

United Biscuits Topco Limited  
Report & Financial Statements  
For the 52 Weeks Ended  
2 January 2010

Company Registered No: 5957921





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# United Biscuits Overview

**United Biscuits (UB) is a leading international branded snacks business, manufacturing and marketing some of the world's best known and loved sweet and savoury snacks. Our brands have been delighting consumers for generations and include such favourites as McVitie's, Verkade, Jacob's, Carr's, BN, McCoy's, Hula Hoops, McVitie's Jaffa Cakes, Penguin, Delacre, KP, Mini Cheddars, go ahead!, Twiglets, Sultana and Phileas Fogg.**

We are the number one snack manufacturer in the United Kingdom and hold strong segment positions in our other core markets of The Netherlands, France and Belgium. During 2009 we opened a manufacturing facility in India, and we also have a licensed facility in Nigeria.

Our brands are sold in over 100 countries and we have strong consumer bases in Europe, North America, the Middle East, Africa, Asia and Australia.

In 2009 we delivered our fifth consecutive year of profitable growth despite turbulent economic and market conditions. As well as maintaining strong financial foundations, we have made substantial progress towards our environmental goals and completed the first year of our community programme with strong results. We have continued our programme of health and nutrition improvements to our brands and developed innovative new products and packaging formats to better serve both our customers and consumers.

# Key performance Indicators

## Financial

UB delivered a fifth consecutive year of revenue and profit growth

- Revenue grew by 5.1% in 2009 to £1,262 million
- EBITDA grew by 13.7% in 2009 to £223.4 million
- UB complied with all of its financial covenants in 2009 and generated a net cash inflow of over £50 million

*Note EBITDA, or Business Profit, is the profit measurement used by management and is defined as the profit or loss before the Group's share of results of joint ventures, taxes, financing, exceptional operating items and depreciation and amortisation expense*

## Environmental

The second year of UB's environmental programme has successfully built on the progress made in 2008

- Carbon emissions fell by 5% despite an increase in production
- Waste to landfill reduced by 44%
- Water use fell by 6%
- Logistics fleet reduced its carbon emissions by 12%
- UB became one of the first food manufacturers in Europe to secure a supply of certified and segregated sustainable palm oil

## Community

- Together with our employees we have donated over £140,000 in funds and products to support charitable causes and local community projects
- UB granted 348 days special leave for employees to carry out community support work
- In conjunction with our Unions we have increased the number of our sites with employee learning centres from 3 to 7 with a further 3 planned for 2010
- Over 700 employees took National Vocational Qualifications (NVQ) qualifications during 2009
- We have launched a graduate recruitment programme and our initial intake of 19 graduates joined in September 2009
- We extended our apprenticeship scheme from 35 to 48 apprentices in 2009

# Directors' Statement

**Against a turbulent economic climate in 2009, UB demonstrated its resilience and delivered a fifth consecutive year of revenue and EBITDA growth. We also strengthened and grew our brands, invested in our factories, acquired a new manufacturing facility in India, invested in our people and their development and improved our environmental performance and community involvement.**

We continue to measure our progress against three pillars of sustainability: financial, environmental and community. We have performed well against all three of these measures in 2009.

**Financial – strong performances in adverse conditions demonstrating the strength of our brands, products, people and customer relationships**

Growth in volumes, revenue and profits during a period when the global economy declined highlights the quality and resilience of our brands, people and customer relationships. We focused our investment behind health, innovation and offering keen value to consumers. This consistent performance shows our ability to grow our brands and our business in difficult times as well as good ones. Profits also grew in 2009 as a result of revenue growth and strong productivity measures. We understand that meeting the needs of the consumer is fundamental

to our success. Accurately anticipating their needs and adapting to changing requirements, enable us to continue to build on our success. In 2009:

- All of our key markets grew in value, demonstrating the resilience of the categories in which we operate
- We grew revenue by 5.1% in 2009, on top of a 5.2% increase in 2008
- We entered the fast growing Indian market worth £1.2 billion in sales
- We strengthened our international capabilities in markets such as the Middle East, West Africa and North America as well as launching in India

To drive continued performance we are rolling out a new 'Lean' manufacturing programme that encourages employees to challenge the ways things are done, identify best practice and share it across the business. This will help drive cost release in the future and generate savings that we can invest to further grow our brands.

# Directors' Statement

## **Environmental – delivering real progress against clear goals**

Just two years after launching our environmental targets, we are finding it necessary to raise the bar as we have achieved some targets early

- Carbon emissions fell by 5% compared to 2008, despite an increase in production volumes. Our goal is a 35% reduction in emissions by 2020 compared to 1995
- Waste to landfill nearly halved, down 44%, in a single year of activity. We aim to have zero waste to landfill by the end of 2012
- Packaging has reduced by 15% since 2003, against our 20% 2015 target
- Water use has reduced 28% since 2007 against our target of a 25% reduction by 2020. We have now increased our target to 45% by 2020
- Transport emissions reduced 29% against our 22% target by 2012. Again the target has been increased, to 40%

UB has also made progress on sustainable sourcing, being one of the first food manufacturers to announce a deal to acquire certified sustainable palm oil that is segregated throughout the supply chain. All UB products containing palm oil will contain sustainable palm oil by mid 2010, considerably earlier than most of our competitors

## **Community sustainability – developing our people and supporting the communities we serve**

We now have manufacturing facilities in 16 locations in five different countries, employ approximately 8,400 people from diverse backgrounds and serve millions of consumers daily

We have continued our drive to improve health and safety with a further 17% reduction in lost time accidents and 15% reduction in minor accidents. The amount of time employees are off work for lost time accidents has gone down 42% last year

We have worked in conjunction with our unions to develop learning centres at our sites to help employees develop a wide range of skills that can help them in their work life and in the wider community. We now have seven such learning centres with a further three in the pipeline. NVQ learning has increased by over 100% in 2009

UB and its employees have donated over £140,000 to charities through a wide variety of fund raising activities, this is up approximately 40% on last year. In addition, individually and as teams, UB employees have given their time and energy to a variety of local projects with 348 additional days leave granted for community activities

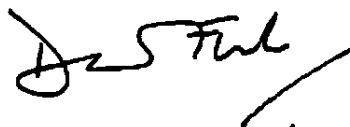
Our product reformulation programmes have further improved the nutritional content of our products with reductions in saturated fat and salt. We have now reduced the saturated fat in McVitie's Digestives by 80%, and by 50% in Jacob's Cream Crackers. We have achieved significant salt reductions across our product range, including a 60% salt reduction in McVitie's Hobnobs since 2005. This is an ongoing process and further improvements are in the pipeline

Our progress across the entire corporate responsibility agenda is measured annually by the Corporate Responsibility Index operated by Business in the Community and published annually in the Financial Times. Last year we achieved the highest ever new entrant score with a 'silver' grading. This year we have further improved with a 'gold' award. We are grateful for this recognition of progress made

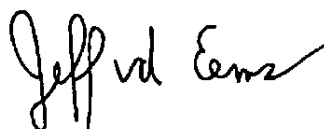
## **The Future**

The global economy will continue to face pressures as a result of increases in national debt, fall in consumer confidence and the need to invest to reduce the impact of climate change. The future is hard to predict, but UB has demonstrated during the economic volatility seen to date that it is a resilient business, with brands that consumers value and with the people and capabilities to generate clear momentum for growth.

Some of our brands have been in existence for nearly 200 years, demonstrating that the business has undergone and adapted to many changes. We are confident that whatever the future holds, UB will be able to adapt to changing market conditions and remain in a position of strength.



**David Fish**  
*Executive Chairman*



**Jeff van der Eems**  
*Chief Operating Officer*



# Financial Sustainability

**Strong performances in adverse conditions demonstrating the strength of our brands, products, people and customer relationships.**

## 2009 Financial Performance Highlights

UB delivered a solid financial result in 2009. This was despite the continued turbulent economic environment that created pressures on the financial system, national economies and consequently the confidence of consumers. The economic downturn has changed consumer behaviour in 2009 particularly in relation to large purchases and luxury items, but for smaller consumer goods such as snacks it has focussed consumers on trust and value, and UB has grown volume and sales by responding to this consumer trend.

	2009	2008
	£m	£m
Revenue	1,262.3	1,201.4
EBITDA	223.4	196.4
Net Debt	1,213.0	1,264.6
Capital Expenditure	38.4	44.2
Cash available for debt servicing	139.6	114.6

UB's strategy of developing and implementing enhanced manufacturing practices and investing in efficiency, has ensured that the business has continued to improve its operating performance. This has enabled the release of funds to support growth through offering improved value to the consumer and increased new product development. The increased level of trading activity has boosted growth in the UK Snacking markets, which have proved resilient despite the economic conditions. UB has grown ahead of the markets, gaining share, driving sales growth, and generating improved profit and cash flow.

## UB Brands

UB increased its share in the growing UK markets through its portfolio of iconic brands, which were the main drivers of overall revenue growth of 5.1%. The strength of UB's performance in the UK market was partially offset by a slightly weaker performance in France and Holland. In these markets the consumer reacted more strongly to the economic recession, causing the overall biscuit market growth to be depressed and consumers to switch increasingly into retailers' own brands.

We continue to drive growth through investment in other International markets, particularly through the McVitie's brand where products like Digestives have global appeal. A key development in 2009 was the acquisition of a new manufacturing facility in India. UB spent time researching the market and developing a new business proposition for the region. To achieve this we have hired a management team with local expertise to manufacture and market McVitie's products for the Indian market. This is an exciting investment that is anticipated to drive growth in future years and bring the McVitie's brand to a new set of consumers.

## **Revenue**

Revenue for 2009 was £1,262 million (2008 £1,201m). This comprised sales of drive brands, non-drive brands and non-branded products by our UK, Northern Europe and International business units. Almost 90% of the Group's revenue was from the sale of branded products. Drive brands are the Group's most strategic and popular brands, receiving priority marketing and innovation support. Non-branded (private label) products are manufactured by UB to be sold by multiple retailers under their own brand.

## **Cost Release**

UB's cost release target of 4% to 5% of cost base was achieved again in 2009. Capital expenditure was maintained at 3% of sales, including acquiring and equipping the new India facility.

The cost release programme has been supported by savings and efficiency improvements across all sites and all areas of the business. In 2009 we rolled out a comprehensive Lean efficiency programme across the business. This involved the launch of 'Lean Principles' to drive behavioural change and workshops and training to encourage people to challenge how things are done and to efficiently refine improvements.

## **EBITDA (Business Profit)**

Business profit is the primary measure by which management assesses 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.

# Financial Sustainability

In 2009 Business Profit was £223.4 million (2008 £196.4 million). The year on year increase reflects sales growth in terms of both volume and value, productivity improvements and more stable input costs during 2009, particularly commodity prices.

## Capital Expenditure

Cash investment in plant and equipment during 2009 was £38.4 million (2008 £44.2 million) representing 3% of Revenue. Expenditure was balanced across investments to improve efficiency, support growth, and improve the health, safety and environment of our facilities.

In addition we have acquired and adapted a manufacturing facility in northern India to manufacture products for the Indian market. We have also leased office facilities in Delhi and developed relationships to build a widespread distribution network for our products in the region. This investment opens up exciting opportunities for UB to develop in an emerging market.

## Cash Available for Debt Servicing

Cash available for debt servicing for 2009 was £139.6 million (2008 £114.6 million). This 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.

## Net Debt

The Group's net debt comprises senior, second lien and mezzanine bank loans, finance leases and other loans less cash and cash equivalents. At the end of 2009 the net debt outstanding was £1,213 million, this is a reduction of 4% on the level of net debt at the end of 2008.

## Average Number of Employees

The average number of employees during 2009 was 8,367 (2008 8,477). The Group's employees are principally based in the U.K., France, the Netherlands and Belgium. No factories were closed, and we have opened a new manufacturing facility in India.

The reduction is due to a wide range of efficiency improvements.

## Industry factors affecting performance

The Group is well positioned in large, stable markets, which we believe will continue to grow. In the medium to long term, growth will be driven by consumer trends toward convenience, healthy snacking and indulgence. Overarching consumer trends also include the search for value and for products that are produced sustainably.

The Group continues to pursue an active programme of new and existing product development as well as promotional investments to respond to these trends. During 2009 we became the first European biscuit manufacturer to announce that we have sourced a supply of segregated sustainable palm oil – enabling us to meet growing consumer demand for sustainable supplies of this raw material.

Consumer demand for food products has also 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 greater portability and convenience. These trends are expected to continue and have supported the growth of the convenience and impulse channels. Retailers in these distribution channels generally seek branded products that consumers know and trust and that will deliver them high turnover. UB is meeting this need with a wide range of classic products and new product development and

promotions to keep store displays fresh and appealing

This environment has also increased the relevance and success of discounters. These retailers typically carry a smaller range of branded goods, or exclusively own label products priced at a significant discount to manufacturer-branded products and traditional supermarket own-label products. This has tended to contribute to price competition across the grocery retail market and increasing pressure to support branded products.

# Environmental Sustainability

**After just two years working towards our environmental targets, we are already finding it necessary to raise the bar as we have achieved goals early or made progress faster than we anticipated.**

## **Reducing Carbon Emissions**

**Target: to achieve a 35% reduction in carbon emissions by 2020 compared to 1995.**

In total our carbon emissions fell by 5% in 2009 compared to 2008. As a result we have now achieved a 28% reduction in carbon emissions since 1995.

In the UK we achieved a reduction of carbon emissions of 3.8% on last year despite an increase in manufactured tonnage. Our emissions per tonne reduced by over 6%. Energy savings were driven by the introduction of improved energy management systems that help us monitor exactly where energy is used in our sites and when. This has helped facilitate a range of energy saving measures and the ability to monitor compliance. For example, we now monitor production start ups to ensure that ovens are not switched on too early and using energy before the products are ready to be baked.

In Northern Europe we achieved a reduction in emissions of 14.8%, mainly by switching to an electricity supplier generating power from renewable sources.

## **Reducing Waste sent to Landfill**

**Target: Achieve zero food waste to landfill by 2010 – achieved.**

**Target: Achieve zero waste to landfill by the end of 2012 – waste to landfill reduced by 44% in 2009.**

We are proud to have achieved our zero food waste to landfill target, comfortably before our 2010 deadline.

With non-food waste to landfill, we have made such significant progress that we have brought our target date forward from 2015 to 2012.

In 2009 we worked hard to build on the 19% reduction delivered in 2008. We introduced a range of measures to maximise recycling and reduced the amount of waste being brought into the business. As a result, we have more than doubled the reduction achieved in 2008.

## **Reducing Packaging Waste**

**Target: Reduce packaging by 20% by 2015 compared with 2003.**

We have now reduced our packaging by 13% since 2003

Examples of savings achieved in 2009 include

- We continued our programme to reduce packaging on our snacks products by 17% resulting in a reduction in packaging of 200 tonnes in 2009
- We also reduced the volume of our bags of mini biscuits by 30%, which in turn reduced the volume of packaging by approximately 22 tonnes
- We are continuing to move our packaging to more sustainable formats and so moved our Masterpieces selection box from a tin to a cardboard carton

## **Reducing Water Use**

**Target: Achieve a 25% reduction in water use by 2020 compared to 2007.**

By the end of 2009 we had achieved a 28% reduction in water use since 2007. We achieved our target with ten years to spare!

**New Target:** Achieve a 45% reduction in water use by 2020 compared to 2007

All UB sites have made progress in reducing water usage over the last two years without compromising our high food hygiene standards. The progress we have made is the result of employee commitment to improve behaviours as well as lots of small investments, including new efficient spray nozzles for taps and trigger valves for hoses, plus one item of major investment, a water recycling plant at Teesside.

Water is not generally a significant ingredient in our products and Teesside is by far our biggest water using site. This is because McCoy's crisps are made at Teesside, and water is used to wash the potatoes and raw crisps before frying. This multi million pound investment will enable us to recycle nearly half a million cubic meters (500 million litres) of water a year.

# Environmental Sustainability

## Driving Environmentally Friendly Transport

**Target: Achieve fewer and friendlier food transport miles, with a 22% reduction in our transport carbon emissions by 2012 compared to 2002**

By the end of 2009 we had achieved a 29% saving in transport carbon emissions compared to 2002 and reached our target with three years to spare

**New Target** Achieve a 40% reduction to transport carbon emissions by 2020, compared to 2005

We have made great progress to exceed our transport emissions target with years to spare

The reductions achieved are due to a range of initiatives including

- Increasing the volume of our waste vegetable oil used as biodiesel to power our lorries, which has reduced our emissions by the equivalent of 1 million truck miles
- Optimising case and pallet fill has reduced the number of pallets by 65,000, saving over 300,000 miles in haulage
- Increased transport collaboration with customers, suppliers and even competitors has generated revenue and saved miles
- Improved vehicle fill has provided a further 200,000 reduction to our annual truck mileage

Our work in this area has been recognised by various industry awards including the Chartered Institute of Logistics and Transport and Motor Transport Industry awards

## Increasing Sustainable Sourcing

**Target: ensure new and existing suppliers continue to meet UB's specific requirements for ingredient sourcing, have strict ethical standards and are working towards sustainable growing.**

Achievements

- One of the first food manufacturers to source a supply of segregated, certified sustainable palm oil
- Systematic audit of new and existing suppliers

UB was pleased to announce in November that it had secured a supply of certified sustainable palm oil that is segregated throughout the supply chain so that we can be sure that the palm oil used in our products is from sustainable plantations. We are one of the first manufacturers to achieve this, and all palm oil used in UB biscuits will be sustainable from mid 2010. The deal was also commended by the World Wildlife Fund who commented that UB was setting an excellent example for

other manufacturers. In addition we have also reduced the amount of palm oil that we use by over 40% since 2005, and we support the moratorium on the further destruction of the rainforest for palm oil cultivation.

During 2009 we have also continued to expand our ethical assessment of new and existing suppliers using the SEDEX (Supplier Ethical Data Exchange) system. UB is part of a working group of big food and snack manufacturers within SEDEX, working to agree common requirements and a consistent approach to improve ethical standards across our joint supply chain and help our suppliers avoid duplication of costs and effort. We insist that our suppliers meet the Ethical Trading Initiative Base Code which requires that no child labour is used, working conditions are safe and hygienic, living wages are paid, working hours are not excessive and no harsh or inhumane treatment is allowed. In addition the SEDEX questionnaire has now been expanded to require suppliers to report on their environmental activities, which ensures that our sustainability agenda is supported.



# Community Sustainability

**2009 was the first full year for our new community programme 'Building our Community' that we launched at the end of 2008. These community goals are intended to encourage skills development, both within our business and the wider community as well as to encourage employees to play a significant role in supporting the communities in which we operate.**

## **Health and Safety and Welfare**

The health, safety and welfare of our employees remains among UB's highest priorities. We achieved ISO18001 accreditation for health and safety systems, demonstrating the robust procedures we have in place. Against our target for 10% year on year reductions in lost time accidents, after the 17% fall in 2008, we have achieved a further 17% reduction in 2009. Minor accidents were also down 15% after a similar reduction in 2008. Near miss reporting, to help us avoid accidents occurring in the first place, was up 60% and the amount of time lost from 'lost time accidents' was down 42% evidencing the effectiveness of our occupational health team in helping people return to work. Our lost time accident levels remain well below the food industry average.

The Rotherham, Harlesden and Lambermont sites have now achieved the ISO 14001 certification for environmental management systems. The best judges of our commitment to the environment and health and safety remain our employees, and satisfaction scores on these issues were joint fourth and fifth out of 39 questions in our annual groupwide employee survey. Employee satisfaction was highlighted by the 'I enjoy working here' score which rose 9% in 2008 and stayed at the same level in 2009. The top scoring question was 'I intend to be working for this company in 12 months time' which remained at 75%. We are committed to developing our employees and helping them to fulfil their potential within our business, 25% of our employees have been with the company for more than 20 years.

As well as the employee survey there are a range of other routes for employees to provide feedback and raise concerns, including an employee helpline, 'Whistle-blowing' line and 'Dignity at Work' programmes. Employees are kept up to date on developments through a range of channels including briefings, newsletters and intranet, they also share in the group's success through a bonus scheme.

## **Fundraising and partnerships with our community**

UB employees have taken up the challenge to support community projects in 2009. Employees have participated in a huge range of activities, in teams and individually from raffles and rambles to an employee who ran the London Marathon dressed as a packet of McCoy's crisps. In total, UB and its employees have donated over £140,000 to charitable causes – up 40% on last year. A further £30,000 was donated in Give

as You Earn donations and the group also made direct charity donations of £106,000, typically through product sponsorship deals. But employees have not just donated money they have also given their time. The business has provided employees with 348 days of paid leave to help with a variety of community projects which have ranged from building a garden in a hospice to helping to redecorate a children's home.

### **Skills Development**

A key goal of the community programme is the development of skills, both within the business and in the wider community. Within the business we have been working with our unions to develop learning centres in each of our sites that enable our employees to learn a range of work and non-work related skills in a convenient and supportive environment. At the launch of the community programme we had three such centres, we now have seven with a further three in the pipeline. Our goal is to have learning centres in every site within the next few years.

A wide range of learning opportunities are offered from literacy and numeracy support, languages, (particularly those for whom English is a second language) craft skills and more formal courses such as National Vocational Qualifications (NVQ's). The number of employees who commenced NVQ courses in 2009 more than doubled on 2008 showing that employees are taking advantage of the additional support offered. 714 employees took NVQs in 2009, which is approximately 10% of the UK workforce.

In the wider community we look to offer skills development support for all ages, from materials for the biscuit making module in the science national curriculum for primary children to work experience opportunities for older school children. We also offer summer work placement opportunities for university students – 173 university students took this up in 2009 and we are extending the research places we offer to under and post graduates in food science courses to help them complete their studies.

For those looking for work we have expanded our popular apprenticeship scheme from 35 to 48 places and launched a new graduate recruitment programme. 19 new graduates joined the business in 2009.

# Community Sustainability

## Employment policies

The Group has a comprehensive framework of employment policies. UB upholds the rights and opportunities of all people to seek, obtain and hold employment with dignity and without any form of discrimination. 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 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.

## Operating Principles

To successfully deliver against the three pillars of sustainability, we have five operating principles which underpin all of our activities:

- The consumer is our boss – meeting the consumers' needs is fundamental to our success
- Our customers are extremely important – customers are the main interface between the business and our consumers
- We all have personal responsibility – we encourage all employees to take personal responsibility for the role they play in making us a successful business and for operating in a manner consistent with UB's values
- Improving efficiency is a way of life – we work hard at continually improving our business
- Excellent Execution – finally we look to bring the above principles together in the excellent execution of all activities and projects

## Consumer Health and Nutrition

Our focus on health and nutrition is integral to providing quality snacks that consumers can enjoy within a balanced diet and healthy lifestyle.

Our strategy is to

- remove or reduce ingredients consumers may be concerned about
- develop products using wholesome and nutritious ingredients
- provide healthier options of standard products with the same great taste
- and clearly communicate the nutritional content on packaging

UB invests considerable resources in ongoing reformulation programmes to continually improve the nutritional content of its products by reducing saturated fat and sodium, removing hydrogenated vegetable oil – the main source of trans fats – and by removing artificial colours and flavours.

Since 2005, UB has been working hard to reduce the saturated fat content of its savoury snacks. Examples of total reductions so far include an 80% saturated fat reduction in Hula Hoops, 75% in Skips, 70% in McCoy's crisps and a 30% reduction in Mini Cheddars.

In 2009 a number of UB's biscuit brands were launched with reductions in saturated fat. Examples of overall reductions include an 80% saturated fat reduction in McVitie's Digestives and Light Digestives, a 75% reduction

in McVitie's Rich Tea, Hobnobs and Light Rich Tea, and a 65% reduction in McVitie's Light Hobnobs

UB also reduced the saturated fat in three of its popular Jacob's cracker ranges in 2009. Jacob's Light Cream Crackers now contain 55% less saturated fat, and Jacob's Cream Crackers and High Fibre Cream Crackers contain 30% less

Several years ago we phased out the use of hydrogenated vegetable oil - the main source of trans fats - in all UB products

UB has an ongoing salt reduction programme for both its biscuits and snacks ranges. Reductions include four of UB's top selling biscuits. McVitie's Hobnobs have had a 60% salt reduction, Rich Tea contains 44% less, Digestives contain 51% less and Milk Chocolate Digestives contain 55% less

We have had a continuous programme to remove artificial colours and flavours from our products since 2000 and leading products manufactured by UB, including McVitie's Digestives and Hobnobs, Hula Hoops, Penguin, Jaffa Cakes, Twiglets and Phileas Fogg, now do not contain any artificial colours or flavours

UB provides clear ingredients and nutrition information and was one of the first manufacturers to show how snacks can fit into a healthy, balanced diet via the '123 Healthy Balance' website - details of which are provided on the back of all UB packs produced in the UK. Products' nutritional details are also provided on the back of packs and through the use of GDA labels on the front of packs

# Corporate Governance

**The Board believes in conducting UB's affairs in a fair and transparent way and is committed to maintaining high ethical standards. The following paragraphs set out UB's key governance structures and internal controls. The Board believes this complies, in a manner appropriate to UB's ownership structure, with the spirit of the Financial Reporting Council's Combined Code on Corporate Governance.**

## **The UB Board**

The Board comprises the executive Chairman, two executive directors and six non-executive directors, three from each of Blackstone and PAI

The Chairman is responsible for the effective operation of the Board and for communications with all directors and shareholders. He sets the agenda for Board meetings and ensures the Board receives relevant information on financial performance and other issues prior to board meetings

Matters reserved for Board decision include the final approval of the annual budget and strategic plan, changes to UB's financing arrangements, acquisitions and disposals, material contracts and significant capital expenditure. Formal Board meetings are held every four weeks. Where decisions are required on urgent matters in between meetings, there is a process in place led by the Chairman to facilitate discussion and decision-making. The Board directors also have access to the advice and services of the Group Company Secretary.

Directors' biographies are on pages 22-23

## **The UB Executive**

The UB Executive comprises the Executive Chairman, Chief Operating Officer & Chief Financial Officer and the Operational Services Director, plus the Managing Director of UB's UK business unit, the Managing Director of UB's Northern European business unit and the Group Human Resources Director.

The UB Executive is responsible for day-to-day operations of the Group and the development of UB's business strategy and plans for consideration by the Board.

UB has a number of committees, each led by at least one member of the UB Executive, that make recommendations on significant business issues to the UB Executive and the Board. The committees meet on a regular basis and have documented terms of reference. UB's committees include the Commodities Executive, the Treasury Committee, the Risk Oversight Committee and the Disclosure Committee.

## **Board Committees**

The Board has two principal committees: an audit committee and a remuneration committee. Both have written terms of reference that are approved by the Board. The committees have access to the advice and

services of the Group Company Secretary. Independent legal or professional advice may be taken by either of the committees if it believes it is necessary to do so.

### **Audit Committee**

The Board has an Audit Committee consisting of at least one non Executive Director from both Blackstone and PAI. Until November 2009 it was chaired by Hamish Mackenzie. He has been replaced by Gerry Murphy.

The audit committee meets at least three times each year, at appropriate times in the reporting and audit cycle. In addition, the committee will meet at such other times as the Board or the committee Chairman requires, or if requested by UB's external auditor. Only committee members have the right to attend meetings but, in practice, other individuals, including shareholder appointed directors, the Chairman of the Board, the Chief Financial Officer, the head of internal audit and other members of the senior finance team are regularly invited to attend all or part of meetings as and when appropriate to their area of expertise. External auditors also attend meetings on a regular basis.

Responsibilities of the committee include overseeing the relationship with the external auditors. It meets with them regularly, reviews their audit plan and discusses audit findings with them. In addition, the committee approves the policy on the supply of non-audit services by Ernst and Young, our external auditors, taking into account any relevant ethical guidance on the matter.

### **Remuneration Committee**

The members of the remuneration committee are all the Blackstone and PAI non executive directors and the executive chairman. The committee has been chaired by David Fish (except on matters concerning him).

The committee meets at least twice each year and will also meet at such other times as required. Only committee members have the right to attend meetings, but other individuals may be invited to attend from time to time, when appropriate.

The committee's responsibilities include determining and agreeing the policy for the remuneration of the executive directors and approving the design of UB's annual incentive plans.

### **Internal Controls**

The Board has overall responsibility for UB's system of internal control and for reviewing its effectiveness. On a day-to-day basis, this responsibility is delegated to the audit committee.

The principal aim of the system of internal control is to provide an ongoing process that identifies, evaluates and manages the risks that are significant in relation to fulfilment of UB's business objectives. The internal control system has been designed to manage rather than eliminate risk and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The audit committee also reviews the effectiveness of UB's internal controls and risk management systems and ensures there is independent investigation of any matters brought to its attention. The committee monitors and reviews the effectiveness of UB's internal audit function, which is outsourced to KPMG, ensuring it has sufficient resources and appropriate access to information to enable it to perform its function effectively. The audit committee reviews and approves the nature and scope of the annual internal audit programme each year. The findings of internal audit reviews are reported to executive management and any necessary corrective actions are agreed. Summaries of significant issues are presented to and discussed with the audit committee along with details of progress against action plans as appropriate.

# Board of Directors

## UB

**David Fish** has been chairman since February 2004. Before joining United Biscuits, Mr Fish worked for Mars for 27 years, until 2001. During his last seven years with Mars he was a member of the Mars Incorporated Operating Board. During his time at Mars he held a number of senior management positions including President, Snackfoods Europe and Joint President, Masterfoods Europe, the operating company for all of Mars' European activities. He has also held Vice President positions in marketing, country management and personnel. Mr Fish has also served as Non Executive Chairman of Christian Salvesen Plc as well as Non Executive Director of the board of Royal Mail.

**Jeff van der Eems** has been Chief Financial Officer of United Biscuits since mid 2005 and Chief Operating Officer from December 2006. Mr van der Eems joined United Biscuits from PepsiCo where he worked for 12 years in a series of senior operational roles in Europe, Middle East, Africa and the US. Most recently, he was Chief Financial Officer for PepsiCo UK & Ireland where he was responsible for Walkers Snackfoods, Pepsi-Cola, Quaker Foods, and Tropicana. Prior to PepsiCo, Mr van der Eems worked in Mergers and Acquisitions for several investment banks in New York.

**Kevin McGurk** has been Operational Services Director since February 2001. He joined the UB board on 23 January 2007. Before joining United Biscuits, Mr McGurk served as European Purchasing Director of Heinz from 1999. He also previously served as Purchasing General Manager of the Heinz European Grocery Division from 1996 to 1999. Before joining Heinz, Mr McGurk spent several years with the Ambient Foods Group of Hillsdown Holdings where he served as the European Group Purchasing Manager.

## The Blackstone Group

Blackstone is a leading global alternative asset manager and provider of financial advisory services listed on the New York Stock Exchange with total assets under management of approximately \$96.3 billion as of September 30, 2009.

**David Blitzter** is a Senior Managing Director in the Corporate Private Equity group. Mr Blitzter is based in London, having established Blackstone's corporate private equity investment efforts in Europe. Since joining Blackstone in 1991, Mr Blitzter has been involved in the execution of Blackstone's investments in Spirit Group, SULO, Allied Waste, Aspen Insurance Holdings, Houghton Mifflin, Universal Orlando, Centerplate, Cadillac Fairview, Edward J. DeBartolo Corporation, Southern Cross, NHP, Orangina, and United Biscuits.

**Lionel Assant** is a Senior Managing Director in the Corporate Private Equity group and is based in London. Since joining Blackstone in 2003, Mr Assant has been involved in various European investments and investment opportunities. Before joining Blackstone, Mr Assant worked for seven years at Goldman Sachs in the Mergers and Acquisitions, Asset Management, and Private Equity divisions. Mr Assant also serves as a Director of Kloeckner Pentaplast.

**Gerry Murphy** served as an Alternate on the Board through 2008, and was appointed as a Director to the Board on 29 January. Dr Murphy is a Senior Managing Director in the Corporate Private Equity group based in London. He also serves as Chairman of The Blackstone Group International Limited, the firm's UK-regulated holding company. Dr Murphy's principal focus is providing support to the firm's activities across Europe and Asia and he serves as a director of United Biscuits, Kloeckner Pentaplast and Michaels Stores. Before joining Blackstone in 2008, Dr Murphy spent five years as CEO of Kingfisher, a FTSE 100 company and the leading home improvement retailer in Europe and Asia. He has also served as CEO of Carlton Communications plc, Exel plc and Greencore Group plc. Earlier in his career, he has held senior positions in R&D, operations, marketing, corporate development and general management with Grand Metropolitan plc (now Diageo plc) in Ireland, the UK and the USA. He has served on the boards of Reckitt Benckiser Group plc, Abbey National plc and Novar plc. He is a non-executive director of British American Tobacco plc and also serves on the UK government's Asia Task Force and the UK India Business Council Advisory Board.

## **PAI partners**

PAI partners is one of the oldest and most experienced private equity firms in Europe with its origins dating back to Paribas Affaires Industrielles, the historical principal investment activity of Paribas, the pan-European merchant bank which merged with BNP in 1999

**Gaëlle d'Engremont** joined PAI Partners in 2004 and is a member of the Consumer Goods Group. She has been involved in a number of transactions including Chr Hansen and Perstorp. Prior to this Gaëlle worked for four years with Casino and two years with Unibail.

**Colm O'Sullivan** joined PAI in 2006 as a member of the Consumer Goods Group. Since November 2008, he has managed PAI's offices in London. Colm joined PAI from Deutsche Bank where he spent eight years in the Financial Sponsors Group working on a number of advisory and financing transactions for European private equity firms. Prior to this, he spent six years with Hambros Bank in London and New York working on various debt capital markets and advisory transactions.

**Frédéric Stévenin** is a Partner and Head of the Consumer Goods Group. Mr Stévenin first joined PAI partners in 1993 and spent five years in the Food & Beverage Division. In 1998, he joined Deutsche Bank/Bankers Trust in the European Acquisition Finance Group as a Director and subsequently as Managing Director. In June 2001, he returned to PAI partners. He is now Head of the Consumer Goods Group. Mr Stévenin has been involved in a number of transactions including Panzani, Amora Maille, William Saurin, Antargaz, Yoplait, Elis, Panzani- Lustucru, Saeco, Chr Hansen, UB and Kaufman & Broad. Prior to this, Mr Stévenin had spent four years with Banque Paribas in the Advisory team of the Private Banking division.



# Directors Report

The directors present their report and the audited financial statements of United Biscuits Topco Limited (the 'Company') together with its subsidiaries (the 'Group') for the 52 week period from 4 January 2009 to 2 January 2010

## Results and dividends

The results for the Group are set out on page 32 and show a consolidated profit attributable to the shareholder for 2009, after taxation, of £7.1 million (2008: loss of £36.3 million). No dividends have been paid or proposed (2008: £Nil).

## Going Concern, Business Review and Future Developments

The Group's business and performance against its key performance indicators and likely future developments are set out on pages 3 to 19 and are incorporated in this report by reference.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages

28 to 81. In addition, Note 16 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk, commodity risk and liquidity risk. In view of this, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

## Directors' interests

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

## Directors

The following served as Directors

Name	Date of appointment	Date of resignation
Lionel Yves Assant <sup>1</sup>	6 November 2006	
David Scott Blitzler <sup>1</sup>	23 October 2006	
Gaëlle d'Engremont <sup>2</sup>	3 December 2009	
David John Fish (Executive Chairman)	23 January 2007	
Hamish Robert Muir MacKenzie <sup>2</sup>	30 October 2006	25 November 2009
Kevin McGurk (Operational Services Director)	23 January 2007	
Bertrand Marc Andre Meunier <sup>2</sup>	6 November 2006	8 October 2009
Gerrard Martin Murphy <sup>1</sup>	29 January 2009	
Colm O'Sullivan <sup>2</sup>	8 October 2009	
Alan David Roux <sup>1</sup>	11 September 2007	29 January 2009
Frederic Stevenin <sup>2</sup>	23 October 2006	
Jeffrey Peter van der Eems (COO)	23 January 2007	

1 Blackstone appointed 2 PAI appointed

## Charitable donations

During 2009 the Group made charitable donations of approximately £106,000 (2008 £72,000)

## Supplier payment policy

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 2 January 2010, the Group had an average of 117 days purchases (2008 - 115 days) outstanding in trade creditors.

## Principal risks and uncertainties

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

The Group is exposed to financial risk. This is summarised, together with the actions taken by the Group to mitigate any significant exposures, in Note 16 to the Financial Statements. In addition the Group is subject to a number of significant business risks, which it takes all possible actions to mitigate. The Risk Oversight Committee ensures that mitigation plans are adequately developed and tested.

These risks include the following:

- **Substantial leverage and ability to service debt** – our high level of debt requires us to dedicate a substantial portion of our cash flow from operations to our debt service obligations. Our leveraged status could increase our vulnerability to adverse general economic and industry conditions or to a significant business continuity issue, limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes, place us at a disadvantage relative to our competitors that have less debt and limit our flexibility in planning for or reacting to changes in our business or industry.
- **Business strategy implementation** – our strategy is to increase our cash flow and profitability by implementing initiatives aimed at achieving cost savings and generating profitable branded growth. If we are unsuccessful at implementing our strategy we may be unable to comply with the financial covenants under our senior facilities agreement.
- **Significant competition** – we operate in highly competitive markets, and our failure to compete effectively might adversely affect our results of operations. We compete primarily on the strength of our brands, the quality of our products, product innovation and price. Our ability to compete effectively requires continuous efforts in sales and marketing of our existing products, developing new products and cost rationalisation.
- **Dependence on raw materials** – our ability to pass increases in raw materials and energy costs on to our customers could adversely affect the results of our operations. Many of our raw materials and energy costs are volatile and supplies are affected by government policies, the actions of our suppliers, currency movements, political upheavals and acts of God. Consequently, unexpected increases in raw material and energy costs or a material or prolonged supply disruption could adversely affect our results of operations.
- **Continual evolution of retailers** – the ongoing evolution of the retail food industry in the United Kingdom and continental Western Europe could adversely affect our operating results. Such evolution involves the consolidation of sales channels, strong bargaining power of the major grocery retailers, intensified price competition among these retailers and the rapid growth of the discount retail channel.
- **Supply and manufacturing processes** – product quality and safety issues may result in damage to the reputation of our brands and the termination of agreements or licenses to operate one or more of our brands and may affect our relationship with our customers.
- **Challenges to brands and intellectual property rights** – some of our intellectual property rights could be challenged or lapse. As approximately 88% of our sales are from branded products this could adversely affect our results.

# Directors Report

- **Restrictions on operations** – our debt agreements contain significant restrictions limiting our flexibility in operating our business including, among other things, to, borrow money, pay dividends or make other distributions and make asset dispositions. These covenants could materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities that may be in our best interest.
- **Funding defined benefit pension schemes** – we operate defined benefit pension arrangements in the U.K. that have significant liabilities to current, previous and retired employees. In order to take advantage of the higher returns that equities and certain other investments have historically generated, a proportion of the pension plan funds are invested in such assets. This investment strategy carries the risk that a decline in values could increase our funding deficit, which may require us to increase our contributions.
- **Changes to taxation or other government regulation** – changes in fiscal legislation and regulation in the various jurisdictions in which we operate may affect the taxes that we pay. In addition, Government bodies in our markets have been pursuing various initiatives aimed at increasing health and reducing the incidence of diseases that are seen to be linked to diet. The actions that government bodies may take could have an adverse effect on consumer demand for our products.

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

## United Biscuits Topco Limited

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### Directors' Report

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#### Auditors

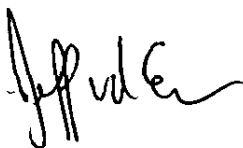
A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

#### 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

29 April 2010

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

**Company registered no: 5957921**

**United Biscuits Topco Limited**

# Consolidated Financial Statements

52 weeks ended 2 January 2010

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### Statement of directors' responsibilities

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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

Under Company Law the directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group for that period. In preparing the 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,
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- make judgements and estimates that are reasonable and prudent

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. 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.

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### **Independent auditor's report to the members of United Biscuits Topco Limited**

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We have audited the group financial statements of United Biscuits Topco Limited for the 52 weeks ended which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 2 January 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

## United Biscuits Topco Limited

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### Independent auditor's report to the members of United Biscuits Topco Limited (continued)

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#### Other matter

We have reported separately on the parent company financial statements of United Biscuits Topco Limited for the period ended 2 January 2010

*Ernst & Young LLP*

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

29 April 2010



# United Biscuits Topco Limited

## Consolidated income statement

For the period 4 January 2009 to 2 January 2010

	Notes	2009 £m	2008 £m
Revenue		1,262 3	1,201 4
Cost of goods sold		(817 3)	(800 5)
Gross profit		445 0	400 9
Distribution, selling and marketing expenses		(185 1)	(167 4)
General and administrative expenses		(85 0)	(84 3)
<b>Operating profit before exceptional operating items</b>		<b>174 9</b>	<b>149 2</b>
Operating profit before exceptional operating items is comprised as follows			
Business profit		223 4	196 4
Depreciation and amortisation expense	4	(48 5)	(47 2)
Exceptional operating income and expense	3	(17 8)	(20 8)
<b>Operating profit</b>	4	<b>157 1</b>	<b>128 4</b>
Interest receivable and other financial income	5	6 8	6 1
Interest payable and other financial charges	6	(133 0)	(166 9)
Other finance income – pensions	19	4 5	15 8
<b>Profit/(loss) before taxes and share of results of joint venture</b>		<b>35 4</b>	<b>(16 6)</b>
Taxes	7	(29 0)	(20 3)
<b>Profit/(loss) before share of results of joint venture</b>		<b>6 4</b>	<b>(36 9)</b>
Share of results of joint venture	10	0 7	0 6
<b>Profit/(loss) attributable to shareholder</b>		<b>7 1</b>	<b>(36 3)</b>

# United Biscuits Topco Limited

## Consolidated statement of comprehensive income

For the period 4 January 2009 to 2 January 2010

	Notes	2009 £m	2008 £m
<b>Profit/(loss) attributable to shareholder</b>		7.1	(36.3)
<b>Other comprehensive income</b>			
Actuarial losses on defined benefit plans	19	(252.8)	(26.3)
Reversal/(restriction) of recognition of retirement benefit surplus	19	22.4	(5.3)
Exchange differences on translation of foreign operations		(9.5)	24.0
Gain/ (loss) on cash flow hedges taken to equity		17.9	(14.1)
Gain/ (loss) on cash flow hedges transferred to the income statement		(9.6)	8.0
<b>Other comprehensive income for the period before tax</b>		<u>(231.6)</u>	<u>(13.7)</u>
Tax on items recognised directly in or transferred from equity	7	<u>67.7</u>	<u>(4.0)</u>
<b>Other comprehensive income for the period after tax</b>		<u>(163.9)</u>	<u>(17.7)</u>
<b>Total comprehensive income for the period after tax</b>		<u><u>(156.8)</u></u>	<u><u>(54.0)</u></u>

# United Biscuits Topco Limited

## Consolidated balance sheet

As at 2 January 2010

	Notes	2009 £m	2008 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	1,185 2	1,194 1
Property, plant and equipment	9	328 2	350 5
Investment in joint venture	10	0 6	0 5
Retirement benefit asset	19	0 4	54 7
Deferred tax	7	119 6	81 5
<b>Total non current assets</b>		<b>1,634 0</b>	<b>1,681 3</b>
<b>Current assets</b>			
Inventories	11	55 6	56 3
Trade and other receivables	12	239 6	219 4
Derivative financial instruments	16	1 2	21 3
Cash and cash equivalents	13	123 2	73 5
<b>Total current assets</b>		<b>419 6</b>	<b>370 5</b>
<b>TOTAL ASSETS</b>		<b>2,053 6</b>	<b>2,051 8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's equity</b>			
Share premium	18	1 8	1 8
Other reserves	18	13 0	12 9
Retained earnings		(217 2)	(60 3)
<b>Total equity</b>		<b>(202 4)</b>	<b>(45 6)</b>
<b>Non current liabilities</b>			
Borrowings	15	1,336 2	1,338 1
Amount due to parent company	21	389 8	360 7
Retirement benefit liability	19	153 7	11 8
Provisions	17	11 2	11 0
Derivative financial instruments	16	0 4	13 0
Other non current liabilities		0 2	0 1
Deferred tax	7	19 7	22 0
<b>Total non current liabilities</b>		<b>1,911 2</b>	<b>1,756 7</b>
<b>Current liabilities</b>			
Trade and other payables	14	317 0	321 5
Derivative financial instruments	16	20 9	13 6
Provisions	17	6 9	5 6
<b>Total current liabilities</b>		<b>344 8</b>	<b>340 7</b>
<b>Total liabilities</b>		<b>2,256 0</b>	<b>2,097 4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,053 6</b>	<b>2,051 8</b>

Approved by the Board and signed on its behalf on 29 April 2010



Jeffrey Peter van der Eems

# United Biscuits Topco Limited

## Consolidated statement of changes in equity

For the period 30 December 2007 to 3 January 2009	Share Premium £m	Currency Translation Reserve £m	Hedging Reserves £m	Retained Earnings £m	Total £m
At 30 December 2007	1 8	4 7	(3 4)	5 3	8 4
Loss attributable to shareholder	-	-	-	(36 3)	(36 3)
Actuarial gains/(losses) on defined benefit plans	-	-	-	(24 0)	(24 0)
Restriction of recognition of retirement benefit surplus	-	-	-	(5 3)	(5 3)
Exchange differences on translation of foreign operations	-	19 0	-	-	19 0
Net loss on cash flow hedges	-	-	(7 4)	-	(7 4)
Total comprehensive income	-	19 0	(7 4)	(65 6)	(54 0)
At 3 January 2009	1 8	23 7	(10 8)	(60 3)	(45 6)
For the period 4 January 2009 to 2 January 2010					
Profit attributable to shareholder	-	-	-	7 1	7 1
Actuarial gains/(losses) on defined benefit plans	-	-	-	(164 0)	(164 0)
Exchange differences on translation of foreign operations	-	(7 8)	-	-	(7 8)
Net loss on cash flow hedges	-	-	7 9	-	7 9
Total comprehensive income	-	(7 8)	7 9	(156 9)	(156 8)
At 2 January 2010	1 8	15 9	(2 9)	(217 2)	(202 4)

# United Biscuits Topco Limited

## Consolidated cash flow statement

For the period 4 January 2009 to 2 January 2010

	Notes	2009 £m	2008 £m
<b>Operating activities</b>			
Operating profit		157 1	128 4
Adjustments for			
Depreciation and amortization	4	48 5	47 2
Exceptional operating income	3	-	(0 3)
Exceptional operating expense	3	17 8	21 1
Decrease in inventory		0 7	1 4
(Increase)/decrease in receivables		(18 5)	5 8
Increase/(decrease) in payables		17 9	(0 9)
Cash flows relating to financial instruments		1 5	(2 1)
Cash flows relating to restructuring and other provisions		(13 9)	(16 4)
Difference between pension contributions paid and amounts recognised in the income statement		(29 7)	(27 1)
<b>Cash generated from operations</b>		<u>181 4</u>	<u>157 1</u>
Interest received		4 3	1 9
Interest paid		(94 8)	(134 2)
Income taxes paid		(1 9)	(0 9)
<b>Net cash inflow from operating activities</b>		<u>89 0</u>	<u>23 9</u>
<b>Investing activities</b>			
Capital expenditure and purchases of fixed assets	8 & 9	(38 4)	(44 2)
Proceeds from disposal of property, plant and equipment		-	0 3
Amounts received from joint venture		0 7	0 6
<b>Net cash used in investing activities</b>		<u>(37 7)</u>	<u>(43 3)</u>
<b>Financing activities</b>			
Increase in borrowings		-	157 3
Repayment of debt	15	-	(157 3)
<b>Net cash used in financing activities</b>		<u>-</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents in the period		51 3	(19 4)
Currency translation differences		(1 6)	4 9
Cash and cash equivalents at beginning of period		73 5	88 0
<b>Cash and cash equivalents at end of period</b>	13	<u>123 2</u>	<u>73 5</u>

# United Biscuits Topco Limited

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## 1 Authorisation of financial statements

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The financial statements of United Biscuits Topco Limited and its subsidiaries (the "Group") for the period from 4 January 2009 to 2 January 2010 were authorised for issue by the board of directors on 23 April 2010 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.

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## 2 Accounting policies

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### Basis of preparation

The accounting policies which follow set out the policies that were applied in preparing the financial statements of the Group for the 52 week period from 4 January 2009 to 2 January 2010 and as at 2 January 2010. The accounting policies adopted are consistent with those of the previous financial period except that, with effect from 4 January 2009, the Group adopted the following new and amended IFRS and IFRIC interpretations and applied them as appropriate:

- Amendments to IFRS 7 - *Financial Instruments Disclosures*
- Revision to IAS 38 - *Intangible assets*
- IAS 23 - *Borrowing Costs - Revised*
- IAS 1 - *Presentation of Financial Statements - Revised*

The adoption of the above standards and interpretations did not have a material effect on the financial performance and position of the Group. They did, however, give rise to additional disclosures. The application of IAS 1 – *Presentation of Financial Statements – Revised*, has resulted in the Group presenting both a consolidated statement of comprehensive income and a consolidated statement of changes in equity as primary statements. The consolidated statement of changes in equity presents all changes in equity, and the consolidated statement of comprehensive income presents all changes in financial position other than through transactions with owners. This presentation has been applied in these consolidated financial statements for the year ended 2 January 2010. Comparative information has been represented so that it is also in conformity with the revised standard.

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

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

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

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## 2 Accounting policies (continued)

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### 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 4 January 2009 to 2 January 2010 as permitted by the Companies Act 2006

### Basis of consolidation

The consolidated financial statements comprise the financial statements of United Biscuits Topco Limited and its subsidiaries. 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 10 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 arise in connection with the possible impairment of goodwill and assets and liabilities and the measurement of defined benefit pension obligations. The Group determines whether goodwill and indefinite life intangible assets are impaired on at least 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. Further details are given in Note 8. The cost of pension benefit plans and post-retirement healthcare 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. Further details about the assumptions used are given in Note 19.

### 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 income from licences associated with the Group's brands.

### Business profit

Business profit is the primary measure by which the Group's management measures 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 income and expense and depreciation and amortisation expense.

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## 2 Accounting policies (continued)

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### Exceptional operating income and expense

The Group presents as exceptional operating items those items of income and expense which, in the opinion of the Directors, because of their nature merit separate presentation to enable users of the financial statements to better understand the elements of financial performance in the year, to facilitate comparison with prior periods and to assess trends in financial performance more easily. Exceptional operating items include restructuring and other 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 other 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, costs directly associated with implementing improved ways of working and costs of product recalls. Costs associated with an activity that meets the definition of restructuring and other non-recurring expenses are charged to the income statement at the point the Group is effectively committed to incurring those costs.

### 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 foreign operations 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.



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**2 Accounting policies (continued)**

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**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 their useful lives 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.

**Advertising and promotional costs**

The Group has amended its accounting policy in line with the revision to IAS 38 - *Intangible Assets* so that advertising and promotional costs are charged to the income statement in the period in which the Group has either received the service or had the right to access the related goods.

**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	Shorter of the lease term and useful life of asset
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.

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

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.

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**2 Accounting policies (continued)**

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**Impairment of assets**

Goodwill arising on business combinations is allocated to the groups of cash-generating units (equivalent to the Group's business units as described in Note 8). The recoverable amount of the 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 are not 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. An asset's 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.

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### 2 Accounting policies (continued)

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#### 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 this joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net profit 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 recognised and carried at original invoice amount less an allowance for any amounts that are not collectable. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

#### 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. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life on the financial instrument, or where appropriate a shorter period, to the net carrying amount of the financial asset or financial liability.

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**2 Accounting policies (continued)**

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**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 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. Additionally, 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 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 UK 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. Actuarial gains and losses are recognised in full in the statement of comprehensive income in the period in which they occur.

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**2 Accounting policies (continued)**

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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.

The retirement benefit asset or liability in the balance sheet comprises for each plan the total 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.

The value of a retirement benefit asset is restricted to the sum of any unrecognised past service costs and the present value of economic benefits available to the Group. IFRIC 14 permits the Group to recognise a surplus in schemes only through a reduction in future contributions or where a right to a refund exists.

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

**Contingencies and provisions**

In the normal course of business the Group is involved in certain disputes. Provision for contingent liabilities is made when it is deemed probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. Where the Group is the plaintiff in pursuing claims against third parties, legal and associated expenses are charged to the income statement as incurred. Contingent assets are not recognised in the accounts.

The recognition of provisions for disputes is subject to a significant degree of estimation. In making its estimates management takes into account the advice of internal and external legal counsel. Provisions are reviewed regularly and amounts updated where necessary to reflect developments in the disputes. The ultimate liability may differ from the amount provided depending on the outcome of court proceedings and settlement negotiations or if investigations bring to light new facts.

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, a provision is recognised 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 initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. At the quarter end, 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.

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**2 Accounting policies (continued)**

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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. Derivatives outside a hedging relationship are recorded at fair value at the balance sheet date with any gains or losses being recognised in the income statement.

***(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. Any ineffective portion of the changes in the fair value of designated cash flow hedges is recognised immediately in the income statement.

The Group discontinues cash flow hedging when a forecast transaction is no longer expected to occur and amounts previously recognised in equity are transferred to the income statement. 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 then recognised in the income statement.

***(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 at 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.

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**2 Accounting policies (continued)**

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**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

		<b>Effective for accounting periods beginning on or after</b>
<b>IFRS</b>		
IFRS 3	Business Combinations – Revised	1 July 2009
IAS 27	Consolidated and Separate Financial Statements – Amended	1 July 2009

Management does not anticipate that the adoption of the above standards and interpretations, where applicable, will have a material impact on the Group's financial statements in the initial period of application

Other standards and interpretations issued are not considered relevant to the Group

## United Biscuits Topco Limited

### 3 Exceptional operating income and expense

	Restructuring and other non-recurring expenses £m	Impairment of plant, equipment £m	Profit on disposal of property, plant and equipment £m	Total £m
<b>2009</b>				
<b>Exceptional operating expense</b>				
Restructuring and associated costs <sup>(1)</sup>	(15.5)	-	-	(15.5)
Write off of technical stores <sup>(2)</sup>	-	(2.3)	-	(2.3)
	<u>(15.5)</u>	<u>(2.3)</u>	<u>-</u>	<u>(17.8)</u>
<b>2008</b>				
<b>Exceptional operating income</b>				
Profit on disposal of surplus land	-	-	0.3	0.3
	<u>-</u>	<u>-</u>	<u>0.3</u>	<u>0.3</u>
<b>Exceptional operating expense</b>				
Restructuring and associated costs <sup>(1)</sup>	(14.3)	-	-	(14.3)
Impairment of manufacturing equipment	-	(0.3)	-	(0.3)
Write off of technical stores <sup>(2)</sup>	-	(6.5)	-	(6.5)
	<u>(14.3)</u>	<u>(6.8)</u>	<u>-</u>	<u>(21.1)</u>

- (1) 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 exist. However, they will relate to cost of goods sold, distribution, selling and marketing and general and administrative expenses. Included within the restructuring and non-recurring expenses in 2008 is an amount of £0.3 million in relation to exceptional pension expense referred to in Note 19.
- (2) Following further analysis, an additional £2.3m of technical stores were identified that were written off in the year (2008 £6.5m). This amount is not considered material in the context of the prior year, which has not been restated accordingly.



# United Biscuits Topco Limited

## 4 Operating profit

	2009 £m	2008 £m
Operating profit is stated after charging		
Depreciation and amortisation expense		
Depreciation of property, plant and equipment	45 8	44 0
Amortisation of computer software	2 7	3 2
	<u>48 5</u>	<u>47 2</u>
The depreciation and amortisation expense by function was as follows		
Cost of goods sold	41 8	40 0
Distribution, selling and marketing expenses	1 4	1 4
General and administrative expenses	5 3	5 8
	<u>48 5</u>	<u>47 2</u>
Operating lease rentals		
Property	3 2	3 6
Plant and equipment	4 7	6 4
	<u>7 9</u>	<u>10 0</u>
Net foreign exchange loss	3 5	10 6
Royalty income	(2 9)	(3 2)
Shareholder fees	2 1	2 0
Product research and development	5 1	5 3
Advertising expenditure	29 0	17 4
<b>Staff costs and directors' emoluments</b>		
Gross wages and salaries, holiday pay and sick pay	245 0	246 5
Social security costs	32 6	34 1
Pension costs	10 9	12 7
	<u>288 5</u>	<u>293 3</u>
Directors' emoluments <sup>(1)</sup>	3 0	1 8
Emoluments in respect of the highest paid director	1 5	0 8

(1) The number of directors to whom retirement benefits are accruing in respect of defined benefit schemes was 1 in 2009 (1 in 2008) and 1 director is a member of the defined contribution scheme

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

	2009 No	2008 No
Manufacturing and production	6,905	7,009
Logistics and site service	827	837
Finance and administration	635	631
	<u>8,367</u>	<u>8,477</u>

## United Biscuits Topco Limited

### 4 Operating profit (continued)

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

	2009 £'000	2008 £'000
Audit of the financial statements	364	370
Other fees to auditors		
• Audit of pension scheme	48	48
• Local statutory audits for subsidiaries	423	430
• Corporate finance services	-	16
• Other services	15	15
	<u>850</u>	<u>879</u>

### 5 Interest receivable and other financial income

	2009 £m	2008 £m
Interest income on bank deposits	0.6	1.5
Interest rate swaps	-	0.5
Gains on other financial instruments	-	3.7
Gain on translation of loan	2.6	-
Other interest	3.6	0.4
	<u>6.8</u>	<u>6.1</u>

### 6 Interest payable and other financial charges

	2009 £m	2008 £m
Bank credit facility	75.7	129.0
10% PIK notes due 2017	-	13.7
Interest payable to parent company	29.1	16.1
Loss arising on derivatives not in a designated hedge relationship	-	4.4
Interest rate swaps	28.2	-
Loss on translation of loan	-	3.7
	<u>133.0</u>	<u>166.9</u>

## United Biscuits Topco Limited

### 7 Taxes

#### Tax on profit on ordinary activities:

Tax is charged in the income statement as follows

	2009 £m	2008 £m
<b>Current income tax</b>		
UK corporation tax	-	-
Foreign tax	14	0.2
Current income tax charge	14	0.2
Adjustment relating to prior years	0.3	(2.5)
Total current income tax	17	(2.3)
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	16.0	5.4
Pension schemes – IFRIC 14 reversal	12.0	-
Adjustments relating to prior years	(0.7)	17.2
Total deferred tax	27.3	22.6
<b>Tax charge in the income statement</b>	<b>29.0</b>	<b>20.3</b>

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

	2009 £m	2008 £m
<b>Deferred tax</b>		
Actuarial gains and losses on pension schemes	(70.8)	(2.3)
Pension schemes – IFRIC 14 reversal	4.4	-
Translation differences on foreign currency net investments	(1.7)	5.0
Revaluation of cash flow hedges	0.4	1.3
<b>Tax (credit) charge in the statement of comprehensive income</b>	<b>(67.7)</b>	<b>4.0</b>

#### Reconciliation of the total tax (credit)/charge

The tax charge in the income statement for 2009 is higher than the average rate of corporation tax in the U K for 2009 of 28%. The differences are reconciled below

	2009 £m	2008 £m
Profit/(loss) from operations before taxation	35.4	(17.0)
Tax charge/(credit) on ordinary activities at the statutory rate	9.9	(4.8)
Expenses not deductible for tax purposes	4.9	3.0
Prior year adjustments	(0.4)	14.7
Pension schemes – IFRIC 14 reversal	12.0	-
Effect of overseas tax rates	(0.2)	-
Phasing out of industrial buildings allowance	-	6.7
Loss carried forward	2.8	0.7
<b>Tax charge in the income statement</b>	<b>29.0</b>	<b>20.3</b>

## United Biscuits Topco Limited

### 7 Taxes (continued)

#### Unrecognised tax losses

A deferred tax asset has not been recognised on tax losses of approximately £170 million (2008 £151 million) at 2 January 2010. It is not anticipated that any of these losses will be able to be offset against profits arising in the foreseeable future.

Approximately £139 million (2008 £115 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 arose in France. Approximately £1 million (2008 £1 million) will expire at various dates from 2009 to 2015, and the remaining £30 million (2008 £35 million) have no expiry date.

#### Temporary differences associated with group investments

At 2 January 2010, there was no recognised deferred tax liability (2008 nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or joint ventures, as the Group has determined that these undistributed profits will not be distributed in the near future. As a result of changes to tax legislation in the year, overseas dividends received on or after 1 July 2009 are expected to be exempt from UK corporation tax, but may be subject to withholding tax. There are no temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognised but for which a tax liability may arise.

Deferred tax	2009 £m	2008 £m
<b>Deferred tax assets</b>		
Decelerated capital allowances	63.3	59.7
Pensions and post-employment medical benefits	53.1	23.4
Other short-term timing differences	5.3	6.2
Losses carried forward	168.4	167.2
Deferred tax asset	<u>290.1</u>	<u>256.5</u>
<b>Deferred tax liability</b>		
Accelerated capital allowances	8.9	10.7
Intangible assets	174.7	176.0
Other short-term timing differences	6.6	10.3
Deferred tax liability	<u>190.2</u>	<u>197.0</u>
<b>Net deferred tax asset</b>	<u>99.9</u>	<u>59.5</u>
Reflected in the balance sheet as follows		
Deferred tax asset	119.6	81.5
Deferred tax liability	<u>(19.7)</u>	<u>(22.0)</u>
	<u>99.9</u>	<u>59.5</u>
<b>Deferred tax in the income statement</b>		
Accelerated capital allowances	(2.7)	(10.0)
Phasing out of industrial buildings allowances	-	6.7
Pensions and post-employment medical benefits	32.1	10.4
Other short term timing differences	(1.1)	6.2
Non-trading losses	<u>(1.0)</u>	<u>9.3</u>
	<u>27.3</u>	<u>22.6</u>

## United Biscuits Topco Limited

### 8 Intangible assets

	Goodwill £m	Purchased Brands £m	Computer Software £m	Total £m
<b>Cost</b>				
At 30 December 2007	522.3	636.4	8.3	1,167.0
Additions	-	-	0.4	0.4
Exchange	19.5	14.0	0.7	34.2
<b>At 3 January 2009</b>	<b>541.8</b>	<b>650.4</b>	<b>9.4</b>	<b>1,201.6</b>
Additions	-	-	4.9	4.9
Disposals	-	-	(3.6)	(3.6)
Exchange	(6.4)	(4.6)	(0.2)	(11.2)
<b>At 2 January 2010</b>	<b>535.4</b>	<b>645.8</b>	<b>10.5</b>	<b>1,191.7</b>
<b>Amortisation</b>				
At 30 December 2007	-	-	3.7	3.7
Charge for the period	-	-	3.2	3.2
Exchange	-	-	0.6	0.6
<b>At 3 January 2009</b>	<b>-</b>	<b>-</b>	<b>7.5</b>	<b>7.5</b>
Charge for the period	-	-	2.7	2.7
Disposals	-	-	(3.6)	(3.6)
Exchange	-	-	(0.1)	(0.1)
<b>At 2 January 2010</b>	<b>-</b>	<b>-</b>	<b>6.5</b>	<b>6.5</b>
<b>Carrying amount</b>				
<b>At 2 January 2010</b>	<b>535.4</b>	<b>645.8</b>	<b>4.0</b>	<b>1,185.2</b>
<b>At 3 January 2009</b>	<b>541.8</b>	<b>650.4</b>	<b>1.9</b>	<b>1,194.1</b>
<b>At 30 December 2007</b>	<b>522.3</b>	<b>636.4</b>	<b>4.6</b>	<b>1,163.3</b>

The Group manufactures and markets a wide range of products in Western Europe under well-recognised brands including *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 as the Group believes that the value of these brands is maintained indefinitely. The factors that result in the indefinite useful lives of brands capitalised are:

- The Group expects to hold and support these brands for an indefinite period
- The Group supports these brands through spending on consumer marketing and makes significant investment in promotional support
- The brands operate in stable, large and profitable market sectors in which they have established market shares

There are also no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles.

Purchased brands are therefore not subject to amortisation but are tested at least annually for impairment.

## United Biscuits Topco Limited

### 8 Intangible assets (continued)

#### Impairment of goodwill and intangible assets with indefinite lives

Goodwill and brands acquired through business combinations have been allocated for impairment purposes to the following three business units

- U K
- International Sales
- Northern Europe

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

#### UK

The recoverable amount of the Group's U K business 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 pre-tax discount rate applied to the cash flow projections was 9.2% (2008 9.9%). Short-term EBITDA growth rates applied ranged from 2.5% to 3%. A long-term EBITDA growth rate assumption of 1.0% (2008 1.0%) was applied in perpetuity.

#### International Sales

The recoverable amount of the Group's International Sales business 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 pre-tax discount rate applied to the cash flow projections was 9.2% (2008 9.9%). Short-term EBITDA growth rates applied ranged from 2% to 11%. A long-term EBITDA growth rate assumption of 1.0% (2008 1.0%) was applied in perpetuity.

#### Northern Europe

The recoverable amount of the Group's Northern Europe business 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 pre-tax discount rate applied to the cash flow projections was 9.4% (2008 10.1%). Short-term EBITDA growth rates applied ranged from 2.5% to 3%. A long-term EBITDA growth rate assumption of 1.0% (2008 1.0%) was applied in perpetuity.

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

	2009 £m	2008 £m
<b>Goodwill</b>		
UK	419.8	419.8
Northern Europe	77.0	83.4
International Sales	38.6	38.6
<b>Total</b>	<b>535.4</b>	<b>541.8</b>
<b>Brands</b>		
UK	583.7	583.7
Northern Europe	55.2	59.8
International Sales	6.9	6.9
<b>Total</b>	<b>645.8</b>	<b>650.4</b>

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**8 Intangible assets (continued)**

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**Key assumptions applied to value in use calculations**

Assumptions regarding future cash flows are based upon actual results in prior periods, adjusted to reflect management's view of expected developments based upon market conditions. The cash flows used are pre-tax cash flows and include all income and costs as well as an estimate of capital expenditure required to support these cash flows.

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

- *Discount rates* – these reflect management's assessment of the time value of money and the risks specific to the unit's assets, based on an appropriate Weighted Average Cost of Capital (WACC) anticipated for a market participant investing in the Group and determined using the Capital Asset Pricing Model, reflecting management's estimate of the specific risk profile associated with the cash flow projections.
- *EBITDA growth rates* – estimates are based on conservative industry expectations of growth in the market where each cash-generating unit is located. The business units operate predominantly in stable, large and profitable market sectors where the Group's brands have proven longevity. Short term forecasts are adjusted to reflect the Group's relative weight in faster, or slower, growing market categories.

**Sensitivity to changes in assumptions**

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 for its UK and International Sales cash-generating units.

However, management believes that given the level of judgement inherent in these assumptions, especially in light of the current economic climate, a reasonably possible change could cause the carrying value of its Northern Europe cash-generating unit to equal its recoverable amount. The change in assumption required would be either a decrease in the EBITDA growth rate of 4.2 percentage points or an increase in the annual discount rate of 2.1 percentage points.

# United Biscuits Topco Limited

## 9 Property, plant and equipment

	Freehold £m	Leasehold Improvement £m	Plant, Machinery & Vehicles £m	Fixtures & Fittings £m	Assets Under Construction £m	Total £m
<b>Cost</b>						
At 30 December 2007	79.4	7.5	234.6	12.5	28.6	362.6
Exchange adjustments	10.2	-	41.1	2.1	1.7	55.1
Additions	3.0	0.2	27.2	4.4	9.0	43.8
Reclassifications	(0.4)	-	16.1	5.7	(21.4)	-
Disposals	(0.3)	-	(6.9)	(1.0)	-	(8.2)
<b>At 3 January 2009</b>	<b>91.9</b>	<b>7.7</b>	<b>312.1</b>	<b>23.7</b>	<b>17.9</b>	<b>453.3</b>
Exchange adjustments	(3.3)	-	(16.4)	(0.7)	(0.6)	(21.0)
Additions	5.8	0.3	16.0	1.5	13.4	37.0
Reclassifications	2.5	-	9.2	(7.1)	(8.0)	(3.4)
Disposals	(0.4)	-	(5.5)	(8.8)	-	(14.7)
<b>At 2 January 2010</b>	<b>96.5</b>	<b>8.0</b>	<b>315.4</b>	<b>8.6</b>	<b>22.7</b>	<b>451.2</b>
<b>Depreciation</b>						
At 30 December 2007	4.2	0.8	23.7	5.0	-	33.7
Exchange adjustments	5.6	-	26.2	1.2	-	33.0
Charge for the period	3.8	0.7	37.1	2.4	-	44.0
Impairment	-	-	0.3	-	-	0.3
Reclassifications	-	-	1.7	(1.7)	-	-
Disposals	(0.3)	-	(6.9)	(1.0)	-	(8.2)
<b>At 3 January 2009</b>	<b>13.3</b>	<b>1.5</b>	<b>82.1</b>	<b>5.9</b>	<b>-</b>	<b>102.8</b>
Exchange adjustments	(1.9)	-	(8.6)	(0.4)	-	(10.9)
Charge for the period	3.9	0.6	38.8	2.5	-	45.8
Reclassifications	0.3	0.2	(1.7)	1.2	-	-
Disposals	(0.4)	-	(5.5)	(8.8)	-	(14.7)
<b>At 2 January 2010</b>	<b>15.2</b>	<b>2.3</b>	<b>105.1</b>	<b>0.4</b>	<b>-</b>	<b>123.0</b>
<b>Net book value</b>						
<b>At 2 January 2010</b>	<b>81.3</b>	<b>5.7</b>	<b>210.3</b>	<b>8.2</b>	<b>22.7</b>	<b>328.2</b>
<b>At 3 January 2009</b>	<b>78.6</b>	<b>6.2</b>	<b>230.0</b>	<b>17.8</b>	<b>17.9</b>	<b>350.5</b>
<b>At 30 December 2007</b>	<b>75.2</b>	<b>6.7</b>	<b>210.9</b>	<b>7.5</b>	<b>28.6</b>	<b>328.9</b>

The net book value of leasehold improvements of £5.7 million (2008 £6.2 million) is in respect of properties held under operating leases with remaining lease terms of under 50 years (2008 50 years) as at 2 January 2010

The net book value of assets acquired under finance lease arrangements, all of which are either plant, machinery or vehicles, is £0.2 million (2008 £0.3 million)



## United Biscuits Topco Limited

### 10 Investments

	2009 £m	2008 £m
Investment in joint venture	0.6	0.5

#### *(a) Investment in joint venture*

The Group holds a 50% interest in the ordinary shares of KP Ireland Limited, which is incorporated 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 KP Ireland Limited's assets and liabilities and its share of income and expenses were as follows:

	2009 £m	2008 £m
<b>Share of the joint venture's balance sheet:</b>		
Non-current assets	0.2	0.2
Current assets	0.7	0.7
Share of total assets	0.9	0.9
Current liabilities	0.3	0.4
Non-current liabilities	-	-
Share of total liabilities	0.3	0.4
Share of net assets	0.6	0.5
<b>Share of results of joint venture:</b>		
Revenue	2.3	2.3
Operating costs	(1.5)	(1.6)
Net profit before taxes	0.8	0.7
Taxes	(0.1)	(0.1)
Net profit after taxes	0.7	0.6

## United Biscuits Topco Limited

### 10 Investments (continued)

#### (b) Details of Group undertakings

At 2 January 2010, 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. 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 <sup>1</sup>	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
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
United Biscuits Cyprus Limited <sup>2</sup>	Cyprus	Holding Company
United Biscuits Private Limited <sup>3</sup>	India	Biscuit manufacturer

<sup>1</sup> United Biscuits Bondco Limited is directly owned by the Company

<sup>2</sup> Incorporated on 19 May 2009

<sup>3</sup> Incorporated on 18 March 2009

## United Biscuits Topco Limited

### 11 Inventories

	2009 £m	2008 £m
Raw materials and consumables	16 8	19 2
Work in progress	3 0	2 7
Finished goods	35 8	34 4
	<u>55 6</u>	<u>56 3</u>

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

Raw materials and consumables at 2 January 2010 included £1 7 million (2008 £1 8 million) in respect of consignment stock

Inventories recognised as an expense during 2009 amounted to £605 4 million (2008 £590 4 million)

The amount of inventories written down and recognised as an expense during 2009 was £0 1 million (2008 £0 4 million)

### 12 Trade and other receivables

	2009 £m	2008 £m
Trade receivables	220 3	192 5
Trade receivables impaired	(0 8)	(1 1)
Net trade receivables	<u>219 5</u>	<u>191 4</u>
Other receivables	6 8	10 5
Prepayments and accrued income	13 3	17 5
	<u>239 6</u>	<u>219 4</u>

Trade receivables are stated net of provisions for bad and doubtful debts of £0 8 million (2008 £1 1 million)

Trade and other receivables are all expected to be settled within one year Trade receivables are non-interest bearing and represent an average of 61 days sales (2008 61 days)

Details of the Group's credit risk are set out in Note 16 (c)

### 13 Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	60 2	30 1
Short term deposits	63 0	43 4
	<u>123 2</u>	<u>73 5</u>

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 at 2 January 2010 was £123 2 million (2008 £73 5 million )

## United Biscuits Topco Limited

### 14 Trade and other payables

	2009 £m	2008 £m
Trade payables	226.5	213.1
Other payables	2.4	6.1
Other taxes and social security costs	11.4	9.7
Accruals and deferred income	76.7	92.6
	<u>317.0</u>	<u>321.5</u>

Trade and other payables are non-interest bearing and are settled in accordance with contractual payment terms

### 15 Borrowings

	2009 £m	2008 £m
<b>Non-current</b>		
Senior facilities	1,335.9	1,337.7
10% PIK Notes due 2017	-	-
Other loans	0.1	0.1
Finance lease obligations	0.2	0.3
	<u>1,336.2</u>	<u>1,338.1</u>

#### Senior Facilities

Details of the Senior facilities amounts outstanding as at 2 January 2010 and 3 January 2009 are set out below

Senior Debt	Amortised Debt £m	Principal <sup>(1)</sup> £m	Margin %	Type	Maturity
<b>2009</b>					
Term Loan B	836.7	849.0	LIBOR +2.5	Bullet	15 December 2014
Term Loan B(€)	150.2	152.5	EURIBOR +2.5	Bullet	15 December 2014
Second lien	157.7	160.0	LIBOR +4.0	Bullet	15 June 2016
Mezzanine	191.3	194.1	LIBOR +3.75 Cash and LIBOR +4.0 PIK	Bullet	15 December 2016
Total Term Loans	<u>1,335.9</u>	<u>1,355.6</u>			
<b>Senior Debt</b>					
<b>2008</b>					
Term Loan B	834.6	849.0	LIBOR +2.5	Bullet	15 December 2014
Term Loan B(€)	162.4	165.2	EURIBOR +2.5	Bullet	15 December 2014
Second lien	157.2	160.0	LIBOR +4.0	Bullet	15 June 2016
Mezzanine	183.5	186.5	LIBOR +3.75 Cash and LIBOR +4.0 PIK	Bullet	15 December 2016
Total Term Loans	<u>1,337.7</u>	<u>1,360.7</u>			

(1) Includes rolled-up interest where applicable

## United Biscuits Topco Limited

### 15 Borrowings (continued)

#### Available committed facilities

	2009 £m	2008 £m
Expiring in one year or less	100.0	-
Expiring in more than one year	49.5	149.5
	<u>149.5</u>	<u>149.5</u>

#### **Acquisition and capex facility of £100.0 million**

This facility had not been drawn at 2 January 2010. 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. Amounts drawn are repayable in seven equal instalments starting on 15 December 2010 and ending on 15 December 2013.

#### **Revolving facility of £50.0 million**

This facility can be used to finance working capital requirements, for 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 re-borrowed, subject to the maximum limit available under the facility. The facility is available until 15 December 2013.

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

The Senior facilities are secured by fixed and floating charges over all the UK assets of United Biscuits Holdco Limited and its principal UK subsidiaries. The principal subsidiaries of United Biscuits Holdco Limited are all those disclosed in Note 10(b) but excluding United Biscuits Bondco Limited, United Biscuits VLNco Limited and United Biscuits Holdco Limited. In addition, the other principal subsidiaries have guaranteed the debt.

The Senior facilities agreements 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.

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### 15 Borrowings (continued)

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#### 10% PIK Notes due 2017

An amount of £130.0 million of PIK notes was issued by a wholly owned subsidiary of United Biscuits Topco Limited, United Biscuits VLNco Limited ("VLNco"), to the former owners of United Biscuits (Equity) Limited Cinven and MidOcean Partners ("the Vendors") held notes to the value of £70.0 million and £60.0 million, respectively. The notes accrued interest of 10% per annum and were due for repayment on 15 December 2017. At the time of issue, the Vendors entered into a Put and Call deed with United Biscuits Luxco S C A, the parent company of United Biscuits Topco Limited ("Parent"). This gave Parent the right to call all of the outstanding notes, together with interest accrued thereon, on 15 December 2008. Parent exercised this right through its subsidiary United Biscuits Bondco Limited ("Bondco") and, on 15 December 2008, Bondco purchased the notes, together with accrued interest thereon, from the Vendors. The purchase of the notes was financed by a loan from Parent amounting to £157.3 million, representing the full value of notes on 15 December 2008. Immediately following the purchase, VLNco issued shares to Bondco in consideration for cancelling all of the notes held by Bondco together with accrued interest.

#### Other loans

At 2 January 2010, £0.1 million (2008: £0.1 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.

#### Capital management

The Group's objectives when managing capital are to maximise shareholder value while safeguarding the Group's ability to continue as a going concern. The Group intends to continue proactively managing its capital structure whilst maintaining flexibility to take advantage of opportunities, which arise, to grow its business.

In common with many other private equity portfolio companies, the Group carries a high level of net debt compared to equity. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. Net debt is calculated as total borrowings, as shown in the consolidated balance sheet, less cash and cash equivalents.

As explained above, the Senior facilities included within net debt require the Group to comply with certain financial and non-financial covenants. Throughout 2008 and 2009 the Group operated within all of its financial covenants.

#### Financial 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.

# United Biscuits Topco Limited

## 16 Financial instruments

### Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements by currency

2009	Carrying Value £m	Fair Value £m	USD £m	EURO £m	Other £m	GBP £m
<b>Financial assets</b>						
Cash and short term deposit	123.2	123.2	3.5	51.2	0.9	67.6
Trade receivables	219.5	219.5	6.3	32.4	2.9	177.9
	<u>342.7</u>	<u>342.7</u>	<u>9.8</u>	<u>83.6</u>	<u>3.8</u>	<u>245.5</u>
<b>Derivative assets</b>						
<i>Cash flow hedges<sup>(1)</sup></i>						
Forward currency contracts	1.2	1.2	0.2	0.9	0.1	-
<i>Fair value hedges</i>						
Forward currency contracts	-	-	-	-	-	-
	<u>1.2</u>	<u>1.2</u>	<u>0.2</u>	<u>0.9</u>	<u>0.1</u>	<u>-</u>
Of which						
Current assets	1.2	1.2				
Non current assets	-	-				
	<u>1.2</u>	<u>1.2</u>				
<b>Financial liabilities</b>						
Trade payables	226.5	226.5	6.1	55.9	0.7	163.8
Amounts due to parent	389.8	389.8	-	-	-	389.8
Loans and borrowings	1,335.9	1,355.6	-	150.2	-	1,185.7
Finance lease obligations	0.2	0.2	-	0.2	-	-
Other loans	0.1	0.1	-	0.1	-	-
	<u>1,952.5</u>	<u>1,972.2</u>	<u>6.1</u>	<u>206.4</u>	<u>0.7</u>	<u>1,739.3</u>
<b>Derivative liabilities</b>						
<i>Cash flow hedges<sup>(1)</sup></i>						
Forward currency contracts	2.2	2.2	0.7	1.0	0.5	-
Interest rate swaps	18.7	18.7	-	1.6	-	17.1
Commodity contracts	-	-	-	-	-	-
<i>Fair value hedges</i>						
Forward currency contracts	0.4	0.4	0.1	0.3	-	-
	<u>21.3</u>	<u>21.3</u>	<u>0.8</u>	<u>2.9</u>	<u>0.5</u>	<u>17.1</u>
Of which						
Current liabilities	20.9	20.9				
Non current liabilities	0.4	0.4				
	<u>21.3</u>	<u>21.3</u>				

(1) All cash flow hedges are designated as hedge accounting relationships

**16 Financial instruments (continued)**

2008	Carrying Value £m	Fair Value £m	USD £m	Euro £m	Other £m	GBP £m
<b>Financial assets</b>						
Cash and short term deposit	73.5	73.5	7.6	32.1	-	33.8
Trade receivables	191.4	191.4	6.8	22.5	2.0	160.1
	<u>264.9</u>	<u>264.9</u>	<u>14.4</u>	<u>54.6</u>	<u>2.0</u>	<u>193.9</u>
<b>Derivative assets</b>						
<i>Cash flow hedges<sup>(1)</sup></i>						
Forward currency contracts	16.6	16.6	5.0	11.3	0.3	-
<i>Fair value hedges</i>						
Forward currency contracts	4.7	4.7	0.1	4.6	-	-
	<u>21.3</u>	<u>21.3</u>	<u>5.1</u>	<u>15.9</u>	<u>0.3</u>	<u>-</u>
Of which						
Current assets	21.3	21.3				
Non current assets	-	-				
	<u>21.3</u>	<u>21.3</u>				
<b>Financial liabilities</b>						
Trade payables	213.1	213.1	7.1	65.7	0.2	140.1
Amounts due to parent	360.7	360.7	-	-	-	360.7
Loans and borrowings	1,337.7	1,360.7	-	165.2	-	1,172.5
Finance lease obligations	0.3	0.3	-	-	-	0.3
Other loans	0.1	0.1	-	0.1	-	-
	<u>1,911.9</u>	<u>1,934.9</u>	<u>7.1</u>	<u>231.0</u>	<u>0.2</u>	<u>1,673.6</u>
<b>Derivative liabilities</b>						
<i>Cash flow hedges<sup>(1)</sup></i>						
Forward currency contracts	1.0	1.0	0.6	-	0.4	-
Interest rate swaps	24.3	24.3	-	1.3	-	23.0
Commodity contracts	0.3	0.3	-	-	-	0.3
<i>Fair value hedges</i>						
Forward currency contracts	1.0	1.0	0.2	0.8	-	-
	<u>26.6</u>	<u>26.6</u>	<u>0.8</u>	<u>2.1</u>	<u>0.4</u>	<u>23.3</u>
Of which						
Current liabilities	13.6	13.6				
Non current liabilities	13.0	13.0				
	<u>26.6</u>	<u>26.6</u>				

(1) All cash flow hedges are designated as hedge accounting relationships

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. The credit quality of the counterparties are also considered and adjusted for when deemed necessary. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised as fair value.

There are no material differences between fair value and book value on any other financial instruments.

**Fair value hierarchy**

In accordance with IFRS 7 *Financial instruments: Disclosures*, financial instruments which are carried at fair value in the balance sheet are analysed as level 1, 2, or 3. The Group classified all derivatives as level 2 financial instruments, as their fair value is determined based on techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.



**16 Financial instruments (continued)**

**a) Foreign exchange risk**

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

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

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

Group policy requires Group companies to manage their foreign exchange risk against their functional currency. Group companies are required to hedge their foreign exchange exposure with Group Treasury. Group Treasury reviews these exposure reports on a regular basis. To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts, transacted by Group Treasury.

**Cash flow hedges**

At 2 January 2010, the Group held a number of forward foreign exchange contracts designated as hedges of highly probable forecast transactions. Forward foreign exchange 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.

	<b>2009 £m</b>	<b>Range of Rates USD</b>	<b>Range of Rates EUR</b>
Foreign exchange contracts			
Buy against sterling	95.8	1.40 - 1.69	1.07 - 1.17
Sell against sterling	8.5	1.43 - 1.68	-
<b>Total</b>	<b>104.3</b>		
	<b>2008</b>		
Foreign exchange contracts			
Buy against sterling	87.1	1.47 - 1.98	1.08 - 1.32
Sell against sterling	14.6	1.47 - 1.98	-
<b>Total</b>	<b>101.7</b>		

**16 Financial instruments (continued)**

***Fair value hedges***

At 2 January 2010 and 3 January 2009, 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.

	<b>2009 £m</b>	<b>Range of Rates USD</b>	<b>Range of Rates EUR</b>	<b>Range of Rates CAD</b>
Foreign exchange contracts				
Buy against sterling	16.7	1.62 - 1.64	1.09 - 1.15	-
Sell against sterling	4.6	1.60 - 1.68	1.09 - 1.12	1.67 - 1.75
<b>Total</b>	<b>21.3</b>			
	<b>2008</b>			
Foreign exchange contracts				
Buy against sterling	39.7	1.47 - 1.59	1.08 - 1.32	-
Sell against sterling	16.5	1.47 - 1.59	1.05 - 1.27	1.86
<b>Total</b>	<b>56.2</b>			

***Hedges of net investment in foreign entities***

Included in borrowings at 2 January 2010 were loans of €172 million (2008: €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 with the exception of any hedge ineffectiveness which is taken to the income statement and disclosed in note 5.

**16 Financial instruments (continued)**

**Sensitivity analysis**

The table below presents a sensitivity analysis of the changes in fair values of the Group's monetary assets and liability to reasonably possible changes in market rates. The analysis illustrates forward-looking projections of market risk assuming certain market conditions occur.

	Impact on the income statement arising from		Impact on reserves arising from	
	10% weakening against US Dollar £m	10% weakening against Euro £m	10% weakening against US Dollar £m	10% weakening against Euro £m
<b>2009</b>				
Cash and short term deposits	(0.3)	(5.1)	-	-
Trade receivables	(0.6)	(3.2)	-	-
Trade payables	0.6	5.6	-	-
Loans and borrowings	-	3.4	-	11.9
Currency exchange contracts (assets)	0.1	1.7	1.5	8.0
Currency exchange contracts (liabilities)	(0.3)	(0.1)	(0.4)	-
<b>Total</b>	<b>(0.5)</b>	<b>2.3</b>	<b>1.1</b>	<b>19.9</b>
<b>2008</b>				
Cash and short term deposits	(0.8)	(3.2)	-	-
Trade receivables	(0.7)	(2.3)	-	-
Trade payables	0.7	6.6	-	-
Loans and borrowings	-	1.7	-	14.9
Currency exchange contracts (assets)	0.4	4.6	2.6	8.9
Currency exchange contracts (liabilities)	0.2	1.7	1.3	-
<b>Total</b>	<b>(0.2)</b>	<b>9.1</b>	<b>3.9</b>	<b>23.8</b>

Derivative contracts are used for hedging trade balances and future currency flows and therefore there is no impact due to currency movement.

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## 16 Financial instruments (continued)

### (b) Interest rate risk

The Group's interest rate risk arises through 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.

The Group entered into certain interest rate swaps in January 2007, which expire on 25 January 2010. The table below shows the effect of these on total fixed rate borrowings.

	Fixed rate borrowings £m	Effect of interest rate swaps £m	Effective fixed rate borrowings £m	Swap rate %
<b>2009</b>				
Sterling – parent company	389.8	-	389.8	-
Sterling – third parties	-	700.0	700.0	5.767
Euro	-	106.4	106.4	4.113
	<u>389.8</u>	<u>806.4</u>	<u>1,196.2</u>	
<b>2008</b>				
Sterling – parent company	360.7	-	360.7	-
Sterling – third parties	-	700.0	700.0	5.767
Euro	-	115.2	115.2	4.113
	<u>360.7</u>	<u>815.2</u>	<u>1,175.9</u>	

The following table presents a sensitivity analysis of the changes in fair values of the Group's interest rate swaps and un-hedged borrowings from a 1% movement in interest rates.

	Increase in interest rates		Decrease in interest rates	
	2009	2008	2009	2008
	£m	£m	£m	£m
Interest rate swaps (assets) <sup>1</sup>	-	-	-	-
Interest rate swaps (liabilities) <sup>1</sup>	8.1	8.1	(8.1)	(8.1)
Un-hedged borrowings <sup>2</sup>	(5.5)	(5.5)	5.5	5.5

<sup>1</sup> Impact on reserves

<sup>2</sup> Impact on the income statement

The Group has entered into new interest rate swaps which become effective on 25 January 2010, expiring 24 January 2011.

During 2009, a loss of £21.4 million (2008: £24.2 million loss) was recognised directly in equity in respect of interest rate swaps.

**16 Financial instruments (continued)**

**(c) Credit risk**

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

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

**Exposure to Credit risk**

The carrying amount of financial assets represents the maximum credit exposure, therefore, the maximum credit exposure at the reporting date was

	2009 £m	2008 £m
Trade receivables	219.5	191.4
<b>Total</b>	<b>219.5</b>	<b>191.4</b>

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was

	2009 £m	2008 £m
UK	173.3	142.6
Europe	34.2	38.6
Rest of the World	12.0	10.2
<b>Total</b>	<b>219.5</b>	<b>191.4</b>

The ageing analysis of trade receivables at the reporting date was

	2009 £m	2008 £m
Not past due or impaired	174.7	173.7
Past due 0 – 30 days but not impaired	31.2	8.3
Past due more than 30 days but not impaired	13.6	9.4
Individually impaired	0.8	1.1
<b>Total</b>	<b>220.3</b>	<b>192.5</b>

**16 Financial instruments (continued)**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
Balance at start of period	1.1	0.8
Charge for the period	0.3	0.4
Unused amounts reversed	(0.5)	(0.3)
Currency translation	(0.1)	0.2
<b>Balance at end of period</b>	<u>0.8</u>	<u>1.1</u>

Based on the historic trend and expected performance of the customers, the Group believes that the above allowance for doubtful receivables sufficiently covers the risk of default

The impairment loss recognised of £0.3 million (2008: £0.4 million) relates to debtors that were declared bankrupt in the period. The Group has no collateral in this respect.

**(d) Liquidity risk**

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

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

# United Biscuits Topco Limited

## 16 Financial instruments (continued)

### Contractual maturities

Details of the contractual maturities and associated undiscounted value at maturity of external borrowings are set out below

	Senior Facilities £m	Other Loans £m	Finance Leases £m	Trade Payables £m	Total £m
<b>2009</b>					
Within one year or on demand	72.9	-	-	226.5	299.4
Between one and two years	54.4	0.1	0.2	-	54.7
Between two and three years	61.4	-	-	-	61.4
Between three and four years	69.3	-	-	-	69.3
Between four and five years	1,099.7	-	-	-	1,099.7
After five years	477.7	-	-	-	477.7
	<u>1,835.4</u>	<u>0.1</u>	<u>0.2</u>	<u>226.5</u>	<u>2,062.2</u>
<b>2008</b>					
Within one year or on demand	96.6	-	-	213.0	309.6
Between one and two years	96.4	-	-	-	96.4
Between two and three years	96.9	-	0.3	-	97.2
Between three and four years	97.6	-	-	-	97.6
Between four and five years	97.9	-	-	-	97.9
After five years	1,459.2	0.1	-	-	1,459.3
	<u>1,944.6</u>	<u>0.1</u>	<u>0.3</u>	<u>213.0</u>	<u>2,158.0</u>

Details of the contractual maturities and associated value at maturity of the parent company loan are set out below

	Parent company loan £m
<b>2009 and 2008</b>	
8.1% Notes due 2036 and 2038	<u>3,414.8</u>

## United Biscuits Topco Limited

### 16 Financial instruments (continued)

The following tables indicate the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur

	Interest rate swaps <sup>1</sup>		Forward exchange contracts <sup>2</sup>	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
<b>2009</b>				
Within one year or on demand	-	(18 5)	93 3	(93 5)
Between one and two years	-	(0 2)	-	-
More than two years	-	-	-	-
	<u>-</u>	<u>(18 7)</u>	<u>93 3</u>	<u>(93 5)</u>
<b>2008</b>				
Within one year or on demand	-	(11 3)	85 9	(101 7)
Between one and two years	-	(13 0)	-	-
More than two years	-	-	-	-
	<u>-</u>	<u>(24 3)</u>	<u>85 9</u>	<u>(101 7)</u>

<sup>1</sup> Net settled

<sup>2</sup> Gross settled

#### (e) Commodity risk

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

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

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

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

#### Cash flow hedges

The Group's cash flow hedges relate to commodity contracts, forward foreign exchange contracts and interest rate swaps. An aggregate gain of £17.9 million (2008: £14.1 million loss) was recognised directly in equity during the period 4 January 2009 to 2 January 2010 and a gain of £9.6 million (2008: £8.0 million loss) was recognised in the income statement in relation to cash flow hedges.



## United Biscuits Topco Limited

### 17 Provisions

	Product Recall £m	Early Retirement Provision £m	Rationalisation Provisions £m	Onerous Contracts £m	Total £m
At 30 December 2007	1.5	7.7	5.2	3.8	18.2
Income statement charge	0.3	2.0	10.4	2.6	15.3
Amounts utilised	(1.3)	(2.1)	(13.5)	(0.5)	(17.4)
Exchange adjustments	-	0.4	0.1	-	0.5
<b>At 3 January 2009</b>	<b>0.5</b>	<b>8.0</b>	<b>2.2</b>	<b>5.9</b>	<b>16.6</b>
Income statement charge	(0.2)	0.1	10.9	3.6	14.4
Amounts utilised	(0.3)	(3.7)	(7.6)	(2.0)	(13.6)
Exchange adjustments	-	0.5	0.2	-	0.7
<b>At 2 January 2010</b>	<b>-</b>	<b>4.9</b>	<b>5.7</b>	<b>7.5</b>	<b>18.1</b>
<b>At 3 January 2009</b>					
Current	0.5	1.5	1.8	1.8	5.6
Non current	-	6.5	0.4	4.1	11.0
	<b>0.5</b>	<b>8.0</b>	<b>2.2</b>	<b>5.9</b>	<b>16.6</b>
<b>At 2 January 2010</b>					
Current	-	0.6	5.3	1.0	6.9
Non current	-	4.3	0.4	6.5	11.2
	<b>-</b>	<b>4.9</b>	<b>5.7</b>	<b>7.5</b>	<b>18.1</b>

Provisions are recorded only where there is a legal or constructive obligation

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

Rationalisation provisions at 3 January 2009 and 2 January 2010 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 amount and timing of the utilisation of provisions is subject to considerable uncertainty and the above analysis represents management's estimate

## United Biscuits Topco Limited

### 18 Share capital and reserves

#### 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
<b>At 2 January 2010 and 3 January 2009</b>	<b>20</b>	<b>1.8</b>

#### 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.

## United Biscuits Topco Limited

### 19 Pensions and other post-retirement benefits

The Group's main post-retirement arrangements in the United Kingdom are of the defined benefit type, for which contributions are paid into separately administered funds. All 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 Group's retirement benefit assets/(liabilities), comprised the following

	2009 £m	2008 £m
<b>UK Funded</b>		
UBUK	(125.2)	75.4
Jacob's Bakery	(13.8)	0.8
Other	0.4	1.1
<b>Unfunded</b>	<u>(12.3)</u>	<u>(9.2)</u>
	(150.9)	68.1
<b>Restriction on recognition of surplus</b>	<u>-</u>	<u>(22.6)</u>
	(150.9)	45.5
<b>Netherlands</b>		
Post-retirement healthcare scheme - unfunded	(2.4)	(2.6)
<b>Net post retirement benefit (liability)/asset</b>	<u>(153.3)</u>	<u>42.9</u>
<b>Balance sheet presentation</b>		
Post retirement benefit asset	0.4	54.7
Post retirement benefit liability	<u>(153.7)</u>	<u>(11.8)</u>
	(153.3)	42.9

The total amount relating to pensions recognised in business profit for the period from 4 January 2009 to 2 January 2010 was £7.4 million (2008: £9.1 million) and the total pension cost for the Group was £7.4 million (2008: £9.4 million) after taking account of exceptional operating items of £nil million (2008: expense of £0.3 million). This amount also includes £1.0 million (2008: £0.8 million) related to defined contribution plans.

## United Biscuits Topco Limited

### 19 Pensions and other post-retirement benefits (continued)

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

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

	UK £m	Netherlands £m	Total £m
<b>At 2 January 2010</b>			
Equities	460 9	-	460 9
Bonds	531 7	-	531 7
Options	-	-	-
Hedge funds, currency and infrastructure	176 8	-	176 8
Cash	69 1	-	69 1
Total market value of assets	1,238 5	-	1,238 5
Present value of scheme liabilities	(1,389 4)	(2 4)	(1,391 8)
Deficit in the scheme	(150 9)	(2 4)	(153 3)
Related deferred tax asset	42 3	-	42 3
<b>Net pension deficit</b>	<b>(108 6)</b>	<b>(2 4)</b>	<b>(111 0)</b>
<b>At 3 January 2009</b>			
Equities	388 0	-	388 0
Bonds	497 6	-	497 6
Options	43 5	-	43 5
Hedge funds, currency and infrastructure	176 9	-	176 9
Cash	74 2	-	74 2
Total market value of assets	1,180 2	-	1,180 2
Present value of scheme liabilities	(1,112 1)	(2 6)	(1,114 7)
Surplus/(deficit) in the scheme	68 1	(2 6)	65 5
Related deferred tax liability	(2 5)	-	(2 5)
<b>Net pension surplus/(deficit)</b>	<b>65 6</b>	<b>(2 6)</b>	<b>63 0</b>

The pension schemes have not invested in any of the Group's own financial instruments nor in properties or other assets used by the group

## United Biscuits Topco Limited

### 19 Pensions and other post-retirement benefits (continued)

The amounts recognised in the consolidated income statement and in the consolidated statement of comprehensive income in respect of defined benefit pensions and post retirement healthcare are analysed below

	UK £m	Netherlands £m	Total £m
<b>2009</b>			
<b>Income statement</b>			
Current service cost <sup>(1)</sup>	6 4	-	6 4
Business profit	6 4	-	6 4
Expected return on scheme assets	76 1	-	76 1
Interest cost on scheme liabilities	(69 5)	-	(69 5)
Administrative expenses	(2 1)	-	(2 1)
Other finance income – pensions	4 5	-	4 5
<b>Statement of comprehensive income</b>			
Actual less expected return on scheme assets	9 0	(0 1)	8 9
Loss on scheme liabilities	(57 3)	-	(57 3)
Changes in assumptions underlying the present value of scheme liabilities	(204 4)	-	(204 4)
Reversal of surplus restriction	22 4	-	22 4
Actuarial gains and losses recognised in the statement of comprehensive income	(230 3)	(0 1)	(230 4)
<b>2008</b>			
<b>Income statement</b>			
Current service cost <sup>(1)</sup>	8 3	-	8 3
Business profit	8 3	-	8 3
Exceptional operating expense <sup>(2)</sup>	0 3	-	0 3
Expected return on scheme assets	87 0	-	87 0
Interest cost on scheme liabilities	(71 2)	-	(71 2)
Other finance income – pensions	15 8	-	15 8
<b>Statement of comprehensive income</b>			
Actual less expected return on scheme assets	(143 4)	-	(143 4)
Gain on scheme liabilities	(4 0)	-	(4 0)
Changes in assumptions underlying the present value of scheme liabilities	121 1	-	121 1
Restriction to recognition of retirement benefit surplus	(5 3)	-	(5 3)
Actuarial gains and losses recognised in the statement of comprehensive income	(31 6)	-	(31 6)

(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 in 2008 represents unfunded pensions benefits payable to a senior manager on exiting the business

## 19 Pensions and other post-retirement benefits (continued)

### Valuation

Pension plan 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

#### (a) Pensions

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

The average life expectancy assumed for the UBUK plan for a current male pensioner aged 65 is 20.2 years (2008 – 20.1 years) and for a current female pensioner aged 65 is 21.8 years (2008 – 21.7 years), for a future male pensioner aged 65 in 2029 it is 21.3 years (2028 – 20.5 years) and for a future female pensioner aged 65 in 2029 it is 22.9 years (2028 – 22.9 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 defined benefit plans on a funding basis. The total contributions to the Group's defined benefit plans in 2010 are expected to be approximately £34 million (2008: £33.8 million).

#### (b) Post-retirement healthcare

	2009 %	2008 %
Discount rate	4.5	5.5
Inflation	2.0	2.0
Rate of increase in healthcare costs	2.0	2.0

### Sensitivity Analysis

If the discount rate or inflation rates were to be increased by 0.1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £16.7 million.

## United Biscuits Topco Limited

### 19 Pensions and other post-retirement benefits (continued)

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

	UK £m	Netherlands £m	Total £m
<b>As at 4 January 2009</b>	1,112.1	2.6	1,114.7
Liabilities transferred	(1.0)	-	(1.0)
Current service cost	6.4	-	6.4
Past service cost	-	-	-
Interest cost	69.5	0.1	69.6
Employee contributions	7.7	-	7.7
Benefits paid	(67.0)	(0.3)	(67.3)
Actuarial gains and losses	261.7	0.1	261.8
Foreign currency differences	-	(0.1)	(0.1)
<b>As at 2 January 2010</b>	<b>1,389.4</b>	<b>2.4</b>	<b>1,391.8</b>
<b>As at 29 December 2007</b>	1,206.5	2.1	1,208.6
Current service cost	8.3	-	8.3
Past service cost	-	-	-
Exceptional operating income	0.3	-	0.3
Interest cost	71.2	-	71.2
Employee contributions	7.6	-	7.6
Benefits paid	(64.7)	(0.2)	(64.9)
Actuarial gains and losses	(117.1)	-	(117.1)
Foreign currency differences	-	0.7	0.7
<b>As at 3 January 2009</b>	<b>1,112.1</b>	<b>2.6</b>	<b>1,114.7</b>

The defined benefit obligation comprises £1,377.1 million (2008: £1,102.9 million) arising from funded plans and £14.7 million (2008: £11.8 million) from plans that are unfunded.

# United Biscuits Topco Limited

## 19 Pensions and other post-retirement benefits (continued)

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

	UK £m	Netherlands £m	Total £m
<b>As at 4 January 2009</b>	1,180 2	-	1,180 2
Assets transferred	(1 0)	-	(1 0)
Expected return on plan assets	76 1	-	76 1
Employer contributions	33 8	-	33 8
Contributions by employees	7 7	-	7 7
Benefits paid	(66 8)	-	(66 8)
Actuarial gains and losses	9 0	-	9 0
Adjustment to eliminate unrealised surplus	(0 5)	-	(0 5)
<b>As at 2 January 2010</b>	<u>1,238 5</u>	<u>-</u>	<u>1,238 5</u>
<b>As at 30 December 2007</b>			
Asset assumed on acquisition	1,257 6	-	1,257 6
Expected return on plan assets	87 0	-	87 0
Employer contributions	35 4	-	35 4
Contributions by employees	7 6	-	7 6
Benefits paid	(64 0)	-	(64 0)
Actuarial gains and losses	(143 4)	-	(143 4)
<b>As at 3 January 2009</b>	<u>1,180 2</u>	<u>-</u>	<u>1,180 2</u>

History of experience gains and losses

	2009 £m	2008 £m	2007 £m
<b>UK schemes</b>			
Fair value of scheme assets	1,238 5	1,180 2	1,257 6
Present value of defined benefit obligation	(1,389 4)	(1,112 1)	(1,206 5)
(Deficit)/surplus in the scheme	<u>(150 9)</u>	<u>68 1</u>	<u>51 1</u>
Experience (losses)/gains arising on plan assets	9 0	(143 4)	0 5
Experience losses arising on plan liabilities	<u>(57 3)</u>	<u>(4 1)</u>	<u>(6 7)</u>
<b>The Netherlands healthcare scheme</b>			
Present value of defined benefit obligation	<u>(2 4)</u>	<u>(2 6)</u>	<u>(2 1)</u>
Experience adjustments arising on plan liabilities	<u>(0 1)</u>	<u>-</u>	<u>-</u>

The cumulative amount of actuarial gains and losses recognised since 5 October 2006 in the consolidated statement of comprehensive income is a loss of £228 1 million (2008 £25 2 million gain)



## United Biscuits Topco Limited

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### 20 Financial commitments

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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 15 and 19. 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 2 January 2010 amounted to £1.4 million (2008: £3.2 million).

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

	2009 £m	2008 £m
Not later than one year	8.7	10.2
Later than one year but not later than five years	25.9	28.5
Later than five years	32.7	37.7
	<u>67.3</u>	<u>76.4</u>

The future minimum sub-lease payments which the Group expects to receive under non-cancellable sub-leases at 2 January 2010, were £1.3 million (2008: £3.9 million). Sub-lease rents received in the period 4 January 2009 to 2 January 2010 were £0.7 million (2008: £0.8 million).

## United Biscuits Topco Limited

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### 21 Related party disclosures

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

#### Amounts due to parent company

Amounts due by the Group to United Biscuits LuxCo S C A were as follows

	2009 £m	2008 £m
Loan	388.3	359.2
Accrued interest	1.5	1.5
	<u>389.8</u>	<u>360.7</u>

United Biscuits Bondco Limited, a subsidiary of the Group, has issued £330.2m 8.1% Loan Notes, due 2036 and 2038. These Loan Notes are quoted on the Channel Islands Stock Exchange but, as they are held in their entirety by United Biscuits Luxco S C A, they are classified as a parent company loan. Interest accrues on the Loan Notes at the rate of 8.1% per annum compounded annually in arrears on 15 December each year, which commenced on 15 December 2007.

#### Other

Short-term employee benefits paid to key management personnel, including directors, for the period 4 January 2009 to 2 January 2010 totalled £4.6 million (2008: £3.7 million).

Fees totalling £2.0 million were payable by the Group to Blackstone and PAI under the terms of the shareholder agreement for the period from 4 January 2009 to 2 January 2010 (2008: £2.1 million). As at 2 January 2010 amounts due under the shareholder agreement were £nil (2008: £0.5 million paid on 5 January 2009).

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### 22 Ultimate parent company

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In the directors' opinion, the Company's ultimate parent undertaking as at 2 January 2010 was United Biscuits LuxCo S C A, which is registered in Luxembourg.

## **United Biscuits Topco Limited**

### **Parent company financial statements**

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#### **Directors' Report**

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

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

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

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**Independent auditor's report to the members of United Biscuits Topco Limited**

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We have audited the parent company financial statements of United Biscuits Topco Limited for the 52 weeks ended 2 January 2010 which comprise the Balance Sheet and the related notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 56, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

**Opinion on financial statements**

In our opinion the parent company financial statements

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

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

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

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

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

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

**United Biscuits Topco Limited**  
**Parent company financial statements**

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**Independent auditor's report to the members of United Biscuits Topco Limited**  
**(continued)**

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**Other matter**

We have reported separately on the group financial statements of United Biscuits Topco Limited for the 52 weeks ended 2 January 2010

*Ernst & Young LLP*

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

29 April 2010

**United Biscuits Topco Limited**  
**Parent company financial statements**

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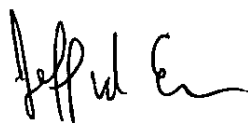
**Balance sheet**

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**2 January 2010**

	<b>Notes</b>	<b>2009 £m</b>	<b>2008 £m</b>
<b>Fixed assets</b>			
Investment in subsidiary	4	<u>1 8</u>	<u>1 8</u>
<b>Net assets</b>		<u>1 8</u>	<u>1 8</u>
<b>Capital and reserves</b>			
Called up share capital	5	-	-
Share premium	5	1 8	1 8
Profit and loss account	6	<u>-</u>	<u>-</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u>1 8</u>	<u>1 8</u>

Approved by the Board and signed on its behalf on 29 April 2010



**Jeffrey Peter van der Eems**

**United Biscuits Topco Limited**  
**Parent company financial statements**

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**1 Accounting policies**

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**Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable UK 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 s408 exemption set out in the Companies Act 2006 to not present its own Profit & Loss account.

**Investments**

Investment in subsidiary is 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.

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**2 Directors and employees**

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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.

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**3 Loss on ordinary activities before taxation**

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

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**4 Investment in subsidiary**

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	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
Investment at cost	<u>1.8</u>	<u>1.8</u>

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

**United Biscuits Topco Limited**  
**Parent company financial statements**

**5 Share capital**

Share capital

<b>Authorised</b>	<b>Number of shares</b>
Ordinary shares of £1 each	<u>100</u>

	<b>Number of Shares</b>	<b>£m</b>
Ordinary shares issued and fully paid		
<b>At 2 January 2010 and 3 January 2009</b>	<u>20</u>	<u>1 8</u>

**6 Reconciliation of shareholder's funds and movements on reserves**

	<b>Share Capital £m</b>	<b>Share Premium £m</b>	<b>Profit and loss account £m</b>	<b>Total £m</b>
Balance at 30 December 2007	-	1 8	-	1 8
Loss for the year	-	-	-	-
<b>Balance at 3 January 2009</b>	<u>-</u>	<u>1.8</u>	<u>-</u>	<u>1.8</u>
Loss for the year	-	-	-	-
<b>Balance at 2 January 2010</b>	<u>-</u>	<u>1.8</u>	<u>-</u>	<u>1.8</u>

**7 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