits LuxCo S C A is represented by £172 7 million 8 1% Notes due 2036 The Notes are quoted on the Channel Islands Stock Exchange Interest accrues on the Notes at the rate of 8 1% per annum compounded annually in arrears on 15 December each year, commencing on 15 December 2007

23 Related party transactions (continued)

Compensation of key management personnel, including directors, for the period 5 October 2006 to 29 December 2007 totalled £3 2 million

Fees totalling £2 1 million were payable by the Group to Blackstone and PAI under the terms of the new shareholder agreement for the period from 15 December 2006 to 29 December 2007 As at 29 December 2007, all fees due had been paid In addition, transaction costs include fees of £20 1 million, which were paid to Blackstone and PAI with respect to the Acquisition

24 Ultimate parent company

In the directors' opinion, the Company's ultimate parent undertaking as at 29 December 2007 is United Biscuits LuxCo S C A , which is registered in Luxembourg

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing those 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 the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Members of United Biscuits Topco Limited

We have audited the company's financial statements for the period from 5 October 2006 to 29 December 2007, which comprise the Balance Sheet and the related notes 1 to 8 These financial statements have been prepared under the accounting policies set out therein

We have reported separately on the group financial statements of United Biscuits Topco Limited for the period 5 October 2006 to 29 December 2007

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent Auditors' Report to the Members of United Biscuits Topco Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 29 December 2007
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
London

25 April 2008

Balance Sheet

As at 29 December 2007

	Notes	2007 £'m
Fixed assets		
Investment in subsidiary	4	1 8
Net assets		1 8
Capital and Reserves		
Called up share capital	5	-
Share Premium		1 8
Profit and loss account	6	-
Total shareholder's funds		1 8

Approved by the Board and signed on its behalf on 25 April 2008

Director

1 Accounting Policies

Basis of accounting

United Biscuits Topco Limited (the "Company") was incorporated in the United Kingdom on 5 October 2006 as a private company under the name Precis (2648) Limited

The company was formed, together with a number of other entities, by Blackstone LLP and PAI Management in connection with the acquisition of United Biscuits Equity Limited and its subsidiary companies on 15 December 2006

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards Consolidated financial statements for United Biscuits Topco Limited and its subsidiaries have been separately prepared The financial statements herein are solely for United Biscuits Topco Limited

The Company has taken the s230 exemption set out in the Companies Act 1985 to not present its' own Profit & Loss account

Investments

Investments in subsidiary are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, in which case an appropriate adjustment is made

2 Directors and employees

Directors remuneration for D Fish, J van der Eems and K McGurk was paid by United Biscuits (UK) Limited by whom they are employed The directors do not believe that it is practicable to apportion their remuneration between their services as directors of the Company and their services as employees and as directors of other companies in the Group

The Company has no employees

3 Loss on ordinary activities before taxation

The Auditor's remuneration is borne by United Biscuits (UK) Limited

4 Investment in subsidiary

	2007 £'m
Investment at cost	1 8

The investment is in respect of a 100% holding in United Biscuits Bondco Limited, a holding company incorporated in England

5 Share capital

Share Capital

Authorised

	Number of shares
Ordinary shares of £1 each	100

Ordinary shares issued and fully paid

	Number of shares	£m
On 5 October 2006, 2 ordinary shares with aggregate nominal value of £2 were allotted for cash	2	-
On 15 December 2006, 8 ordinary shares with aggregate nominal value of £8 were issued for total cash of £1 7 million	8	1 7
On 20 June 2007, 10 ordinary shares with aggregate nominal value of £10 were issued for total consideration of £0 1 million on the conversion of United Biscuits LuxCo S C A loan notes	10	0 1
At 29 December 2007	20	1 8

6 Reconciliation of shareholder's funds and movements on reserves

	Share capital £m	Share premium £m	Profit and loss account £m	Total £m
Balance at 5 October 2006	-	-	-	-
Shares issued on 15 December 2006	-	1 7	-	1 7
Shares issued on 20 June 2007	-	0 1	-	0 1
Loss for the year	-	-	-	-
Balance at 29 December 2007	-	1 8	-	1 8

7 Related party transactions

The Company has taken advantage of the exemptions set out in the Financial Reporting Standard 8, "Related Party Transactions" not to disclose transactions with entities that are part of the United Biscuits Topco Limited group, on the grounds that the parent's own financial statements are presented together with its consolidated financial statements

8 Ultimate parent company

In the directors' opinion, the Company's ultimate parent undertaking is United Biscuits Luxco S C A , which is incorporated in Luxembourg