Company registered no 09295357

Parent AAs for
United Biscuits Holdco
Limited - 5957557

PLADIS FOODS LIMITED
Annual Report

For the year ended 31 December 2017

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Strategic Report

Pladis Foods Limited (the Company) is the parent company of a number of subsidiary companies comprising the UMV Group, a manufacturer and marketer of biscuits, cakes and baked snacks, and the Ulker Group, a manufacturer and marketer of biscuits, baked snacks, chocolate and cakes. The Company together with its subsidiaries are referred to as 'the pladis Group'.

The pladis Group is a leading international branded snacks business, which manufactures and markets some of the world's best known and loved sweet and savoury snacks. The pladis Group's brands and sub-brands have been satisfying consumers for generations and include: McVitie's, Ulker, Verkade, Jacob's, Carr's, BN, McVitie's Jaffa Cakes, Albeni, Penguin, Dido, Mini Cheddars, Krispi, Halley, go Ahead!, Dankek, Twiglets and Sultana, amongst many others.

The UMV Group is the leading manufacturer and marketer of biscuits in the UK. It also manufactures and markets biscuits under popular local brands in France, the Netherlands, Nigeria and India. The UMV Group's brands are sold in over 130 countries, with strong consumer bases across Europe, North America, Middle East, Africa, India, Asia and Australia.

The Ulker Group is a leading manufacturer of biscuits, baked snacks, chocolate and cake in Turkey. It also manufactures biscuits, cake and chocolates in Saudi Arabia, Kazakhstan and Egypt and markets these in countries in the region. The Ulker Group has distribution channels and a client portfolio spanning 104 countries for the export of Ulker-branded products across the snacks category (biscuits, chocolates, cakes). The Ulker Group also owns a 19% stake in Godiva Belgium BVBA and a 12% stake in G-New Inc., the owner of Godiva in North America. 41.52% of the Ulker Group's shares are publicly traded on the BIST National Market in Turkey.

The ultimate parent of the pladis Group is Yildiz Holding A.S. (Yıldız Holding). Yıldız Holding together with its subsidiaries is the 3rd largest biscuit manufacturer in the world. It is the owner of the iconic brands Ulker, McVitie's and Godiva and operates in several other food categories including edible fats and oils and frozen and canned food. Yildiz Holding is also active in non-food categories, such as, retail, personal care and packaging. With revenue of US$12 billion, the company has 80 factories in 14 countries and exports to over 130 countries.

Yildiz Holding brought together its core biscuit and confectionery manufacturing businesses, including the UMV Group, the Ulker Group, Demet's and Godiva Chocolatier (in food, drug and mass market channel only), under the umbrella of 'pladis'. pladis promises happiness to the world with every bite and seeks to grow into a bigger global player in biscuits and confectionery through its ever-evolving entrepreneurial spirit, expertise and iconic brands. From a legal entity perspective, only the UMV Group and the Ulker Group are under the ownership of pladis Foods Limited, as discussed further below.

To support the alignment of Yildiz Holding's core biscuits and confectionery businesses under pladis, in December 2016 the Company purchased a 21% stake in Ülker Biskuvi Sanayı AS from Yildiz Holding, which it carried on the balance sheet at 31 December 2016 as an investment recorded at its fair value of £268.0 million. On 29 December 2017, the Company acquired a further 30% shareholding in the Ulker Group from Yildiz Holding for £391.0 million.

The purchase of this second tranche of shares took the Company's total shareholding to 51% and the Company assumed control of the Ulker Group from Yildiz Holding. As a consequence, the fair value of all assets and liabilities of the Ulker Group have been included in the Consolidated Balance Sheet of the pladis Group as at 31 December 2017. The Consolidated Income Statement for the pladis Foods Group for the year ended 31 December 2017 does not include the results of the Ulker Group. The Ulker Group's results will be fully incorporated for the year ended 31 December 2018. For the year ended 31 December 2017, the Ulker Group's revenue was £1.0 billion (TL4.8 billion) and its EBITDA and operating profit were £136.7 million (TL688.7 million) and £126.5 million (TL583.4 million), respectively.

Market and Industry Overview

In recent years, consumer demand for food products has been strongly influenced by trends towards snacking and out-of-home eating rather than the traditional three-meals-a-day eating pattern. Consumers now demand convenience foods, including biscuit and snack products that offer greater variety, healthier alternatives, portability and convenience. These trends are expected to continue.

In developed markets, the pladis Group's retail customers are generally seeking branded products that consumers know and trust. The pladis Group is meeting this need with a wide range of classic products, new product development and promotions to keep store displays fresh and make the biscuits, baked snacks, chocolate and cake categories appealing. In developing markets, reliable product quality and the ability to meet key local price points are further important considerations.

During 2017, market conditions continued to be challenging for the pladis Group with rising oil and commodity prices as well as adverse foreign currency movements impacting on cost base and margins. The UK Grocery market, in which the UMV Group's largest business operates, also experienced a changing retailer landscape of potential mergers and intense competition between established grocers and discount retailers.

The pladis Group believes future growth will be driven by key consumer trends and by engaging new consumers for its products in existing and new markets.

Overarching current consumer trends include convenience, healthier snacking, value and products that are produced by responsible corporations in a sustainable manner. The pladis Group continues to pursue an active programme of new and existing product development, as well as promotional investments that respond to these trends and investment in its manufacturing sites to increase productivity and flexibility. The pladis Group invests in its brands through innovation, improved quality and media engagement with consumers.

Geographically, the pladis Group is well positioned in large, established markets, which it believes will continue to grow in the medium to long term, as well as holding strong market positions in higher-growth developing markets.

Our Strategic Framework

pladis promises happiness to the world with every bite and the pladis Group is fully committed to supporting this central idea and the seven priorities for strategic growth that underpin it.

The seven strategic pillars for growth

1. *Create a lean, agile and digital pladis*

The pladis Group is part of a unique, differentiated and vibrant organisation with a culture that energises and motivates its people and a responsible and integrated sustainability strategy that engages our people, our consumers and our communities.

2. *Make McVitie's, Godiva and Ulker billion-pounds brands*

pladis supports significant ongoing investment in its global brands. The pladis Group's brand, McVitie's, is the Global Masterbrand of pladis and sits at the core of the whole pladis business. The pladis Group has access to the Ulker and Godiva brands, which are owned by Yildiz Holding. The Ulker Group owns numerous Ulker sub-brands and has also developed certain Godiva sub-brands to which it owns the know-how. These sub-brands are made available across the pladis Group to support business growth.

3 *Win through consumer driven motivation*

Leveraging its wide portfolio of brands, pladis seeks to deliver products to meet all consumption moments with industry-leading cross-category innovations and hybrid products and to become the fastest in the industry at bringing new products to market.

The pladis Group leverages capability across pladis together with external capability and strategic collaborations to develop strong, global platforms whilst maintaining flexibility for local and new markets

4. *Strengthen leadership in the UK, Turkey and the Middle East*

pladis holds market leading positions in biscuits in the UK, Turkey and the Middle East and fulfils a significant role in driving the development of the biscuits category in these markets. The pladis Group continues to make significant brand investment across the UK biscuit market, including in respect of new product development, and is seeking to grow its presence in premium chocolate and cake. In Turkey, the Ulker Group has commenced manufacture of a supermarket range of Godiva chocolate products which are offered in more than 8,000 retail stores and continued to make significant investment in key brands In the Middle East, the Ulker Group's business is in the process of consolidating a number of acquisitions with a view to enable faster access and create synergy in the fast-growing Middle East market.

5. *Accelerate our growth in priority and future markets*

pladis believes North America, Europe, China and Australia, amongst other markets, present good opportunities to develop its business. The pladis Group's brand, McVitie's, as the Global Masterbrand of pladis, will play an instrumental role in delivering this strategic goal.

6. *Become the global cost leader*

pladis is committed to growing gross and operating margins by streamlining supply chain costs and delivering the lowest in market cost per tonne. The pladis Group is committed to maintaining its focus on cost reduction and improved efficiency.

7. *Be wherever our consumers are through exceptional service*

pladis is focused on its consumers and is committed to exceptional sales and distribution service levels and being the supplier of choice to the trade. Accelerating e-commerce is a priority.

The pladis Group has long-standing relationships with key customers and works to deliver impeccable in-store execution by building on shopper insights. In response to key consumer trends, the pladis Group is prioritising development of its offering in the food service area.

Performance Summary

Business overview

The pladis Group experienced challenging market conditions during 2017. Rises in commodity prices and adverse foreign exchange movements affected performance.

During 2017, the pladis Group continued to invest in its brands, asset base and modernisation of its manufacturing facilities.

The pladis Group measures its progress against both financial and corporate responsibility measures and progress in these areas is detailed below.

Note: The fair value of all assets and liabilities of the Ulker Group have been included in the Consolidated Balance Sheet of the pladis Group as at 31 December 2017. The results of the pladis Foods Group for the year ended 31 December 2017 do not include the results of the Ulker Group. The Ulker Group's results will be fully incorporated for the year ended 31 December 2018. For the year ended 31 December 2017, the Ulker Group's revenue was Turkish Lira ("TL") 4,811.0 billion and its EBITDA and operating profit were TL688.7 million and TL583 4 million, respectively.

The pladis Group's key financial performance indicators are summarised in the table below:

	FY 2017 **£m**	**FY 2016** **£m**
Revenue	1,148.9	1,175.4
EBITDA	32.7	69 4
Adjusted EBITDA	67.0	138.3
Net Debt (excluding loans from Yildiz Holding group companies)	711.8	683.2
Capital Expenditure	79.6	71.0

The comparative accounting period of FY 2016 refers to the period from 3 January 2016 to 31 December 2016.

Revenue

The pladis Group's revenue is predominantly derived from branded sales of sweet and savoury biscuits and baked snacks, with branded sales accounting for approximately 86% of total revenue.

The pladis Group's revenue for FY17 was £1,148.9 million (FY16 £1,175.4 million). Adjusting for revenue relating to the Delacre business, which was sold by the Group towards the end of 2016, 2017 underlying revenue was 4% higher than in 2016.

The pladis Group's operations in 2017 continued to comprise three regions: UK, Northern Europe and International. The Ulker Group's operations will contribute to the Group's operations following its acquisition on 29 December 2017.

The pladis Group is a long-standing market leader in the UK, where it manufactures and markets a wide portfolio of sweet biscuits, savoury biscuits, savoury baked snacks and packaged cake. The pladis Group's leading brands in the UK include: McVitie's, Jacob's, Carr's, McVitie's Jaffa Cakes, Penguin and go Ahead!. The pladis Group's branded biscuit sales accounted for 25.0% of the UK biscuit market.

The UK grocery market was characterised in 2017 by a changing retail landscape and competition between established grocery retailers and discounters New product developments, including McVitie's Digestive Thins, McVitie's Hob Nob Nibbles and the new go Ahead! and Mini Cheddars product ranges performed well in-market. McVitie's Digestives Thins was named Top Sweet Biscuit launch of 2017, McVitie's Nibbles TV Campaign won Sweet Biscuit TV Campaign of the Year and Jacob's Mini Cheddars, Cheddar Appreciation Society, was voted Savoury Biscuit TV Campaign of the Year in The Grocer's Top Products awards.

The pladis Group's UK business also successfully launched a range of Godiva branded products, including tablets and gifting boxes, under an exclusive arrangement with J. Sainsbury during 2017. This was the pladis Group's first launch in the UK confectionery market

In Northern Europe (France and the Netherlands), the pladis Group holds strong challenger positions in its markets, where it manufactures and markets the BN, Sultana and Verkade brands. In late 2016, the Group divested of the Delacre and Delichoc brands for consideration of £139.0 million (before disposal costs of £6.5 million). The disposed businesses contributed revenues of £73.5 million in FY16.

In Northern Europe, underlying revenue (excluding Delacre) increased by 4% year-on-year in 2017, due to effective promotional performances of core ranges and the successful launches of Godiva, the BN Sensation range and McVitie's Biscuit Balls.

Over recent years, the pladis Group increased its presence in international markets particularly in India, Saudi Arabia, Africa and China. Building on its long-established export business to these regions, the Group established manufacturing hubs in India, Saudi Arabia and Nigeria to enable it to service those local markets more effectively by manufacturing and marketing popular local brands as well as McVitie's branded products customised to suit local tastes and price points.

International Revenue in 2017 fell short of 2016 levels mainly due to the disappointing performance of the pladis Group's business in Nigeria, where significant price increases and quality issues resulted in lower sales, particularly of savoury products and confectionery. This was partially offset by growth in other international markets.

During 2017, the Group completed the sale of its UK Export business to the Middle East and North Africa ('MENA') to Amir Global FZE, a subsidiary of Ulker, for $159 million, prior to the acquisition of the Ulker group on 29 December 2017.

Adjusted EBITDA and operating profit

Adjusted EBITDA is the primary measure by which the pladis Group's management measures business performance and is used by management for business decision-making and resource allocation. Adjusted EBITDA represents the operating profit or loss from operations before taxes, financing, restructuring items (such as redundancy costs), pension administration costs, depreciation and amortisation expense, acquisition and disposal related costs and other significant items which the directors assess not to relate to the underlying performance of the business due to their nature or frequency of occurrence. Adjusted EBITDA is an alternative performance measure which is not defined or specified under the requirements of IFRS. Adjusted EBITDA is not a substitute for or superior to IFRS, but management believes it does provide stakeholders with additional helpful information on the performance of the business.

In FY17 adjusted EBITDA was £67.0 million (FY16 £138.3 million), a £71 3 million or 51.6% decline and operating loss was £10.6 million, £36.9 million lower than the profit of £26.3 million in 2016. This was principally due to commodity price inflation and associated unfavourable foreign exchange movements, particularly in relation to cocoa, fats and oils and flour, as well as the expansion of the pladis operating model to establish global functions to support the timely deployment of the pladis strategy and implement the strategic pillars for growth, for example, setting-up global innovation, marketing and supply chain organisations to drive business growth and operational efficiency in the initial phase of pladis' development.

During FY17, the pladis Group continued to focus on the cost competitiveness of its manufacturing base, including a restructure of its Zandaam facility in the Netherlands and the continuation of its supply chain modernisation programme in the UK, working towards standardised terms and conditions and more flexible working practices across the entire UK manufacturing footprint

Capital expenditure

Cash investment in plant, equipment and intangibles during FY17 was £79.6 million (FY16 £71.0 million) representing 7% of revenue (FY16 6%) The pladis Group continued to make investments to support efficiency and growth and to maintain infrastructure, health, safety and environment across its manufacturing portfolio.

Note: Capital expenditure above excludes the Ulker Group. During FY 17, the Ulker Group invested approximately £67 7 million (TL318 million) on capital investment.

Pension

The pladis Group incurs ongoing service costs in relation to its UK defined benefit pension schemes and makes regular contributions to a defined contribution scheme in the UK. In addition to these, the pladis Group makes additional regular contributions designed to eliminate a deficit in its UK defined benefit plans. In FY17, these additional contributions amounted to £28.3 million (FY16 £28.1 million) per annum (Note 24).

Cash generated for debt servicing

Cash generated for debt servicing for FY17 was £51.9 million (FY16 £60.9 million). This represents adjusted EBITDA less capital expenditure, restructuring costs and non-underlying operating costs, ongoing pension contributions paid in excess of amounts charged to Adjusted EBITDA and tax paid, and after adjusting for changes in working capital. The decrease in cash generated for debt servicing is explained as follows:

	2017 £m	**2016 £m**
Adjusted EBITDA	67.0	138.3
Capital expenditure	(79.6)	(71 0)
Expenditure on restructuring and non-underlying operating costs	(29.4)	(19.4)
Ongoing pension contributions paid in excess of amounts charged to adjusted EBITDA	(24.5)	(23.5)
Tax paid	(2.3)	-
Improvements in working capital	120.7	36.5
Cash generated for debt servicing	**51.9**	**60.9**

A significant improvement in working capital during 2017 was principally due to a UK receivables financing arrangement that the pladis Group implemented in December 2017. The funds in flow resulting from this arrangement enabled the pladis Group to prepay £75 million of senior debt in January 2018.

The pladis Group's interest expense for FY 17 and FY 16 included £126.0 million and £96.0 million, respectively, of non-cash interest on an intercompany loan from the Company's shareholder. On 18 December 2017, 120 billion £0.01 ordinary shares were issued by the Company to its shareholder, UMV Global Food Investments Ltd, which was satisfied by the waiver of an inter-company loan amounting to

£1.2 billion. On 6 March 2018, a further 93.42 billion £0 01 ordinary shares were issued by the Company in favour of its shareholder, satisfied by a waiver of an inter-company loan amounting to £934.2 million.

Net debt

During the second quarter of 2016, the pladis Group completed a repricing of its senior debt in respect of a Senior Facilities Agreement entered into on 20 November 2014, which resulted in a 50bps margin reduction across all tranches of debt compared to the original financing margins. In addition to the scheduled payments of £9.6 million falling due in 2016, the pladis Group made prepayments of £26.6 million in December 2016 and £125.3 million in February 2017 from the proceeds of the sale of the Delacre business.

On 31 August 2017, the pladis Group refinanced and entered into a new Senior Facilities Agreement. The new facilities comprised Facility A1 of £575 million, Facility A2 of £75 million and a Revolving Facility of £75 million. Repayment is due five years from the date of the Agreement. In January 2018, proceeds from the UK receivables financing arrangement were applied to prepay the Facility A2 in full.

Aside from debt prepayments, other key movements in net debt of the pladis Group during FY 17 were interest payments of £48.5 million (2016 £51.1 million) proceeds from the disposal of MENA of £123.9 million (2016 £132.5 million from the sale of Delacre) and the acquisition of a non-controlling interest in IBC of £42.6 million (2016 £22.1 million in relation to a non-controlling interest in A&P Foods).

As at 31 December 2017, the Ulker Group had a number of facilities that are detailed in Note 20 of the Consolidated Financial Statements. The facilities are a mixture of bullet repayment loans and amortising loans with maturities from 2018 – 2023 and are in Euro, US Dollar and Turkish Lira denominations.

Net debt comprises senior bank loans, and other loans (excluding loans from other Yildiz Holding group companies) less cash and cash equivalents. At the end of 2017 the net debt outstanding was £711.8 million (FY16 £683.2 million).

Other movements in financial position

The Company assumed control of the Ulker Group from Yildiz Holding on 29 December 2017 when it acquired a further 31% shareholding, increasing the Group's interest to 51% The Group has applied IFRS 3 Business Combinations in accounting for the acquisition. As a consequence, the fair value of all assets and liabilities of the Ulker Group have been included in the consolidated balance sheet of the pladis Group as at 31 December 2017. Note 4 to the financial statements provides further details of the assets and liabilities acquired, which is the primary reason for the movements in financial position reported on page 23. Goodwill and intangible assets of £636.6 million were recognised on the acquisition.

There was a net decrease in the pladis Group's provision for retirement benefit and other employee liabilities amounting to £34.7 million, with employee benefit liabilities of £15.9 million having been acquired with the Ulker group. The decrease of £50.6 million (excluding Ulker's liabilities) is due to the performance of assets held by the UK defined benefit pension schemes exceeding the increase in scheme liabilities.

On 18 December 2017, 120 billion £0.01 ordinary shares were issued by the Company to its shareholder, UMV Global Food Investments Ltd, which was satisfied by the waiver of an inter-company loan amounting to £1.2 billion. On 6 March 2018, a further 93 42 billion £0 01 ordinary shares were issued by the Company in favour of its shareholder, satisfied by a waiver of an inter-company loan amounting to £934.2 million.

Carlisle factory flooding

The pladis Group's biscuit factory in Carlisle was subject to heavy flooding in December 2015. Material damage insurance was in place to cover the cost of clean-up and repair or replacement of plant and machinery and infrastructure as was business interruption insurance to cover loss of profits resulting from such an event Claims can be made for a period of up to 30 months after an event.

In FY16, the pladis Group worked closely with its adviser and insurers to ensure that claims were made in a timely and appropriate basis, leading to the recovery of losses. The insurance claim was fully settled in FY16. During FY17, the pladis Group recorded business interruption insurance income of £6.2 million (2016: £19.8 million). Other insurance proceeds in respect of the Carlisle flood recognised in 2016 were £56.3 million (2017 £nil). These were paid in relation to clean-up costs, claim management costs, inventory write-offs, repairs and maintenance of equipment and infrastructure, and the replacement of plant and machinery damaged beyond repair by the flood.

Corporate Responsibility

The pladis Group has manufacturing operations in thirteen countries and its brands are now sold in over 130 countries worldwide. It is therefore important that the pladis Group, as a member of the Yildiz Holding family, operates to high ethical and professional standards regardless of location. The pladis Group's approach to corporate responsibility is broad and reflects a conviction that these elements should be central to how the business is run.

pladis promises happiness to the world with every bite. Inherent to that promise is building a sustainable business. This impacts every element of our corporate strategy.

pladis' priorities for corporate responsibility are as follows:

- looking after consumers' health and wellbeing
- ensuring our people are safe, secure and happy
- working with the communities we operate in to give back to them as they give to us
- delivering performance that protects the environment

The core of the Ulker Group's sustainability activities stems from the day the Ulker Group was founded, based on its founder Sabri Ulker's 'wasteless company model'. Mr Sabri Ulker created a company culture that neither wastes a gram of flour, a drop of water, nor the labour of man. He left this culture to the next generations and the Ulker Group believes that it has a primary responsibility to consciously use limited resources, to manage talent correctly, and to respond both to a world that has an increasing population and to consumers who have changing expectations.

The Ulker Group qualified to be listed in the FTSE4Good Emerging Markets Index in 2017, and also met the criteria of Dow Jones Sustainability Index, the world's most prestigious sustainability index. In 2015 Ülker Bisküvi became the first food company to be included in the Borsa Istanbul BIST Sustainability Index, which evaluates the sustainability activities and performance of the largest 100 companies in Turkey.

The pladis Group's leadership in its business sector requires it to be a pioneer and an example in the field of sustainability.

Ethics & Compliance

The pladis Group believes its success is based upon every employee adhering to the Group's 'Code of Conduct'. The Ethics and Compliance function covers people and product, safety and quality and is a key focus for our business. To support our people in this there is a comprehensive Code of Conduct which clearly identifies how employees and associates are expected to behave and what action should be taken when employees are confronted by difficult or sensitive situations.

We are a member of SEDEX, the Supplier Ethical Database Exchange. SEDEX is an organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains All of the pladis Group's production facilities are registered and ethical audits carried out based on risk The pladis Group also operates an Ethical Sourcing policy based on the Ethical Trading Initiative (ETI) base code, for all suppliers, which is a requirement of ongoing business with the pladis Group. A risk management system is in place to work with suppliers to achieve full compliance with the pladis Group's Ethical Policy. The Group operates an ethics helpline for its employees.

Our Compliance teams work across all areas of the business to support this philosophy. There are targets for many areas and in FY 17 we made pleasing progress on a number of fronts:

- Safety & Health - the pladis Group continued to see a reduction in Accident Frequency Rates
- Consumers – the continual focus on product quality resulted in an ongoing reduction in complaints through the period.
- Customers – overall second position in the Advantage Group Survey through which UK retailers benchmark FMCG businesses across a broad spectrum of areas. This included reaching the highest rating for the quality of our personnel and category management.

People

The pladis Group has a comprehensive framework of employment policies and 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 pladis 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.

As a business, we recognise that there is an ongoing need to improve our gender splits across the business. Currently, 34% of the workforce is female and there is a broad split of ethnicity across the employee population. Over the next 12 months there will continue to be focus on ensuring all members of our diverse workforce are encouraged and supported to develop their career aspirations.

The pladis Group operates various graduate and apprenticeship schemes in the UK and has provided summer work placements and work experience opportunities to school and university students to encourage them to consider a career in the industry. In FY17, 26 (FY16 9) apprentices entered the business and the pladis Group employed a further 20 (FY16: 17) graduates and supported 14 (FY16: 12) internships. 94 graduates have been recruited since the programme was re-launched in 2010. In FY17, 10 NVQs (FY16: 113) were progressed and 111 (FY16: 124) completed as part of our ongoing programme of training and development across the workforce.

Human rights have rapidly increased in prevalence and are emerging as a new ethical risk priority. The pladis Group views human rights primarily as an extension of its determination not only to treat employees with respect but also to obtain assurance about ethics in the supply chain. Across all its countries of operation, the pladis Group's goal is not to exploit anyone and the business refuses to work with any individual or organisation that fails to uphold these standards. As part of a global business we operate according to the pladis Code of Conduct which captures the most important personal responsibilities expected of our employees as they go about their work and provides guidance on how to deal with certain situations. The Code of Conduct expects all suppliers to adhere to this code, and also states that we will not work with suppliers who violate human rights.

Environmental Highlights

We have now completed thorough reviews of performance in respect of pladis' carbon footprint, responsible sourcing and human rights. These are key issues for the company and its stakeholders. We also benchmarked our positions. We now have established targets – as a global business – for energy and water use as well as waste reduction. Each region is now tasked to meet sustainability targets and we are creating a uniform methodology across pladis to monitor compliance.

Our corporate responsibility highlights include:

- Partnering with The Forest Trust to help manage our palm oil risk in Southeast Asia;
- Member of the Round Table Sustainable Palm Oil and purchases 100% segregated palm oil for the UK;
- Involvement of Godiva, Ulker and United Biscuits with the World Cocoa Foundation, which promotes sustainable futures for cocoa farmers;
- Extending our Back to Farm agreements in the UK which deliver sustainable long-term supplies of wheat for the UK;
- Building our relationship with TerraCycle – a company that specialises in recycling hard-to-recycle items. We have been working with them to widen the recycling of our biscuit wrappers in the UK.

The Ulker Group has a similar commitment through the Ulker Biskuvi Sustainability Platform; in 2017 five of the Ulker Group's factories in Turkey achieved ISO50001 Energy Management certification, the Ulker Group supports a sustainable hazelnut farming project in association with the WWF, has been a member of the World Cocoa Foundation since 2012 and has received a GreenPalm certification. Further details about the Ulker Group's Sustainability Platform may be found in the Ulker Biskuvi Sanayi A.S Annual Report available on their website: http://ulkerbiskuviinvestorrelations.com.

Health and Nutrition

The Health and Nutrition team have created active work streams which look at product reformulations of some of our iconic and best-selling biscuits and snacks, setting strict nutrition guidelines for all new product launches moving forward. Health and nutrition education is a key focus for the pladis Group and ensuring that employees and consumers understand what a healthy balanced diet looks like and how to incorporate snacks into their diet responsibly is a key focus. We are committed to supporting consumers and during 2017 updated our 123 Healthy Balance website, making it more informative and user friendly. Additionally, in support of the government's childhood obesity strategy, we developed an unbranded health education module for use in schools and for those working with children.

pladis is committed to offering products that meet consumers' needs. And their needs are changing. Health and wellbeing is rapidly rising up the list of consumer concerns and we see this as strategically significant – more a paradigm shift than a trend. So we're responding and have launched a business-wide strategy about the future of snacking. In part, it focuses on innovation and on enhancing the nutritional value of existing products, adding ingredients to boost fibre, wholegrains and protein And as a result of the strategy, we will also be adding new brands and new products to our portfolio and will be reformulating existing products to reduce salt, sugar and fat.

We want to be leaders in health and wellbeing. And nothing is sacred – except the delicious taste of our products.

Our goal is to support consumers in improving their health and nutrition. We will achieve this with:

- Calorie caps per portion – to achieve moderate calorie consumption
- Redefinition of our future portfolio – to enhance nutrition credentials
- Greater nutritional understanding – to make appropriate choices

The Ulker Group has developed a Balanced Diet Project, the most comprehensive nutrition education program in Turkey. The Balanced Diet Training Project was put into practice in 2011 with the aim of "contributing to developing healthy lifestyle awareness". It helps children to comprehend the importance of a balanced diet from school age, with its main message: "You can eat anything in a balanced manner. All you have to do is to learn how to make a balance." In 7 years, the Balanced Diet Project has reached more than 6 million children, teachers, and parents in 10 cities (Istanbul, Izmir, Aydın, Gaziantep, Kahramanmaraş, Trabzon, Sinop, Kayseri, Antalya, and Erzurum)

The Ulker Group is a member of the European Food Information Council (EUFIC), which aims to create awareness in consumers about nutrition and food safety.

Technical & Innovation

The goal for the pladis Group's technical teams is to support its sustainable growth goals by driving value creation through optimised product delivery aligned to and supporting the pladis Group's strategic objectives to understand and meet the needs of consumers.

Community Engagement

The pladis Group's "Building Our Community" programme has been running in the UK since 2009. The Group and its employees donated a significant amount through local fundraising in communities and charities in 2017. This includes Children in Need, where all employees in the UK & Ireland celebrated Make Happy, Be Happy Day by raising funds for the charity and more recently for Sports Relief. pladis UK has been involved with its official charity partner Starlight, which aims to brighten the lives of seriously ill children.

In addition, we continue to donate any surplus product via a partner organisation, In Kind Direct.

The methods of fundraising were varied, and included raffles, car boot sales, long distance walks and bike rides. Employees all across the business raised money for national fundraising events, through cake sales and dress down days. In addition to raising money, employees also take time out to help in their local community, such as painting school classrooms. Many of our sites also support their local schools and colleges by offering factory visits and careers advice.

The Ulker Group puts a healthy and active life at the forefront of its activities and aims to inform all consumers and other stakeholders in a transparent manner. While promoting a healthy society, it focuses on making life easier and more streamlined. The Ulker Group believes that when a happy child becomes a happy individual, he/she will be useful both for society and for humanity. The Ulker Group have added value to 300,000 children's lives with its social responsibility projects on sports, arts and culture, and balanced nutrition. The Ulker Group carried out "University-School Collaboration", "Istanbul U14 Schools League" and "Elite Football Villages" projects where it gave football training to students. It is also active in the field of culture and art such as; "Ülker Art Studio for Children", "Ülker Movie Festival for Children", "Istanbul Modern - Your Thursday Sponsorship" and "Printing Museum - Free Tuesday Day Support".

Awards & Accreditation

Employers Award for Training and Development at our Harlesden Factory, London, UK

The scheme has so far provided training to 120 colleagues. The training provides access to higher-level engineering skills and develops wide technical knowledge to enable employees to gain externally-recognised qualifications suitable for building a successful, long-term career in engineering.

We have over 50 nationalities represented at the factory in London, and the training also includes contextualised English, aimed at improving team communication, relevant compliance, health and safety and general efficiency. Participants also receive training in functional maths and ICT.

Marketing Excellence

During the year, pladis received the following awards and accreditations.

- The Grocer's Top Products:
    - McVitie's Digestives Thins was named Top Sweet Biscuit launch of 2017
    - McVitie's Nibbles TV Campaign won Sweet Biscuit TV Campaign of the Year
    - Jacob's Mini Cheddars, Cheddar Appreciation Society was voted Savoury Biscuit TV Campaign of the Year
- Bronze for McVitie's 'National Biscuit Day: Ultimate Dunk Off' social media campaign
- Supply Chain Excellence Awards. Logistics and Distribution & Supply chain team who won the award for Consumer Products.

In 2017, the Ulker Group won the first prize in Turkey in REC Turkey European Union Environment Awards, Management category with our sustainability management model.

Principal risks and uncertainties

The pladis Group has established a Risk Oversight Committee as part of its operating committee that evaluates key risks to the Group. The pladis Group is exposed to strategic, operational and financial risk. Its financial risks are summarised, together with the actions taken by the pladis Group to mitigate any significant exposures, in Note 21 to the financial statements In addition, the pladis Group is subject to other significant business risks, which it takes all possible actions to mitigate

These risks include the following:

Substantial leverage and ability to service debt

The pladis Group's level of debt requires it to dedicate a substantial portion of its cash flow from operations to its debt service obligations. Its leveraged status could increase its vulnerability to adverse general economic and industry conditions or to a significant business continuity issue, limit its ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes, place it at a disadvantage relative to its competitors that have less debt and limit its flexibility in planning for or reacting to changes in its business or industry. The pladis Group closely monitors market performance and country information in the markets it operates in and carries out extensive due diligence prior to entering a new market. The pladis Group's largest business units are in the UK and Turkey where there is a long-established business presence.

Business strategy implementation

The pladis Group's strategy is to increase its cash flow and profitability by implementing initiatives aimed at generating profitable branded growth and improving operational efficiency. If it is unsuccessful at implementing its strategy it may be unable to comply with the financial covenants under its senior facilities agreements or meet debt repayment obligations. The pladis Group manages and monitors success, by reference to targeted return on investment from resources allocated to the development of new products and to the research, development and technology process functions of its business.

Significant competition

The pladis Group operates in highly competitive markets, and its failure to compete effectively might adversely affect the results of its operations. It competes primarily on the strength of its brands, the quality of its products, product innovation and price. The pladis Group's ability to compete effectively requires continuous efforts in sales and marketing of its existing products, developing new products and cost rationalisation. The pladis Group's marketing teams focus on its brands through investment in new product development, brand re-launches and frequently refreshes its consumer marketing campaigns and promotions in order to maintain consumer engagement.

Dependence on raw materials

The extent of the pladis Group's ability to pass increases in raw materials and energy costs on to its customers could adversely affect the results of its operations. Many of its raw materials and energy costs are volatile and supplies are affected by government policies, the actions of its suppliers, currency movements, political upheavals and natural disasters. Consequently, unexpected increases in raw material and energy costs or a material or prolonged supply disruption could adversely affect the results of its operations. The pladis Group operates a commodity risk management framework to seek to manage supply and cost in a specified time-frame through forward purchases and the use of derivative instruments for certain key raw materials.

Operations in developing countries

The pladis Group has operations located in developing countries including Turkey, Egypt, Saudi Arabia, Nigeria and Kazakhstan. Developing countries are generally subject to greater risk of being perceived negatively by investors based upon external events than more developed countries. Financial or political turmoil in developing countries (or global markets generally) could disrupt the business environment of the jurisdictions the pladis Group operates in. The pladis Group presents its results in GBP; exchange rates in such developing countries tend to be more volatile which could adversely affect the results of the pladis Group's operations.

Continual evolution of retailers

The ongoing evolution of the retail food industry could adversely affect the pladis Group's operating results. Such evolution involves the consolidation of sales channels, strong bargaining power of the major grocery retailers, intensified price competition among retailers and the rapid growth of the discount retail channel.

The pladis Group's top customers are primarily major grocery retailers, discounters, independent grocers and convenience stores. It has long standing arrangements with many of its customers and agrees annual joint business plans with its top grocery customers to support its position.

Supply and manufacturing processes

Product quality and safety issues may result in damage to the reputation of the pladis Group's brands and the termination of agreements or licences to operate one or more of its brands and may affect its relationship with customers. Additionally, the failure of any aspect of the pladis Group's operational infrastructure could cause significant disruption to the pladis Group's ability to supply products to its customers. The pladis Group has product quality and safety control measures and processes in place to maintain the high quality of our products supplied. In addition, it runs a programme of investment in its production and distribution facilities in order to develop its infrastructure and support its growth and operational flexibility. The pladis Group also carries general insurance cover and cover in relation to product liability.

Challenges to brands and Intellectual property rights

Some of the pladis Group's intellectual property rights could be challenged or lapse. The pladis Group protects its intellectual property rights by taking advantage of a combination of patent, trademark, copyright and trade secret laws in various countries, as well as licensing agreements, third party non-disclosure and assignment agreements and policing of third party misuses of its intellectual property.

Restrictions on operations

The pladis Group's debt agreements contain significant restrictions limiting its flexibility in operating its 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 the pladis Group's ability to finance its future operations or capital needs or to engage in other business activities that may be in the pladis Group's best interest Such restrictions will reduce as the pladis Group's leverage falls.

Funding defined benefit pension schemes

The pladis Group operates defined benefit pension arrangements in the UK 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 the pladis Group's funding deficit, which may require it to increase its contributions. The pladis Group works with Trustees of the pension funds in relation to future investment and funding strategies.

Changes to taxation or other government regulation

Changes in fiscal legislation and regulation in the various jurisdictions in which the pladis Group operates may affect the taxes that it pays. In addition, Government bodies in the company's 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 the pladis Group's products.

Brexit

The UK's decision to leave the European Union ('Brexit') which is expected to come into effect on 29 March 2019, could cause disruption and create uncertainty in the pladis Group's business. This uncertainty includes the future legal and regulatory environment, terms of cross-border trade with suppliers and customers in the EU and the impact on foreign currency markets. These disruptions and uncertainties could have an adverse effect on our business, financial results and operations.

The pladis Group also face significant risks and uncertainties that are common to many companies operating in global markets – including financial and treasury risks, information security and cyber risks, reputational and business continuity risks.

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

This report was approved by the board of directors on 10 December 2018 and signed on its behalf by:

Murat Ulker
Director

10 December 2018

Directors' Report

The directors present their annual report and the audited financial statements of Pladis Foods Limited (the 'Company') together with its subsidiaries (the 'pladis Group') for the year ended 31 December 2017.

The directors have chosen, in accordance with section 414C (11) of Companies Act 2006, to include such matters of strategic importance to the pladis Group in the Strategic Report which otherwise would be required to be disclosed in the Directors' Report.

Dividends

No dividends have been paid or proposed in the current or prior period by pladis Foods Limited.

Principal activity, going concern and future developments

The pladis Group's business activities and performance against its key performance indicators and likely future developments are set out in the Strategic Report.

The financial position of the pladis Group, its cash flows, liquidity position and borrowing facilities are described on pages 23 and 26 and Notes 20 and 21 to the financial statements In addition, Note 21 to the financial statements includes the pladis 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.

The pladis Group intends to continue manufacturing and marketing its biscuit, cake, chocolate and savoury snacks with a principal focus on its key financial performance indicators and delivering its strategic objectives as detailed in the Strategic Report.

The Directors believe that the pladis Group is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the pladis 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 pladis Group has adequate financial resources to continue its operations for the foreseeable future. In making this statement, the pladis Group's directors have reviewed the pladis Group budget and available finance 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 year the Company maintained liability insurance for its directors and officers. The directors who served during the year and subsequently were:

Murat Ulker (appointed 1 October 2018)
Halil Cem Karakas (resigned 21 September 2018)
Richard Handscombe
Simon Edward Munir

Employment Policies

The pladis Group has a comprehensive framework of employment policies. The pladis Group 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 pladis 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. We regularly communicate and consult with employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions, which are likely to affect their interests.

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.

Employee Involvement

The pladis Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the practice of providing employees with information, including information relating to the economic and financial factors affecting the performance of the pladis Group, has been continued through ongoing internal communications. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees are incentivised to contribute to business growth through the pladis Group's remuneration structure.

Research & Development

The goal is for the technical teams to support our branded growth goals by driving value creation through optimised product delivery aligned to and supporting the pladis Group's strategic objectives.

Post Balance Sheet Events

On 6 March 2018, 93.42 billion £0.01 ordinary shares were issued by the Company in favour of its shareholder, satisfied by a waiver of an inter-company loan amounting to £934.2 million.

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 15.

The directors confirm that, in the case of each person who is a director at the time when the directors' report is approved, as far as each director is aware, there is no relevant audit information of which the auditor is unaware and that directors have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

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

This report was approved by the board of directors on 10 December 2018 and signed on its behalf by:

Murat Ulker
Director
10 December 2018

Registered office: Hayes Park, Hayes End Road, Hayes, Middlesex UB4 8EE

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the parent company 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Independent auditor's report

to the members of Pladis Foods Limited

Report on the audit of the financial statements

Opinion

In our opinion: except for the effects of the matter described in the basis for qualified opinion section of our report:

- the financial statements of Pladis Foods Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated and parent company income statements;
- the consolidated and parent company statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28 in the consolidated financial statements and the related notes 1 to 15 in the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for qualified opinion

Included in the non-current available for sale financial assets on the consolidated balance sheet are amounts of £160.5m and £22.2m for investments in unquoted companies, recorded at the directors' estimate of fair value, in accordance with the accounting policy described in note 2. The valuation of these investments requires the use of valuation techniques using inputs not based on market observable data. In our assessment, these investments should be impaired. It is not possible to determine with reasonable certainty the exact value of the impairment as the group has not performed an impairment review. In these circumstances, while we are unable to quantify the effect of the departure from the accounting standard, the impact of any impairment would be to reduce the carrying value of non-current available for sale financial assets with a corresponding increase in the carrying value of goodwill, as the investments were acquired as part of a business combination that occurred on 29 December 2017. In addition, the effect of this is not considered in the strategic report.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent auditor's report

to the members of Pladis Foods Limited (continued)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified in relation to available for sale financial assets not being impaired. This is also not disclosed in the strategic report and accordingly we have concluded that the other information is materially misstated for the same reason

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at. www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Independent auditor's report

to the members of Pladis Foods Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

Except for the effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

H Shekle

Hadleigh Shekle FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
11 December 2018

Consolidated income statement

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Revenue	3	1,148.9	1,175.4
Cost of goods sold		(764.5)	(725.7)
Gross profit		384.4	449.7
Distribution, selling and marketing expenses		(225.4)	(229.9)
General and administrative expenses		(140.5)	(130.8)
Operating profit before non-recurring and restructuring operating items		**18.5**	**89.0**
Operating profit before non-recurring and restructuring operating items is comprised as follows:			
Adjusted EBITDA		67.0	138.3
Pension administration expense	24	(5.2)	(6.2)
Depreciation and amortisation expense	6	(43.3)	(43.1)
Non-underlying and restructuring operating items	5	(29.1)	(62.7)
Operating (loss)/profit	6	**(10.6)**	**26.3**
Profit from the disposal of subsidiaries	4	69.1	70.8
Interest receivable and other investment income	8	2.9	5.8
Interest payable and other financial charges	9	(201.4)	(177.5)
Other finance expense – pensions	24	(5.2)	(4.2)
Loss before tax		**(145.2)**	**(78.8)**
Tax	10	2.5	21.6
Loss for the year		**(142.7)**	**(57.2)**
Attributable to:			
Equity holders of the parent		(142.7)	(57.4)
Non-controlling interests		-	0.2
		(142.7)	**(57.2)**

All amounts relate to continuing activities.

The comparative accounting period is for the period from 3 January 2016 to 31 December 2016.

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Loss for the year		(142.7)	(57.2)
Items not to be reclassified subsequently to profit or loss			
Revaluation of fixed assets		14.9	-
Re-measurement of net defined benefit pension plan liability	24	30.5	(114.9)
Tax on items not to be reclassified subsequently to profit or loss	10	(7.7)	18.5
Total items not to be reclassified subsequently to profit or loss		**37.7**	**(96.4)**
Items that may be reclassified subsequently to profit or loss			
Fair value re-measurement on available for sale financial assets	15	8.0	(12.7)
Amounts reclassified to profit and loss on available for sale financial assets	15	4 7	-
Gain on cash flow hedges arising during the year		12.0	10.9
Cash flow hedges transferred to income statement		-	(22.5)
Loss on translation of foreign operations transferred to income statement on disposal of foreign operations		-	(5.3)
Exchange differences on translation of foreign operations		(2.2)	3.7
Tax on items that may be reclassified subsequently to profit or loss	10	-	(0 7)
Total items that may be reclassified subsequently to profit or loss		**22.5**	**(26.6)**
Other comprehensive profit/(loss) for the year after tax		**60.2**	**(123.0)**
Total comprehensive loss for the year after tax		**(82.5)**	**(180.2)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(82.5)	(180.4)
Non-controlling interest		-	0.2
		(82.5)	**(180.2)**

The comparative accounting period is for the period from 3 January 2016 to 31 December 2016.

Consolidated balance sheet

As at 31 December 2017

	Notes	2017 £m	2016 £m
ASSETS			
Non-current assets			
Intangible assets	11	2,539.1	1,967.2
Property, plant and equipment	12	935.4	374.0
Investment properties	13	3.2	-
Available-for-sale financial asset	15	191.8	268.0
Deferred tax	10	14.9	-
Derivative financial instruments	21	-	-
Total non-current assets		**3,684.4**	**2,609.2**
Current assets			
Available-for-sale financial asset	15	0.1	-
Inventories	16	192.2	65.9
Trade and other receivables	17	348.4	262.1
Derivative financial instruments	21	11.1	1.0
Cash and cash equivalents	18	805.6	203.2
Total current assets		**1,357.4**	**532.2**
TOTAL ASSETS		**5,041.8**	**3,141.4**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	23	1,200.0	-
Other reserves	23	(6.3)	(28.5)
Retained earnings		(257.4)	(114.3)
Equity attributable to equity holders of the parent		**936.3**	**(142.8)**
Non-controlling interests		418.2	4.2
Total equity		**1,354.5**	**(138.6)**
Non-current liabilities			
Borrowings	20	1,243.5	867.0
Amount due to fellow group company	26	1,051.5	1,623.2
Retirement benefit liability	24	209.9	244.6
Derivative financial instruments	21	12.4	18.8
Provisions	22	1.5	2.0
Deferred tax	10	284.2	150.0
Total non-current liabilities		**2,803.0**	**2,905.6**
Current liabilities			
Borrowings	20	273.9	19.4
Amount due to fellow group company	26	5.9	-
Trade and other payables	19	598.7	344.7
Derivative financial instruments	21	0.3	1.8
Provisions	22	5.5	8.5
Total current liabilities		**884.3**	**374.4**
Total liabilities		**3,687.3**	**3,280.0**
TOTAL EQUITY AND LIABILITIES		**5,041.8**	**3,141.4**

The consolidated financial statements of Pladis Foods Limited (registered number: 09295357) were approved by the Board and signed on its behalf on 10 December 2018.

Murat Ulker

Director

Consolidated statement of changes in equity

For the year ended December 2017

	Share Capital £m	Currency Translation Reserve £m	Hedging Reserves £m	Property revaluation reserve £m	Retained Earnings £m	Total £m	Non-Controlling Interest £m	Total Equity £m
At 1 January 2017	-	(11.6)	(16.9)	-	(114.3)	(142.8)	4.2	(138.6)
Comprehensive income for the year:								
Loss for the year					(142.7)	(142.7)		(142.7)
Revaluation of fixed assets, net of tax				12.4	-	12.4		12.4
Re-measurement gains on defined benefit pension plans, net of tax					25 3	25.3		25 3
Fair value re-measurement on available for sale financial assets					12 7	12 7		12.7
Exchange difference on translation of foreign operations		(2 2)				(2 2)		(2 2)
Net gain on cash flow hedges (Note 21)			12.0			12.0		12.0
Total comprehensive loss for the year	-	(2.2)	12.0	12.4	(104 7)	(82.5)	-	(82 5)
Issue of share capital (Note 23)	1,200.0					1,200.0		1,200.0
Acquisition of subsidiary (Note 4)							418.2	418.2
Acquisition of non-controlling interest (Note 4)					(38.4)	(38.4)	(4.2)	(42.6)
At 31 December 2017	**1,200.0**	**(13.8)**	**(4.9)**	**12.4**	**(257.4)**	**936.3**	**418.2**	**1,354.5**

Consolidated statement of changes in equity

For the period 3 January to 31 December 2016

	Share Capital £m	Currency Translation Reserve £m	Hedging Reserves £m	Retained Earnings £m	Total £m	Non-Controlling Interest £m	Total Equity £m
At 3 January 2016	-	(9.5)	(5.1)	57 6	43.0	4 0	47.0
Comprehensive income for the period:							
Loss for the period	-	-	-	(57.4)	(57.4)	0.2	(57.2)
Re-measurement gains on defined benefit pension plans net of tax	-	-	-	(101.8)	(101.8)	-	(101 8)
Fair value adjustment (Note 14)	-	-	-	(12.7)	(12.7)	-	(12 7)
Exchange difference on translation of foreign operations (Note 22)	-	(2.1)	-	-	(2.1)	-	(2.1)
Net loss on cash flow hedges (Note 22)	-	-	(11.8)	-	(11.8)	-	(11.8)
Total comprehensive loss for the period	-	(2.1)	(11.8)	(171.9)	(185.8)	0.2	(185.6)
At 31 December 2016	**-**	**(11.6)**	**(16.9)**	**(114.3)**	**(142.8)**	**4.2**	**(138.6)**

Consolidated cash flow statement

For the year to 31 December 2017

	Notes	2017 £m	2016 £m
Operating activities			
Operating (loss)/profit		(10 6)	26 3
Adjustments for:			
Depreciation and amortisation	6,11, 12	43.3	43.1
Non-recurring and restructuring operating expenses	5	29.1	62.7
Cash flows related to commodity-related financial derivatives		3 3	(1.5)
Cash flows relating to non-recurring and restructuring operating expenses		(29.4)	(22.5)
Difference between pension contributions paid and amounts recognised in operating profit		(24.5)	(23.5)
		11.2	**84.6**
Increase in inventory		(9.0)	(12.3)
Decrease / (increase) in receivables		93 5	(31.5)
Increase in payables		36.2	80.3
Cash generated from operations		**131.9**	**121.1**
Interest paid		(48.5)	(51.1)
Interest received		3.0	0.5
Income taxes paid		(2.3)	-
Net cash inflow from operating activities		**84.1**	**70.5**
Investing activities			
Capital expenditure and purchases of intangible assets	11, 12	(79.6)	(71.0)
Net cash inflow on disposal of businesses and subsidiaries, net of cash disposed	4	117.1	132.5
Net cash inflow/(outflow) on acquisition of subsidiaries, net of cash acquired	4	188.4	(22.1)
Net cash inflow from investing activities		**225.9**	**39.4**
Financing activities			
External loan repayments, net of borrowings		(226.5)	4.9
Loan from parent company, net of cash repaid		518.7	(36.2)
Net cash inflow/(outflow) from financing activities		**292.2**	**(31.3)**
Increase in cash and cash equivalents in the year		**602.2**	**78.6**
Currency translation differences		0.2	3.3
Cash and cash equivalents at beginning of year		203.2	121.3
Cash and cash equivalents at end of year	18	**805.6**	**203.2**

The comparative accounting period is for the period 3 January 2016 to 31 December 2016

1 Authorisation of financial statements

The financial statements of Pladis Foods Limited and its subsidiaries (the "Group") for the year ended 31 December 2017 were authorised for issue by the board of directors on 7 December 2018 and the balance sheet was signed on the Board's behalf by Murat Ulker. Pladis Foods Limited is a private company limited by shares, incorporated in Great Britain and registered in England and Wales. Its registered office is stated on page 16.

2 Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, equity investments and derivative financial instruments which have been measured at fair value and certain properties, in operating use by the Group, that are measured at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Unless the context indicates otherwise, "2017" means year ended 31 December 2017.

The consolidated financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates 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.

The principal accounting policies adopted are set out below.

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 year ended 31 December 2017 as permitted by the Companies Act 2006.

2 Accounting policies (continued)

Change in accounting policy

In the year ended 31 December 2017, the Group has adopted a policy to measure freehold buildings using the revaluation model This change in policy has been implemented in order to provide more reliable and relevant information about the Group's financial position. As required by paragraph 17 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors this change has been presented as a revaluation rather than as a prior period adjustment, with the revaluation surplus arising recorded within other comprehensive income (and accumulated in the revaluation surplus). Prior year amounts have not been restated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Pladis Foods Limited and its subsidiaries made up to the same accounting reference date each year. 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. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

Intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated on consolidation. The Company's subsidiaries are listed in Note 14 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 intangible assets, the measurement of defined benefit pension obligations, the measurement of certain assets at fair value and promotional accruals.

Judgements

Goodwill and intangible assets impairment review – 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. Considerable management judgement is necessary to identify cash generating units, estimate discounted future cash flows and apply a suitable discount rate. Further details are given in Note 11.

Defined benefit pension obligations – 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 and discount rates. Due to the long term nature of these plans, considerable management judgement is necessary and estimates are subject to significant uncertainty. Further details about the assumptions used are given in Note 24.

Estimates

Promotional accruals – The Group accrues for trade discounts and other allowances against agreed promotional activity. Such accruals are subject to a number of variables, e.g. redemption rates and anticipated volumes, and are sensitive to small changes in these variables. These costs are accrued using best estimates. The actual costs may not be known until subsequent years when negotiations with customers are concluded and actual data is available. Changes in accrual estimates are recorded through the income statement. Management considers this estimation uncertainty to be an area of judgement that

2 Accounting policies (continued)

is significant due to the volume of such transactions. A promotional accrual of £51.6m (2016: £33.3m) is included within trade payables.

Assumptions

Fair value measurements - Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. This includes derivative financial instruments, available for sale financial assets, investment property and freehold buildings Of these, available for sale financial assets and freehold buildings are the most significant to the Group's financial position. See notes 12 and 15 to the financial statements. In estimating the fair value of freehold buildings, the Group engages independent third party qualified valuers to perform the valuations, which have been performed with an effective date of 31 December 2017. In estimating the fair value of available for sale financial assets, market observable data is not available as the principal investments are in unlisted equity instruments. Consequently, valuation techniques that involve estimates of future cash flows, growth rates and discount rates are used. These estimates are inherently more judgemental than fair values using market observable data. See notes 12, 15 and 21 for further information.

Revenue

The Group's only significant revenue stream is the sale 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 and deducted from revenue. Revenue also includes royalty income from licences associated with the Group's brands.

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of interest can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Adjusted EBITDA

Adjusted EBITDA is the primary measure by which management measures business performance and is used by management for the purpose of business decision-making and resource allocation. Adjusted EBITDA represents the operating profit or loss from operations before taxes, financing, restructuring items (such as redundancy costs), pension administration costs, depreciation and amortisation expense, acquisition and disposal related costs and other significant items which the directors assess not to relate to the underlying performance of the business due to their nature or frequency of occurrence. Adjusted EBITDA is an alternative performance measure which is not defined or specified under the requirements of IFRS. Adjusted EBITDA is not a substitute for or superior to IFRS measures, but management believes it does provide stakeholders with additional helpful information on the performance of the business.

Non-underlying and restructuring operating items

The Group presents as non-underlying and restructuring 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 period, to facilitate comparison with prior periods and to assess trends in financial performance more easily. Non-underlying expenses include charges/credits arising from curtailment events and other projects affecting the

2 Accounting policies (continued)

Group's pension schemes, uninsured costs arising from natural disasters, charges for impairment of plant, equipment and intangible assets, profits and losses on the disposal of property, plant and equipment, costs associated with acquisitions and disposals (both completed and aborted) and costs associated with major ERP upgrades which do not qualify for capitalisation.

Restructuring costs are 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 Group's definition of restructuring and other non-underlying expenses are charged to the income statement at the point the Group is committed to incurring those costs.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not retranslated.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date. Exchange differences are recognised in other comprehensive income.

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 period.

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 other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On disposal of a foreign entity, the deferred accumulated amount recognised in other comprehensive income relating to that particular foreign operation is reclassified to the income statement.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs are expensed when incurred. Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the identifiable amounts of the assets acquired and liabilities assumed in exchange of the business combination. Goodwill

2 Accounting policies (continued)

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.

When a business combination is achieved in stages, the Group's previously-held interest in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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 any impairment may exist.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 any 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 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.

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.

Advertising and promotional costs

Advertising and promotional costs are charged to the income statement in the period in which the Group either received the service or had the right to access the related goods.

Property, plant and equipment

Property, plant and equipment excluding freehold land and buildings is stated at cost less depreciation and provision for impairment where appropriate.

Freehold land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of

2 Accounting policies (continued)

such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset

Depreciation on revalued buildings is charged to income. On the subsequent sale or scrappage of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Depreciation is provided on a straight-line basis based on the cost or valuation less residual value of assets over their expected useful lives. 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, machinery and vehicles	3 – 20% p.a.
Fixtures and fittings	10 – 33% p.a.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis

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 recorded 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.

Impairment of assets

Goodwill arising on business combinations is allocated to cash-generating units (equivalent to the Group's business units as described in Note 11). 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

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

2 Accounting policies (continued)

is necessary to estimate discounted future cash flows. Accordingly, actual cash flows could vary considerably from forecast 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leases

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 to the income statement.

Lease payments relating to operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

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 costs to be incurred in marketing, selling and distribution.

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 allowance for uncollectable receivables is made when there is objective evidence that any impairment is required. Bad debts are written off when identified.

Financial assets - initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables or available for sale financial assets, as appropriate. The Group determines the

2 Accounting policies (continued)

classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs for those not at fair value through profit or loss.

Financial assets - subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the income statement in administrative expenses.

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans *and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.*

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 15. Gains and losses arising from changes in fair value are recognised in other comprehensive income and *accumulated in reserves with the exception of impairment losses, interest calculated using the effective* interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in reserves is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Financial assets - derecognition

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. When the Group transfers assets but retains a guarantee over the transferred assets that absorb future credit losses, and that guarantee (as well as other continuing involvement) results in the transferor neither transferring nor retaining substantially all the risks and rewards of ownership, the Group recognises the guarantee as part of its continuing involvement. The initial fair value *of the guarantee is recognised in profit or loss when (or as) the obligation is satisfied.*

Financial assets - impairment

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

2 Accounting policies (continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative expenses.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss in recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

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.

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. 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.

Grants relating to the purchase of property, plant and equipment are deducted in calculating the carrying amount of the associated asset. The grant is recognised in the income statement over the expected useful life of the associated asset by way of a reduced depreciation expense.

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 using the effective interest method, with interest expense recognised on an effective yield basis. 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 through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount of the financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Taxes

Current tax is based on the results for the period 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 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

2 Accounting policies (continued)

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 and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Where deferred tax assets and liabilities arise in the same jurisdiction and are expected to reverse in a similar period they are presented on a net basis.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Pensions and other post-retirement benefits

The Group's main post-retirement arrangements are in the United Kingdom and are of the defined benefit type, for which contributions are paid into separately administered funds. The Group's U.K. defined benefit plans are closed to new members and membership of defined contribution plans is available for new employees Additionally, under Turkish law, lump sum payments are made to employees retiring or involuntarily leaving the Group's Turkish subsidiaries. Such benefits are considered to be defined benefit in nature. 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. The net interest cost on scheme assets and liabilities is recognised within the consolidated income statement. 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 consolidated income statement during the period in which the settlement or curtailment occurs.

Re-measurement gains and losses are recognised in full in the consolidated statement of other comprehensive income in the period in which they occur.

The Group recognises a surplus in schemes only through a reduction in future contributions or where a right to a refund exists. Where the payment in relation to a minimum funding requirement creates a surplus (on an IAS 19R basis) which will be recognised on the basis of a potential refund, the tax on this refund is deemed to be an income tax and consequently no provision is recognised.

Contributions to defined contribution plans are recognised in the consolidated 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 the Group has a present obligation (legal or constructive) as a result of a past event, it is deemed probable that an adverse outcome will occur and the amount of the loss can be reasonably estimated. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. 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 financial statements.

2 Accounting policies (continued)

The recognition of provisions for disputes is subject to a 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.

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.

Under IAS 39 Financial Instruments: Recognition and Measurement, 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.

The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

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 other comprehensive income and included 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 in the same line item of the income statement as the recognised hedged item. 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. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(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. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item 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. The fair value adjustment arising from the hedged risk to the carrying amount of the hedged item for which interest method is used (i.e. for debt instrument) is amortised using a recalculated effective interest rate to profit or loss from that date.

(c) Hedges of net investments in a foreign operation

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 in other comprehensive income and accumulated in the currency translation reserve. On

2 Accounting policies (continued)

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.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7 *Disclosure Initiative*	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings (note 20) and certain derivatives (note 21). A reconciliation between the opening and closing balances of these items is provided in note 21. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 21 the application of these amendments has had no impact on the Group's consolidated financial statements.
Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
Annual Improvements to IFRSs 2014-2016 Cycle	The Group has adopted the amendments to IFRS 12 included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. This has had no impact on the Group's consolidated financial statements.

2 Accounting policies (continued)

New standards and interpretations and Standards issued but not yet effective

The following are new pronouncements or amendments to standards which were issued as at 31 December 2017 but are not yet effective and which are relevant to the Group:

		Effective for accounting periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 17	Insurance Contracts	1 January 2021
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advanced Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures	1 January 2018

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 15 may have an impact on revenue recognition and related disclosures; and
- IFRS 16 may have an impact on the reported assets, liabilities, income statement and cash flows of the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3 Revenue

The Group has one significant revenue stream, being the sale of sweet and savoury biscuits and baked snacks

Revenue by geographical area:

	2017 £m	2016 £m
UK	766.5	727.6
Europe	211.2	224.8
Rest of the world	171.2	223.0
	1,148 9	1,175.4

4 Business combinations and divestments

Acquisition of Ülker Biskuvi Sanayi AS

The Group acquired from related parties (see Note 26) a further 30% interest in Ulker Biskuvi Sanayi AS ("Ulker") on 29 December 2017 for consideration of £391.0m. If the acquisition of Ulker had occurred on 1 January 2017, the Group's profit and loss would have reflected Ulker's revenue of £1,019 2m and profit after tax of £91.3m for the year. Accordingly, the Group's revenue and loss after tax would have been £2,168.1m and £51.4m respectively. Ulker is a company incorporated in Turkey that manufactures and sells sweet and savoury snacks, including biscuits, cake, crackers and chocolate in Turkey, the Middle East, North Africa and Central Asia. The purpose of the acquisition was to bring together the confectionery businesses of the ultimate parent company, Yildiz Holding AS under the Pladis Foods Group. The total shareholding of Ulker as at 31 December 2017 is 51% (2016: 21%) and it has been consolidated as a subsidiary of the Group from this date.

The fair value of the identifiable assets and liabilities of Ulker assumed at the date of acquisition were as follows:

	Fair value recognised on acquisition £m
Intangible assets – purchased customer relationships	249.3
Intangible assets - other	0.4
Intangible assets – distribution rights	125.7
Deferred tax liability recognised on intangible assets	(96.2)
Property, plant and equipment	526.2
Investment properties	3.2
Cash and cash equivalents	622 0
Inventories	117.5
Trade and other receivables	196.0
Allowance for impairment	(1.6)
Other non-current assets	191.8
Other current assets	11.1
Deferred tax	9.1
	1,954.5
Borrowings	(833.3)
Amount due to fellow group company	(5.9)
Trade and other payables	(216.8)
Provisions	(1.2)
Retirement benefit obligations	(15.9)
Deferred tax	(27.8)
	(1,100 9)
Total identifiable net assets at fair value	**853.5**
Purchase consideration paid	391.0
Fair value of previously held interest	276.4
Non-controlling interest [1]	418.2
Total identifiable net assets at fair value	(853.5)
Goodwill arising on acquisition [2]	**232.1**

(1) Non-controlling interest is measured at fair value

(2) Ulker is treated as a separate cash generating unit for goodwill allocation purposes.

4 Business combinations and divestments (continued)

	£m
Cash inflow on acquisition:	
Consideration paid	(391.0)
Net cash acquired with the subsidiary	622.0
Net cash inflow	231 0

Purchased customer relationships are amortised over their useful economic life, which has been estimated to be 15 years. Re-acquired distribution rights represent the rights relating to distribution of certain McVities branded products in the MENA region sold to Ulker in March 2017; these are indefinite lived assets. Goodwill represents future sales growth and cost synergies from corporate restructuring as well as manufacturing knowledge and capability and management, which cannot be separately identified and valued

Acquisition of non-controlling interest in International Biscuits Company

The Group acquired the remaining 35% interest in International Biscuits Company Limited ("IBC") on 11 January 2017 for consideration of £42.6 million. The transaction has been accounted for within equity. The carrying amounts of the controlling and non-controlling interests have been adjusted to reflect the changes in their relative interests in IBC and the difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid of £38.4 million has been recognised directly in equity and attributed to the owners of the parent.

During 2017 the Group agreed to sell its Middle East and North Africa and Saudi exports businesses and IBC to Ulker Biskuvi Sanayi A.S or its subsidiaries. The purchase of the non-controlling interest facilitated the sale of the Group's total interest in the MENA and Saudi regions to Ulker for an EBITDA multiple of 14.

Business Disposals

On 31 March 2017, the Group sold its Middle East and North Africa ("MENA") Exports business to Amir Global Trading Fze, a subsidiary of Ulker Biskuvi Sanayi A.S, for $130.0 million and on 12 December 2017 its Saudi Arabia Exports business for $29.0 million.

During 2017 further proceeds of £0.6m were received and costs of £2.4m were paid in connection with the disposal of Delacre in the prior year.

	2017 **£m**
Proceeds	123.9
Less: costs of disposal	(6.8)
Net proceeds	117.1
Less: assets disposed of: Intangible assets	(48.0)
Gain on disposal	69.1

4 Business combinations and divestments (continued)

Business Disposals (2016)

On 2 December 2016, the Group disposed of its interests in N.V. Biscuits Delacre S.A. and United Biscuits Industries SAS which included the Delacre and Delichoc brands. The results of these entities have been included in the consolidated income statement and statement of comprehensive income until 2 December 2016 when the Company ceased to control the subsidiaries.

	£m
Proceeds	139.0
Less: disposal costs including legal fees, bank consent fees and other costs directly attributable to the sale of Delacre	(6.5)
Net proceeds	132.5
Less: assets disposed of:	
Intangible assets	(37.8)
Tangible assets	(34.3)
Inventories	(4.1)
Trade and other receivables	(9.1)
Add: liabilities disposed of:	
Trade and other payables	23.6
Gain on disposal	70.8

Other transactions

On 1 February 2016 the Group paid consideration of £22.1 million for the non-controlling interest in A&P Foods Limited following the exercise of an option over the shares not already held by the Group.

5 Non-underlying and restructuring operating items

	Restructuring and non-underlying operating costs £m	Non-underlying amounts related to the Carlisle Flood £m	AFS fair value adjustment [3] £m	Total £m
2017				
Carlisle factory flood related (Note 7)	-	(1.3)	-	(1.3)
Restructuring costs [1]	21.4	-	-	21.4
Other non-underlying operating items [2]	6 2	-	4 7	10.9
Refund on VAT on acquisition costs	(1.9)	-	-	(1.9)
Non-underlying and restructuring operating items	25.7	(1.3)	4.7	29 1
2016				
Carlisle factory flood related (Note 7)	-	3.0	-	3.0
Onerous contracts	(4.2)	-	-	(4.2)
Restructuring costs [1]	13.8	-	-	13.8
Other non-underlying operating items	6.8	-	43.3	50.1
Non-underlying and restructuring operating items	16.4	3.0	43 3	62.7

(1) The Group is undertaking a multi-year programme of modernisation in its UK factories, including the introduction of revised terms and conditions and shift patterns to enable more flexible operation of its manufacturing facilities. The majority of modernisation costs, therefore, represent amounts due to or paid to employees for severance costs. Modernisation also includes additional training costs which relate to changing shift patterns and ways of working. Additional restructuring costs were also incurred in the largest factory in the Netherlands (of which £6.2m (2016: £nil) related to termination benefits paid to employees) and at the corporate headquarters (of which £1 8m (2016: £3.3m) related to termination benefits paid to employees). The Group expects to utilise the provisions associated with these expenses within the next 12 months.

(2) Other non-underlying costs comprise business disposal related costs, professional costs, professional fees for a specific member-related project for the Company's pension scheme and costs associated with a major ERP upgrade which do not qualify for capitalisation.

(3) In 2017, the available-for-sale fair value adjustment represents the reclassification from other comprehensive income of revaluation losses previously reported on the Group's 21% investment in Ulker (£12.7m loss), offset by the revaluation gain in the period being its fair value at the date of acquisition of the controlling stake in Ulker on 29 December 2017 less its carrying value at 31 December 2016 (£8.0m gain).

In 2016, the figure represents the difference between the transaction price and fair value at the date of acquisition arising on the Group's purchase of its available for sale investment (see note 15).

6 Operating profit

	2017 £m	2016 £m
Operating profit is stated after charging:		
Depreciation and amortisation expense:		
Depreciation of property, plant and equipment	43.0	42.8
Amortisation of computer software	0.3	0.3
	43 3	43.1
The depreciation and amortisation expense by function was as follows:		
Cost of goods sold	36 5	37.2
Distribution, selling and marketing expenses	1.9	1.7
General and administrative expenses	4 9	4.2
	43.3	43.1
Government grant income	-	0.3
Operating lease rentals:		
Property	5.8	4.9
Plant and equipment	4.5	4.5
	10.3	9.4
Net foreign exchange loss	0.2	4 2
Shareholder fees	2.0	2.0
Product research and development	6.5	12 2
Advertising expenditure	25.1	28.1
Staff costs and directors' emoluments		
Gross wages and salaries, holiday pay and sick pay	231.3	205.1
Social security costs	21.5	21.1
Pension costs	18.2	13.5
	271.0	239.7
Directors' emoluments[1]	-	-

[1] One director of Pladis Foods Limited holds an executive position with the Yildiz Group and as a result his remuneration is neither determined nor paid directly by Pladis Foods Limited. The remaining directors are remunerated by the Yildiz Group for their advisory services, which includes their directorships of the Company but which is not separately determinable from other services provided to the Yildiz Group. For the year to 31 December 2017 amounts totalling £2m (2016 £2m) were payable by Pladis Foods Limited to Yildiz Holding A.S. in respect of the provision of corporate governance services, including associated directors' fees. It is not practical to separately identify the directors' remuneration element of this charge.

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

	2017 No.	2016 No.
Manufacturing and production	6,505	7,218
Logistics and site service	438	463
Sales, marketing and administration	1,150	1,307
	8,093	8,988

6 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:

	2017 £m	2016 £m
Fees payable to the company's auditor for the audit of the company's and its subsidiaries' annual accounts	0.5	0.5
• Corporate finance services	-	0.9
	0.5	1.4

7 Carlisle factory flood

The Group's biscuit factory in Carlisle was subject to heavy flooding in December 2015. The Group carries material damage and business interruption insurance to cover such occurrences. Material damage insurance covers the cost of clean-up and repair or replacement of plant and machinery The Group's business interruption insurance covers loss of profits as a consequence of such an event and allows claims for a period of up to 30 months after an event.

The Group worked closely with its advisors and insurers to ensure claims to cover losses were processed on a timely basis to minimise the impact on the Group's cash flows.

Business interruption insurance income

	2017 £m	2016 £m
Business interruption insurance income	6.2	19.8

For the year ended 31 December 2017, the Group recognised £6.2 million (2016 £19 8 million) of business interruption income all of which had been received at 31 December 2017.

8 Interest receivable and other investment income

	2017 £m	2016 £m
Dividend income	2.5	-
Interest income on bank deposits	0.4	0.5
Foreign exchange gain	-	5.3
	2.9	5.8

9 Interest payable and other financial charges

	2017 £m	2016 £m
Bank credit facility	64 8	56.0
Interest payable to fellow group company	126 0	96 0
Foreign exchange loss on borrowings	9.5	24 3
Other financial charges	1 1	1 2
	201.4	177.5

10 Taxes

Tax credited in the income statement as follows:

	2017 £m	2016 £m
Current income tax		
UK corporation tax	-	-
Foreign tax	0.6	0.1
Current income tax charge	0.6	0.1
Adjustment relating to prior years	-	-
Total current income tax	0.6	0.1
Deferred tax		
Origination and reversal of temporary differences	(2 1)	(0.7)
Changes in the corporation tax rate	-	(12.4)
Adjustments relating to prior years	(1.0)	(8.6)
Total deferred tax	(3.1)	(21.7)
Tax credit in the income statement	(2.5)	(21.6)

Tax relating to items charged or credited to other comprehensive income is as follows:

	2017 £m	2016 £m
Deferred tax		
Items that will not be reclassified subsequently to profit or loss:		
Tax on defined benefit pension plan re-measurements	5.3	(5.7)
Revaluation of plant & machinery	2.4	-
Changes in the corporation tax rate	-	(12.8)
Translation differences on foreign currency net investments	(0.1)	0.7
Tax debit/(credit) in the statement of comprehensive income	7.6	(17.8)

10 Taxes (continued)

Reconciliation of the total tax credit

The tax credit in the income statement is reconciled below:

	2017 £m	2016 £m
Loss before taxation	(145.2)	(78.8)
Tax credit/(charge) at the statutory rate of 19.25% (2016 – 20%)	28.0	15.8
Expenses not deductible for tax purposes	(33.5)	(31 1)
Deductions and exemptions	(15.2)	15.9
Adjustments relating to prior years	1.0	8.6
Effect of overseas tax rates	(1.0)	2.3
Loss carried forward for which no deferred tax asset was recognised	-	(2.3)
Tax losses used (for which no deferred tax asset was recognised)	23.2	-
Changes in the tax rate	-	12.4
Tax credit in the income statement	2.5	21.6

The Finance (No 2) Act 2016, which received Royal Assent on 15 September 2016, states that UK corporation tax rate will be further reduced to 17% effective from 1 April 2020 The reduction to the tax rate included in the Finance (No. 2) Act 2016 was enacted at the balance sheet date and the effect thereof is therefore reflected in these financial statements. Accordingly, a rate of 17% has been applied in the measurement of the Group's deferred tax assets and liabilities as at 31 December 2017.

Unrecognised tax losses

A deferred tax asset of approximately £175.8 million (2016 £286.3 million) has not been recognised on tax losses arising in India and capital losses in the United Kingdom at 31 December 2017, as it is not anticipated that any of these losses will be able to be offset against profits arising in the foreseeable future and before they expire.

Temporary differences associated with group investments

At 31 December 2017, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has determined that these undistributed profits will not be distributed in the near future. Overseas dividends received are exempt from UK corporation tax but may be subject to withholding tax. There are no temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised but for which a tax liability may arise.

10 Taxes (continued)

Deferred tax	2017 £m	2016 £m
Deferred tax assets		
Decelerated capital allowances	41.3	39 1
Pensions and retirement healthcare benefits	33.9	42.5
Other short-term temporary differences	15.3	-
Losses carried forward	13.2	9.4
Deferred tax asset	103.7	91.0
Deferred tax liability		
Accelerated capital allowances	24.0	-
Investment properties revaluation	0 3	-
Marketable securities revaluation	7 7	-
Intangible assets	335.8	239.9
Other short-term temporary differences	5.2	1.1
Deferred tax liability	373.0	241 0
Net deferred tax liability	269.3	150.0
Reflected in the balance sheet as follows:		
Deferred tax asset	14.9	-
Deferred tax liability	(284.2)	(150.0)
	(269.3)	(150.0)
Deferred tax in the income statement		
Accelerated capital allowances	(4.6)	(5.1)
Losses	(0.9)	-
Pensions and retirement healthcare benefits	3.4	4.4
Adjustments relating to prior years	(1.0)	(8.6)
Changes in the corporation tax rate	-	(12.4)
	(3.1)	(21.7)

11 Intangible assets

	Goodwill £m	Purchased Brands £m	Computer Software £m	Customer relationships £m	Distribution Rights £m	Other £'m	Total £m
Cost							
At 1 January 2017	622.4	1,338.0	7.4	-	-	-	1,967.8
Additions	-	-	1.0	-	-	9.1	10.1
Business disposals (Note 4)	(48.0)	-	-	-	-	-	(48.0)
Acquisitions (Note 4)	232.1	-	-	249.3	125.8	0.4	607.6
Disposals	-	-	(0.3)	-	-	-	(0 3)
Reclassifications	-	-	2 1	-	-	-	2.1
Foreign exchange	-	0.4	0.1	-	-	-	0.5
At 31 December 2017	806 5	1,338.4	10.3	249.3	125.8	9.5	2,539.8
Amortisation							
At 1 January 2017	-	-	(0.6)	-	-	-	(0 6)
Charge for the year	-	-	(0.3)	-	-	-	(0.3)
Disposals	-	-	0.3	-	-	-	0.3
Foreign exchange	-	-	(0.1)	-	-	-	(0.1)
At 31 December 2017	-	-	(0.7)	-	-	-	(0.7)
Net book value							
At 31 December 2017	806 5	1,338.4	9.6	249.3	125.8	9.5	2,539.1

	Goodwill £m	Purchased Brands £m	Computer Software £m	Total £m
Cost				
At 3 January 2016	629.4	1,367.0	7.4	2,003.8
Additions	-	-	1.5	1.5
Business disposals	(7.7)	(30 0)	(0.1)	(37 8)
Reclassifications	-	-	(1.7)	(1.7)
Foreign exchange	0.7	1 0	0.3	2.0
At 31 December 2016	622 4	1,338 0	7.4	1,967.8
Amortisation				
At 3 January 2016	-	-	(0.3)	(0.3)
Charge for the period	-	-	(0.3)	(0.3)
At 31 December 2016	-	-	(0.6)	(0.6)
Net book value				
At 31 December 2016	622.4	1,338.0	6.8	1,967.2

The Group manufactures and markets a wide range of products in Western Europe under well-recognised brands including *McVitie's, Ulker Potibor, Verkade, Jacob's, Carr's, BN, McVitie's Jaffa Cakes, Albeni, Penguin, Dido, Mini Cheddars, Krispi, Halley, go Ahead!, Dankek, Twiglets* and *Sultana*.

11 Intangible assets (continued)

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.

Distribution rights, which include exclusive rights over the use of certain trademarked products in specified countries have been deemed to have indefinite useful lives as the rights over these trademarks and the rights to distribute the trademarked products in the specified markets is perpetual The factors that result in the indefinite useful lives are the same as those set out above.

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

Impairment of goodwill and intangible assets with indefinite lives

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

- U.K.
- Northern Europe
- International Sales

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

As a result of the acquisition of Ulker, pladis has identified a new cash generating unit to which its goodwill and other intangible assets are allocated.

The Ulker Group is a leading manufacturer of biscuits, baked snacks, chocolate and cake in Turkey. It also manufactures biscuits, cake and chocolates in Saudi Arabia, Kazakhstan and Egypt and markets these in countries in the region. The Ulker Group has distribution channels and a client portfolio spanning 104 countries for the export of Ulker-branded products across the snacks category (biscuits, chocolates, cakes). The Ulker Group also owns a 19% stake in Godiva Belgium BVBA and a 12% stake in G-New Inc., the owner of Godiva in North America.

The pladis Group considers it appropriate to allocate goodwill and other intangible assets relating to Ulker as a separate cash generating unit.

UK

The recoverable amount of the 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 post-tax discount rate applied to the cash flow projections was 7.5% (2016:7.2%), which is equivalent to a pre-tax WACC of 9.0% (2016:8.7%). Short-term EBITDA growth rates applied ranged from 1.6% to 7.8% (2016:4.8% to 5.1%) for each year modelled. A long-term EBITDA growth rate assumption of 2.0% (2016:2.0%) 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 post-tax discount rate applied to the cash flow projections was 7.0% (2016: 6.9%), which is equivalent to a pre-tax WACC of 10 0% (2016:9.8%) Short-term EBITDA

11 Intangible assets (continued)

growth rates applied ranged from (10.5)% to 19.7% (2016: 2 0% to 20.0%) for each year modelled. A long-term EBITDA growth rate assumption of 2.0% (2016:2.0%) 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 post-tax discount rate applied to the cash flow projections was 14.0% (2016:13.0%), which is equivalent to a pre-tax WACC of 16.9% (2016:15.8%). Short-term EBITDA growth rates applied ranged from 14.0% to 34.5% (2016:12.0% to 31.0%) for each year modelled. A long-term EBITDA growth rate assumption of 2.0% (2016: 2.0%) was applied in perpetuity.

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

	2017 £m	2016 £m
Goodwill		
UK	462.6	462.6
Northern Europe	15.7	15.1
International Sales	96.1	144.7
Ulker	232.1	-
Total	806.5	622.4
Brands		
UK	1,241.0	1,241.0
Northern Europe	61.3	58.9
International Sales	36.1	38.1
Total	1,338.4	1,338.0

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 In particular, the 2018 budgeted cash flows, which form the basis for future year forecasts, were developed assuming growth in Northern Europe, U.K. and International Sales. The cash flows used are post-tax cash flows and include all income and costs as well as an estimate of maintenance 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 management's 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 performance in the relevant market, be it growing or reducing.

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 Northern Europe or International Sales cash generating units.

If the recoverable value of its UK cash-generating unit were to decrease by £367.0 million, it would be below its carrying value. The change in assumptions required for this to happen would be either a decrease in the EBITDA growth rate of 4 percentage points in each year or an increase in the annual discount rate of 1.25 percentage points post tax.

12 Property, plant and equipment

	Land	Freehold buildings £m	Leasehold Improvement £m	Plant, Machinery & Vehicles £m	Fixtures & Fittings £m	Assets Under Construction £m	Total £m
Cost or valuation							
At 1 January 2017	-	86.6	10.8	240.5	5.1	51.0	394.0
Additions	-	1.2	0 1	5.9	1 9	60.4	69.5
Acquisitions (Note 4)	142 9	57.7	4.2	268.8	3.9	48.7	526.2
Reclassifications	-	6.9	-	16.6	-	(25.6)	(2.1)
Revaluation	-	14.9	-	-	-	-	14.9
Foreign exchange	-	0.9	(0.6)	1.6	-	(0.1)	1.8
At 31 December 2017	142.9	168.2	14.5	533 4	10.9	134.4	1,004.3
Depreciation and Impairment							
At 1 January 2017	-	(1.7)	(1.4)	(15.9)	(1.0)	-	(20.0)
Charge for the year	-	(4.0)	(1.0)	(37.8)	(0.2)	-	(43.0)
Foreign exchange	-	(0.9)	(2.2)	(2.7)	(0.1)	-	(5.9)
At 31 December 2017	-	(6.6)	(4.6)	(56.4)	(1.3)	-	(68.9)
Net book value							
At 31 December 2017	142.9	161.6	9.9	477.0	9.6	134.4	935.4

With effect from 1 January 2017, the Group's freehold land and buildings are stated at their revalued amounts, being their fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses. The fair value measurement of the Group's freehold land and buildings as at 31 December 2017 was performed by an independent valuer, not related to the Group.

At 31 December 2017, had the freehold land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been £289.4 million. The revaluation surplus for the year and as at 31 December 2017 is £14.9 million and £12.4 million net of tax (Note 23).

12 Property, plant and equipment (continued)

	Freehold buildings £m	Leasehold Improvement £m	Plant, Machinery & Vehicles £m	Fixtures & Fittings £m	Assets Under Construction £m	Total £m
Cost						
At 3 January 2016	95.4	10.5	236.2	4.2	47.3	393.6
Exchange adjustments	6.9	-	21.6	0.6	1.1	30.2
Additions	5.4	0 3	33.0	0.3	30.5	69 5
Reclassifications	2.4	-	25.3	-	(25.3)	2.4
Business disposals	(23.5)	-	(75.6)	-	(2.6)	(101.7)
At 31 December 2016	86 6	10.8	240.5	5.1	51.0	394.0
Depreciation and Impairment						
At 3 January 2016	(2.7)	(0.5)	(19.7)	-	-	(22.9)
Exchange adjustments	(4.3)	-	(16.3)	(0 4)	-	(21.0)
Charge for the period	(3.9)	(0.9)	(37.4)	(0.6)	-	(42.8)
Reclassifications	(0.7)	-	-	-	-	(0.7)
Business disposals	9.9	-	57.5	-	-	67.4
At 31 December 2016	(1.7)	(1.4)	(15.9)	(1.0)	-	(20.0)
Net book value						
At 31 December 2016	84.9	9.4	224.6	4.1	51.0	374.0

The net book value of leasehold improvements of £5.4 million (2016 £9.4 million) is in respect of properties held under operating leases with remaining lease terms of under 50 years as at 31 December 2017.

13 Investment properties

	2017 £m
Opening balance at 1 January	-
Acquisition (Note 4)	3.2
Net loss from fair value measurement	-
Closing balance at 31 December	3.2

The Group's investment properties consist of two commercial properties in Turkey Management determined that the investment properties consist of two classes of assets – office and retail (an office building and a retail warehouse with its land) – based on the nature, characteristics and risks of each property.

As at 31 December, the fair values of the properties are based on valuations performed by EVA Gayrimenkul Degerleme Danismanlik A.S, an independent valuer EVA Gayrımenkul Degerleme Danısmanlık A S is an independent valuer accredited by the Capital Markets Board of Turkey and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is based on market evidence of transaction prices for similar properties.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

13 Investment properties (continued)

The fair value hierarchy for investment properties is as follows:

	Date of valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£m	£m	£m	£m
Investment properties:					
Office properties	31 December 2017	0.2	-	0.2	-
Retail properties	31 December 2017	3.0	-	3.0	-
		3.2	-	3.2	-

The valuation techniques used to value the investment properties is the precedent comparison method.

14 Investments

Details of Group undertakings

At 31 December 2017 all the subsidiaries of Pladis Foods Limited listed below were indirectly wholly owned, except where indicated.

Subsidiary	Country of incorporation and Operation	Registered address	Activity
UMV Global Foods Holding Company Ltd[1]	England	(**)	Holding company
UMV Global Foods Company Ltd	England	(**)	Holding Company
United Biscuits Luxco SCA	Luxembourg	2-4 rue Eugene Ruppert, L-2453	Holding Company
United Biscuits Luxco GP SARL	Luxembourg	2-4 rue Eugene Ruppert, L-2453	Holding Company
United Biscuits Topco Ltd	England	(**)	Holding Company
United Biscuits Bondco Ltd	England	(**)	Holding Company
United Biscuits VLNCo Ltd	England	(**)	Holding Company
United Biscuits Holdco Limited	England	(**)	Holding Company
United Biscuits Holdco 2 Limited	England	(**)	Holding Company
United Biscuits Bidco Limited (*)	England	(**)	Holding Company
United Biscuits Dutchco BV	Netherlands	Westzijde 103, 1506GA Zaandam	Holding Company
Regentrealm Limited	England	(**)	Holding Company
Finalrealm Limited	England	(**)	Holding Company
United Biscuits (Holdings) Limited	Scotland	(***)	Holding Company
United Biscuits (Equity) Limited	Cayman Island	George Town	Holding Company
United Biscuits Group (Investments) Ltd	England	(**)	Holding Company
Deluxestar Ltd	England	(**)	Holding Company
Solvecorp Ltd	England	(**)	Holding Company
Runecorp Ltd	England	(**)	Holding Company
Burlington Biscuits (Cayman) Ltd	Cayman Island	George Town	Holding Company
United Biscuits Finance Ltd	England	(**)	Holding Company
UB Overseas Limited	England	(**)	Holding Company
McVitie & Price Limited	Scotland	(***)	Holding Company
United Biscuits (UK) Limited (*)	England	(**)	Food manufacturer
UB Humber Limited	England	(**)	Finance Company

14 Investments (continued)

Subsidiary	Country of incorporation and Operation	Registered address	Activity
UB Foods US Limited	England	(**)	Finance Company
Koninklijke Verkade NV	Netherlands	Westzijde 103, 1506GA Zaandam	Biscuit manufacturer
United Biscuits France SAS	France	Route de Mortier, Vannerie, 44120 Vertou	Biscuit manufacturer
United Biscuits (Pensions Trustees) Ltd	Scotland	(***)	Pension scheme trustee company
UB Foods US Ltd	England	(**)	Holding Company
UB Investments Ltd	Scotland	(***)	Holding Company
UB International Sales Ltd	England	(**)	Holding Company
UB Overseas Ltd	England	(**)	Holding Company
UB Snackfoods Ireland Ltd	Ireland	Molyneux House, Bride Street, Dublin 8	Trading Company
United Biscuits Italy SRL	Italy	Viale Andrea Doria 48/A, Cap 20124, Milan	Trading Company
United Biscuits Germany GmbH	Germany	c/o BDO AG Wirtschaftsprüfungsgesellschaft, Landaubogen 10, 81373 Munchen	Trading Company
UB Group Ltd	Scotland	(***)	Holding Company
Ross Young's Holdings Ltd	England	(**)	Holding Company
United Biscuits Nigeria Ltd	Nigeria	No. 70, Adetokunbo Ademola Street, Victoria Island, Lagos	Trading company
Taiwan United Biscuits Food Company Limited	Taiwan	27F., No.9, Songgao Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C)	Trading company
Irish Biscuits (NI) Ltd	Northern Ireland	Culcavey, Hillsborough, County Down BT26 6JU	Holding Company
W&R Jacob & Co (Northern Ireland) Limited	Northern Ireland	Culcavey, Hillsborough, County Down BT26 6JU	Dormant company
United Biscuits Humber Limited	England	(**)	Holding company
United Biscuits Cyprus Limited	Cyprus	Spyrou Kyprianou 20, Chapo Central, 3rd Floor, PC 1075, Nicosia	Holding company
United Biscuits Private Ltd	India	S-15A, 2nd Floor, Vasant Square Mall, Pocket V, Sector B, Vasant Kunj, New Delhi 110070	Biscuit manufacturer
International Biscuits Company Ltd	Saudi Arabia	P.O. Box 52681, Riyadh 11573	Biscuit manufacturer
A&P Foods Limited	Nigeria	No. 7, Henry Carr Street, Ikeja, Lagos	Biscuit manufacturer
United Biscuits Sverige AB	Sweden	PO Box 16285, 10325 Stockholm	Trading company
United Biscuits Trading (Shanghai) Co Limited PR China	China	Room 201, Building No. 7, 1428 Ting Wei Road, Jinshan District, Shanghai	Trading company
The Jacob's Bakery	England	(**)	Dormant company
UB Snacks Ltd	England	(**)	Dormant company
UB (Biscuits) Ltd	England	(**)	Dormant company
Young's Chilled Foods Ltd	England	(**)	Dormant company
UB Bridgend Three Ltd	England	(**)	Dormant company
UB Bridgend Four Ltd	England	(**)	Dormant company
Ross Young's Holdings Ltd	England	(**)	Dormant company
The Derwent Valley Group Ltd	England	(**)	Dormant company

14 Investments (continued)

Subsidiary	Country of incorporation and Operation	Registered address	Activity
Titan Properties Ltd	Nigeria	76/94, Abeokuta Expressway, Agege, Dopemu, Lagos	Dormant company
Derwent Valley Foods Ltd	England	(**)	Dormant company
Derwent Valley (Sales) Ltd	England	(**)	Dormant company
The Quality of Life (NE) Ltd	England	(**)	Dormant company
The Quality of Life Ltd	England	(**)	Dormant company
Sisterson Foods Ltd	England	(**)	Dormant company
Anglo-Oriental Foods Ltd	England	(**)	Dormant company
The Ultimate Snack Food Company Ltd	England	(**)	Dormant company
UB Investments (Netherlands) BV	Netherlands	Westzijde 103, 1506GA Zaandam	Dormant company
United Biscuits Group Ltd	Scotland	(***)	Dormant company
UB Holdings Ltd	Scotland	(***)	Dormant company
KP Foods Ltd	England	(**)	Dormant company
United Biscuits (Lands) Ltd	Scotland	(***)	Dormant company
United Biscuits (Leasing) Ltd	Scotland	(***)	Dormant company
UB Snackfoods Ltd	England	(**)	Dormant company
Watts Countrymade Foods Ltd	England	(**)	Dormant company
King Harry Foods Ltd	England	(**)	Dormant company
UB Securities (UK) Ltd	England	(**)	Dormant company
Cookie Kitchen Ltd	England	(**)	Dormant company
Moo-Cow Bakeries Ltd	England	(**)	Dormant company
UB Frozen Foods Ltd	Scotland	(***)	Dormant company
B Fox Ltd	England	(**)	Dormant company
United Biscuits (Agriculture) Ltd	England	(**)	Dormant company
United Biscuits (Properties) Ltd	Scotland	(***)	Dormant company
McFarlane Lang & Co Ltd	Scotland	(***)	Dormant company
William Crawford & Sons Ltd	Scotland	(***)	Dormant company
Kenyon Son & Craven Ltd	England	(**)	Dormant company
Peek, Freen & Co Ltd	England	(**)	Dormant company
Carr's of Carlisle Ltd	England	(**)	Dormant company
UB Snack Foods Ltd	England	(**)	Dormant company
UB Ltd	England	(**)	Dormant company
MBT Frozen Foods Ltd	England	(**)	Dormant company
King Frost Ltd	England	(**)	Dormant company
Ross Young's International Ltd	England	(**)	Dormant company
Phileas Fogg Ltd	England	(**)	Dormant company
The Monico in Piccadilly Ltd	England	(**)	Dormant company
UB Kitchens Ltd	England	(**)	Dormant company
The Jacob's Biscuit Company	England	(**)	Dormant company
Humber Bridge Motors Ltd	England	(**)	Dormant company
Moray Freezing & Cold Storage Company Ltd	Scotland	(***)	Dormant company
Chiltonian Ltd	England	(**)	Dormant company
Hills Road 5 Ltd	England	(**)	Dormant company
Forbes Simmers Ltd	Scotland	(***)	Dormant company
Ulker Biskuvi Sanayi A.S (2)	Turkey	Büyük Çamlıca Kısıklı Mah. Ferah Cad. No:1 Üsküdar/İstanbul	Biscuit manufacturer

14 Investments (continued)

All of the following companies are wholly owned by Ulker Biskuvi Sanayi A.S. except where indicated

Subsidiary	% Holding	Country of incorporation and operation	Registered address	Activity
Biskot Biskuvi Gida Sanayi ve Ticaret A.S	73.9%	Turkey	Organize Sanayi Bölgesi Ereğli Yolu No: 18 Karaman	Biscuit manufacturer
Ulker Cikolata Sanayi A.S	91.7%	Turkey	Maltepe Mah. Fazılpaşa Cad. No:5 Zeytinburnu/İstanbul	Chocolate manufacturer
Atlas Gida Pazarlama Sanayi ve Ticaret A.S	100.0%	Turkey	Büyük Çamlıca Kısıklı Mah. Ferah Cad. No:1 Üsküdar/İstanbul	Trading company
Reform Gida Paz San ve Tic A.S	100.0%	Turkey	Büyük Çamlıca Kısıklı Mah. Ferah Cad. No:1 Üsküdar/İstanbul	Trading company
Istanbul Gida Dis Ticaret A.S	100 0%	Turkey	Büyük Çamlıca Kısıklı Mah. Ferah Cad. No:1 Üsküdar/İstanbul	Export company
Ul Egypt B.V	51.0%	Netherlands	Westzijde 103, Zaandam, 1506GA, Netherlands	Investing company
Hi-Food for Advanced Food Industries	51 4%	Egypt	130 Industrial Zone A6, 10th Of Ramadan City, Egypt	Biscuit manufacturer
Sabourne Investments Ltd	100.0%	England	(**)	Investing company
Food Manufacturers' Company	55.0%	Saudi Arabia	PO Box 355858, Riyadh 11383, Kingdom of Saudi Arabia	Biscuit manufacturer
Food Manufacturers' Company for Distribution	52.3%	Saudi Arabia	PO Box 355858, Riyadh 11383, Kingdom of Saudi Arabia	Sales company
Hamle Company Ltd LLP	100.0%	Kazakhstan	3A Abylai Khan St. Kaskelen City, Karasai District, Almaty oblast 040900, Kazakhstan	Biscuit manufacturer/Sales company
Ulker Star LLC	99.0%	Kyrgyzstan	Sibirskaya street, Bishkek City, Prigorodnoye area, Chui oblast, 724327, Kyrgyzstan	Sales company
Ul Mena B V	100 0%	Netherlands	Westzijde 103, Zaandam, 1506GA, Netherlands	Investing company
Amir Global Trading FZE	100.0%	UAE	Office No. LB 190901, Jebel Ali Free Zone, PO Box 263025, Dubai/UAE	Sales company
Ulker for Trading and Marketing	99 8%	Egypt	Area 320, 5th District, Road 90, New Cairo/ Cairo, Egypt	Sales company

1 UMV Global Foods Holding Company Limited is directly owned by the company

2 The Group holds 51% of the share capital in Ulker Biskuvi Sanayi A.S and is directly owned by the company

(*) Companies which are obligors under the Senior Facilities Agreement

(**) The registered address of all companies incorporated in England and Wales is Hayes Park, Hayes End Road, Hayes, Middlesex, London UB4 8EE

(***) The registered address of all companies incorporated in Scotland is 50 Lothian Road, Festival Square, Edinburgh EH4 9BY

15 Available-for-sale financial assets

	2017 £m	2016 £m
AFS financial assets at fair value:		
Long term:		
Quoted equity shares	9 1	-
Unquoted equity shares	182.7	-
	191.8	-
Short-term		
Quoted equity shares	0 1	268 0
	0.1	268.0

On 22 December 2016, the Group acquired 21% of the equity shares of Ulker from the non-listed shares held by the Group's ultimate parent, Yildiz Holdings A.S. Under IFRS13, the fair value of these equity shares is determined by reference to published price quotations in an active market, in this case the Ulker share price on the Istanbul Stock Exchange.

The shares were acquired for a purchase price of £324.4m (see note 25). The fair value of the shares on the 22 December 2016 purchase date was £280.7m, generating a day one fair value loss of £43.3m which was recorded as a non-underlying item within the income statement (see note 5). A further £12.7m fair value re-measurement loss arose from the purchase date to 31 December 2016, which was recorded in other comprehensive income.

On 29 December 2017, the Group acquired a further 30% of the equity shares of Ulker Biskuvi Sanayi AS ("Ulker") from the non-listed shares held by the Group's ultimate parent, Yildiz Holdings A.S and from the Ulker family. The shares were acquired for £391.0m. The investment in Ulker has been treated as a subsidiary of the Group and no amounts are included above. See Note 4 for further details.

On acquisition of Ulker Biskuvi Sanayi A.S in 2017, the Group acquired additional available for sale financial assets. The Group holds the following stakes in the equity share capital of these companies:

	% ownership interest held	Fair value £m
Godiva Belgium BVBA	9.8	160.5
G New, Inc	6.2	22.2
BIM Birlesik Magazalar A.S	0.197	9.1
Albaraka Türk Katılım Bankası A.Ş	0.035	0.1
		191.9

Godiva Belgium BVBA and G New, Inc are valued using the discounted cash flow method and the investment in BIM Birlesik Magazalar A.S is valued by reference to the published price on the Istanbul Stock Exchange. The short term AFS asset relates to Albaraka Türk Katılım Bankası A.Ş, which is presented at fair value. The investment in Albaraka Türk Katılım Bankası A.Ş is in equity shares, which are traded on the Istanbul Stock Exchange.

16 Inventories

	2017 £m	2016 £m
Raw materials and consumables	74.6	24.6
Work in progress	13.6	3.0
Finished goods	104 0	38.3
	192 2	65.9

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

Raw materials and consumables at 31 December 2017 included £nil (2016 £nil) in respect of consignment stock.

Inventories recognised as an expense during the year amounted to £693.5 million (2016 £646.1 million). The amount of inventories written down and recognised as an expense within operating profit during the period was £nil (2016 £nil).

17 Trade and other receivables

	2017 £m	2016 £m
Current		
Trade receivables	266.4	202.3
Other receivables	48.6	36.8
Prepayments and accrued income	17.8	17.6
Other taxes and social security receivable	15.6	5.4
	348.4	262.1

Trade receivables are stated net of allowances for bad and doubtful debts of £2.9 million (2016 £0.9 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 28 days sales (2016: 55 days sales). The reduction in debtor days is due to the receivables financing programme entered into (see below). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Details of the Group's credit risk are set out in Note 21 (c).

Transfer of financial assets

During the year, the Group entered into a facility with a third party bank in which the Group may sell qualifying trade debtors to the bank At year-end, the total trade debtors sold amounted to £90.4 million for immediate cash proceeds of £83.0 million, received on a non-recourse basis, with a further £7.4 million to be received on collection from the customer. The Group has retained credit risk on 5% of the balance transferred Accordingly, the Group continues to recognise the full carrying amount of the debtors on which credit risk has been retained and has recognised a corresponding liability to the third party bank for amounts that would be payable in the event of non-collection together with the fair value of the guarantee provided.

At the end of the reporting period, the carrying amount of the trade debtors that have been transferred but have not been derecognised amounted to £4 5 million, and the carrying amount of the associated liabilities is £4.5 million.

18 Cash and cash equivalents

	2017 £m	2016 £m
Cash in hand	1.2	1.7
Cash or cash equivalent in bank	804 4	201.5
	805.6	203.2

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 31 December 2017 was £805.6 million (2016 £203.2 million).

19 Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	461.2	250.6
Other payables	27.5	11 1
Other taxes and social security costs	39.8	27.6
Accruals and deferred income	70.2	55.4
	598.7	344.7

Trade and other payables are non-interest bearing and are settled in accordance with contractual payment terms. The directors consider that the carrying amount of trade payables approximates to their fair value.

20. Borrowings

	2017 £m	2016 £m
Current		
Senior facilities	75.4	19.4
Revolving credit facility	31.5	-
Acquisitions (Note 4)	167.0	-
	273.9	19.4
Non-current		
Senior facilities	569.1	857.1
Acquisitions (Note 4)	666.3	-
Other borrowings	8 1	9.9
	1,243 5	867.0

Senior Facilities

The Group entered into a Senior Facilities Agreement on 20 November 2014.

In addition to the scheduled payments of £9.6 million in 2016, from the proceeds from the sale of the Delacre business, the Group made a prepayment of £26.6 million in December 2016 and a further prepayment of £125.3 million in February 2017.

On 31 August 2017, the Group refinanced and entered into a new Senior Facilities agreement. The new facilities comprise Facility A1 of £575 million, Facility A2 of £75 million and a Revolving Facility of £75 million. *Repayment is due five years from the date of the Agreement. In January 2018, proceeds from the UK* receivables financing arrangement were applied to prepay the Facility A2 in full.

Net debt as defined by the Company comprises senior bank loans, and other loans and borrowings less cash and cash equivalents but excludes borrowing from Yildiz group companies. At the end of 2017 the net debt outstanding was £711.8 million (FY16 £683.2 million).

Details of the senior facilities amounts outstanding as at 31 December 2017 are set out below

2017	Amortised Debt £m	Principal £m	Margin %	Repayment Type	Maturity
Current					
Term Loan A2	73.7	75.0	LIBOR + 2.90	Bullet	30 August 2022
Interest accrual	1.7	1.7			
	75.4	76.7			
Non-current					
Term Loan A1	569.1	575.0	LIBOR + 2.90	Bullet	30 August 2022
Total Term Loans	569.1	575.0			

20 Borrowings (continued)

2016	Amortised Debt £m	Principal £m	Margin %	Type	Maturity
Current					
Term Loan A	15.4	15.4	LIBOR + 3.50	Amortising	20 November 2020
Interest accrual	4.0	4.0			
Non-current					
Term Loan A	118.2	118.2	LIBOR + 3.50	Amortising	20 November 2020
Term Loan B	474.0	485.0	LIBOR + 4 25	Bullet	20 November 2021
Term Loan B (€) (*)	264.9	271.0	EURIBOR + 3.75	Bullet	20 November 2021
Total Term Loans	876.5	893.6			

(*) €317.2m

The maturity of Term Loan A2 is 30 August 2022 unless a mandatory prepayment feature is triggered arising from the completion by a Group company of a receivables financing arrangement. Such an arrangement was entered into by a Group company in the year, and hence Term Loan A2 has become repayable and has been classified as repayable within one year. The loan was repaid on 4 January 2018.

Loans acquired on the acquisition of Ulker, including accrued interest, are set out below:

	£m
Current	
Bank loans (1)	102.2
Bank loans for capital investment (2)	8 2
Bank loans - exports (3)	33.1
Syndicated bank loans (€) (5)	14.2
Syndicated bank loans (US$) (6)	8 2
Other	1.1
Total - current	167.0
Non-current	
Bank loans for capital investment (2)	13.7
European Regional Development Bank loan (4)	38.8
Syndicated bank loans (€) (5)	440.1
Syndicated bank loans (US$) (6)	173.7
Total – non-current	666.3

(1) These are short term bank loans denominated in € or Turkish lira with fixed rates of interest rates ranging from 2.3% to 15.85% which fall due for repayment between 13 February 2018 and 19 October 2018.

(2) These are bank loans denominated in US$, €, Egyptian pounds or Turkish lira for which interest and principal repayments are made every six months, except for £2.8m of loans with fixed repayment dates falling due in 2019. The final repayment dates for the remaining loans fall between February 2020 and January 2021. Interest accrues at fixed rates of 13.75% on Turkish lira denominated loans (£2.4m), a fixed rate of 2.85% on £12.8m of € loans and a variable rate of EURIBOR + 2.65% and EURIBOR + 2.75% on £3.9m and £0.5m of loans respectively. Remaining loans of £1.7m attract interest at LIBOR + 2.75% and £0 6m at CORIDOR +1%.

(3) Bank loans for exports are all US$ denominated with fixed rates of interest of 2.17% - 2.39% with repayment dates falling between 18 January 2018 and 3 August 2018.

20 Borrowings (continued)

(4) The ERDB loan comprises a working capital facility and loans denominated in Kazahkstani Tenge at a variable rate of interest. The maturity date of the loan facilities is January 2024 with principal repayments made quarterly commencing in January 2019.

(5) The € syndicated loans comprise two loans of €225.1m and €290.6m drawn on 20 April 2017 and 27 November 2017 respectively. Both loans are for a 3 year term and attract interest at EURIBOR +3%. The principal outstanding is due for repayment at maturity with semi-annual interest payments

(6) The € syndicated loans comprise two loans of US$136.0m and US$111.5m drawn on 20 April 2017 and 27 November 2017 respectively. Both loans are for a 3 year term and attract interest at LIBOR +3.1% and LIBOR +2.9% respectively. The principal outstanding is due for repayment at maturity with semi-annual interest payments.

Revolving Credit Facility of £75 million (2016 £75 million)

The Group has access to a £75.0 million (2016 £75.0 million) revolving credit facility under the Senior Facilities Agreement, entered into on 31 August 2017, which is held by UMV Global Foods Company Limited. This facility may be used for general corporate purposes to finance working capital requirements, to refinance indebtedness of the Group and to pay associated fees, costs and expenses. 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 £75.0 million (2016 £75 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 immediately, subject to the maximum limit available under the facility.

At 31 December 2017 an amount of £13 0 million (2016 £26.0 million) of the Revolving Credit Facility had been arranged to be available as ancillary facilities under the revolving facility to cover day to day requirements of the UK business, £13.0 million (2016 £25.2 million) of this being for the provision of overdraft facilities and £nil (2016 £0.8 million) for bank guarantees. As at 31 December 2017, drawings of £6.5 million of the ancillary facilities and £nil (2016 £0.8 million) had been utilised in respect of bank guarantees

In addition to the amounts outlined above, there were bank guarantees outstanding of £1.0m at 31 December 2017.

The Senior Facilities Agreement requires the Group to comply with certain financial covenants on a semi-annual basis. The financial covenant requires the adherence to a maximum leverage ratio (defined as Net Debt to EBITDA). The Group has been compliant with all covenants throughout the year ended 31 December 2017.

Ulker syndicated loans

The syndication loan requires Ulker to comply with certain financial covenants. The financial covenant requires the adherence to a maximum leverage ratio (defined as Net Debt to EBITDA) and a maximum interest coverage ratio.

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.

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 by the Group as total borrowings, as shown in the consolidated balance sheet, less cash and cash equivalents and excluding loans from other Yildız group companies. The loan from a fellow subsidiary, discussed in Note 26, is excluded from the Group's definition of net debt since it will be settled in the event of change of ownership of the business.

21 Financial instruments

Financial risk management

The Group is exposed to a variety of financial risks through its activities. The Group's 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.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered in to and are subsequently re-measured at fair value. At the period 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") and Marché à Terme International de France (MATIF) at the balance sheet date.

21 Financial instruments (continued)

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.

2017	Carrying Value £m	Fair Value £m	USD £m	EURO £m	GBP £m	TRY £m	Other £m
Financial assets							
Cash and short-term deposits	805.6	805.6	137.8	431.7	127 7	84.0	24.4
Available-for-sale financial asset	191.8	191.8	182.6	-	-	9.2	-
Trade receivables	266.4	266.4	39.9	33.3	67.2	92.0	34 0
Other receivables	48.6	48.6	0.8	7.4	5.3	27.0	8.2
	1,312.4	1,312.4	361.1	472.4	200.2	212.2	66.6
Derivative assets							
Cash flow hedges:							
Forward currency contracts	0.1	0.1	-	0.1	-	-	-
Interest rate swaps	11.0	11.0	6.7	4.3	-	-	-
	11.1	11.1	6.7	4 4	-	-	-
Of which.							
Current assets	11.1	11.1					
Non-current assets	-	-					
	11.1	11.1					
Financial liabilities							
Trade payables	461.2	461.2	17.2	33.1	245.4	143.0	22.5
Other payables	27.5	27.5	-	9 3	1.9	9.0	7.3
Amounts due to fellow group company	1,057.4	1,057.4	94.3	-	957.2	5.9	-
Loans and borrowings	1,517.4	1,517.4	216.4	508.9	684.1	67.8	40.2
	3,063.5	3,063.5	327.9	551.3	1,888.6	225.7	70.0
Derivative liabilities							
Cash flow hedges.							
Forward currency contracts	0.3	0.3	0.1	0.2	-	-	-
Interest rate swaps	12.4	12.4	-	0.9	11.5		-
	12.7	12.7	0.1	1.1	11.5	-	-
Of which:							
Current liabilities	0.3	0.3					
Non-current liabilities	12.4	12.4					
	12.7	12.7					

21 Financial instruments (continued)

2016	Carrying Value £m	Fair Value £m	USD £m	EURO £m	GBP £m	TRY £m	Other £m
Financial assets							
Cash and short-term deposits	203.2	203 2	2 0	67.5	119 2	-	14.5
Available-for-sale financial asset	268.0	268.0	-	-	-	268.0	-
Trade receivables	202.3	202.3	16.2	35.4	131.7	-	19.0
Other receivables	36.8	36.8	-	-	36.8	-	-
	710.3	710.3	18.2	102 9	287.7	268.0	33.5
Derivative assets							
Cash flow hedges:							
Forward currency contracts	1.0	1.0	0.2	0.8	- -	-	-
Interest rate swaps	-	-	-	-	- -	-	-
Fair value through P&L instruments							
Forward currency contracts	-	-	-	-	- -	-	-
	1.0	1.0	0.2	0.8	- -	-	-
Of which:							
Current assets	1.0	1.0					
Non-current assets	-	-					
	1.0	1.0					
Financial liabilities							
Trade payables	252.4	252.4	1.3	43.3	193.5	-	14.3
Other payables	-	-	-	-	-	-	
Amounts due to fellow group company	1,623.5	1,623.5	-	-	1,623.5		
Loans and borrowings	886.4	886.4	-	264.9	611.6	-	9.9
	2,762.3	2,762.3	1.3	308.2	2,428 6	-	24.2
Derivative liabilities							
Cash flow hedges:							
Forward currency contracts	1.8	1.8	0.6	0.4	-	-	0.8
Interest rate swaps	18.8	18.8	-	2.3	16.5	-	-
Fair value through P&L instruments							
Forward currency contracts	-	-	-	-	-	-	-
	20.6	20.6	0.6	2.7	16.5	-	
Of which:							
Current liabilities	1.8	1.8					
Non-current liabilities	18.8	18.8					
	20.6	20.6					

21 Financial instruments (continued)

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 and the impact of own credit risk are considered and adjusted for when deemed necessary. The changes in counterparty and own 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 except for loans and borrowings where carrying value includes deferred finance costs.

Fair value hierarchy

In accordance with IFRS 13 *Fair Value Measurement*, 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 carried at fair value 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 The Group classified available-for-sale financial assets as level 3 financial instruments, as their fair value is determined based on techniques for which all inputs are unobservable, with the exception of those in BIM Birlesik Magazalar A.S and Albaraka Türk Katılım Bankası A.Ş which are classified as level 1.

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, the Canadian dollar and the Australian 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.

Following the acquisition of Ulker, the Group will also be exposed to foreign exchange risk with respect to the Turkish Lira. A proportion of Ulker's net currency exposure is hedged on its behalf by the Group's ultimate parent, Yildiz Holding A.S

Cash flow hedges

At 31 December 2017, 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 other comprehensive income and included in the hedging reserve and will be released to the income statement at various dates within one year of the balance sheet date.

21 Financial instruments (continued)

2017	Committed outstanding FX contracts	Average Rates	Average Rates	Average Rates	Average Rates
	£m	USD	EUR	CHF	AUD
Euro	65.8	-	1.11	-	-
US Dollar	81.3	1.31	-	-	-
Other currencies	1.0	-	-	1.24	-
	148.1				
2016					
	£m	USD	EUR	CAD	AUD
Euro	27.0	-	1.17	-	-
US Dollar	0.9	1.33	-	-	-
Other currencies	0.7	-	-	1.75	1.8075
	28.6				

Hedges of net investment in foreign entities

Included in borrowings at 31 December 2017 were loans of €nil (FY16 €157.2 million out of €317.2 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 recorded in other comprehensive income 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 if applicable.

Sensitivity analysis

The table below presents a sensitivity analysis of the changes in carrying values of the Group's monetary assets and liabilities to reasonably possible weakening in sterling of market rates of foreign exchange

	Impact on the income statement arising from:		Impact on reserves arising from:	
2017	10% weakening against US Dollar £m	10% weakening against Euro £m	10% weakening against US Dollar £m	10% weakening against Euro £m
Cash and short-term deposits	15.3	48.0	-	-
Trade receivables	4.4	3.7	-	-
Trade payables	(1.9)	(3.7)	-	-
Loans and borrowings	(24.0)	(56.5)	-	-
Currency exchange contracts (assets)	-	-	-	-
Currency exchange contracts (liabilities)	-	-	-	-
	(6.2)	(8.5)	-	-

21 Financial instruments (continued)

2016	Impact on the income statement arising from: 10% weakening against US Dollar £m	10% weakening against Euro £m	Impact on reserves arising from: 10% weakening against US Dollar £m	10% weakening against Euro £m
Cash and short-term deposits	(0 2)	(6.1)	-	-
Trade receivables	(1.5)	(3.2)	-	-
Trade payables	(0.1)	(4 0)	-	-
Loans and borrowings	-	-	-	(30.1)
Currency exchange contracts (assets)	-	-	-	0.8
Currency exchange contracts (liabilities)	-	-	(0.1)	-
	(1.8)	(13.3)	(0.1)	(29.3)

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

The table below presents a sensitivity analysis of the changes in carrying values of the Group's monetary assets and liabilities to reasonably possible strengthening in sterling in market rates of foreign exchange.

2017	Impact on the income statement arising from: 10% strengthening against US Dollar £m	10% strengthening against Euro £m	Impact on reserves arising from: 10% strengthening against US Dollar £m	10% strengthening against Euro £m
Cash and short-term deposits	(12.5)	(39.2)	-	-
Trade receivables	(3.6)	(3.0)	-	-
Trade payables	1.5	3.0	-	-
Loans and borrowings	19.7	46.3	-	-
Currency exchange contracts (assets)	-	-	-	-
Currency exchange contracts (liabilities)	-	-	-	-
Total	5.1	7.1	-	-

2016	**£m**	**£m**	**£m**	**£m**
Cash and short-term deposits	0.2	6.8	-	-
Trade receivables	1.6	3.5	-	-
Trade payables	0.1	4.3	-	-
Loans and borrowings	-	-	-	24 6
Currency exchange contracts (assets)	-	-	-	0 1
Currency exchange contracts (liabilities)	-	-	0.1	-
Total	1.9	14.6	0.1	24.7

21 Financial Instruments (continued)

(b) Interest rate risk

The Group is financed by a mixture of fixed rate and variable rate borrowings as detailed in notes 20 and 26. It is therefore exposed to movements in interest rates from borrowings at variable rates. Prior to the refinancing in 2017, the Group entered into interest rate swaps that had the effect of converting floating rate debt to fixed rate debt as shown in the table for 2016 below. On refinancing, the Group elected not to settle its interest rate swaps and as a result, the Group has discontinued hedge accounting from the date of refinancing and these instruments are now remeasured at fair value through profit and loss. The Group's current interest rate swaps expire on 19 November 2021

The table below shows the effect of interest rate swaps on the Group's borrowings as at 31 December 2016.

2016	Fixed rate borrowings £m	Effect of interest rate swaps £m	Effective fixed rate borrowings £m	Swap rate %
Sterling – fellow group company	1,623.2	-	1,623.2	
Sterling – third parties	-	628.5	628.5	1.80
Euro	-	271.0	271.0	0.3
	1,623.2	899.5	2,522.7	

21 Financial instruments (continued)

The following table presents a sensitivity analysis of the changes in fair values of the Group's interest rate swaps and changes to the interest expense on unhedged borrowings from a 1% movement in interest rates. The effect of a 1% movement in interest rates on cash or cash equivalent would not be material.

	Increase in interest rates 2017 £m	Decrease in interest rates 2017 £m
Interest rate swaps (liabilities)[1]	6 2	(6.2)
Unhedged borrowings[2]	(6.8)	6.8

	Increase in interest rates 2016 £m	Decrease in interest rates 2016 £m
Interest rate swaps (liabilities)[1]	6.2	(6.2)
Unhedged borrowings[2]	(3 2)	3.2

1 Impact on reserves

2 Impact on the income statement

During 2017, an unrealised gain on revaluation of interest rate swaps of £nil (2016 £nil) was recognised directly in other comprehensive income.

(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.

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:

	2017 £m	2016 £m
Trade receivables	266.4	202 3
Total	266.4	202.3

21 Financial Instruments (continued)

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

	2017 £m	2016 £m
UK	78.2	124.1
Europe	37.2	31.8
Turkey	93 0	-
Rest of the World	58.0	46.4
Total	266.4	202.3

The ageing analysis of trade receivables at the reporting date was:

	2017 £m	2016 £m
Not past due or impaired	201.7	146.6
Past due 0 – 30 days but not impaired	41.0	34.9
Past due more than 30 days but not impaired	23.7	20.8
Individually impaired	-	-
Total	266.4	202.3

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

	2017 £m	2016 £m
On 1 January	0.9	0.8
Charge for the year	0.4	0.1
Business acquisition	1.6	-
Amounts utilised	-	-
Balance on 31 December	2.9	0.9

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 charge for the year of £0.4 million (2015 £0.1 million) reflects the change in credit risk assessment arising from the change in ageing 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.

21 Financial instruments (continued)

Contractual maturities

Details of the contractual maturities and associated undiscounted value at maturity of external borrowings, including estimated interest payments, are set out below.

	Senior Facilities £m	Other Loans £m	Trade Payables £m	Other Payables £m	Total £m
2017					
Within one year or on demand	106.5	175.1	469.5	27.5	778.6
Between one and two years	-	11.7	-	-	11.7
Between two and three years	-	630.5	-	-	630.5
Between three and four years	-	7 4	-	-	7.4
Between four and five years	575.0	7.4	-	-	582.4
After five years	-	9.2	-	-	9.2
	681.5	841.3	469.5	27.5	2,019.8

	Senior Facilities	Trade payables	Other payables	Total
2016				
Within one year or on demand	15.4	252 4	-	267 8
Between one and two years	22.8	-	-	22.8
Between two and three years	42 0	-	-	42.0
Between three and four years	53.4	-	-	53.4
Between four and five years	765.9	-	-	765.9
After five years	-	-	-	-
	899.5	252.4	-	1,151.9

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

	Fellow Group company loan £m
2017	
12.42% Interest due February 2018	5.9
8% Interest due 2023	1,313.6
	1,319.5
	£m
2016	
8% Interest due 2023	2,521.9

21 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.

2017	Interest rate swaps		Cross currency/interest rate swaps		Forward exchange contracts	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Within one year or on demand	-	-	10.9	-	-	-
Between one and two years	-	-	-	-	0.2	0.3
More than two years	-	12.4	-	-	-	-
	-	12.4	10.9	-	0.2	0.3

2016	Interest rate swaps		Forward exchange contracts	
	Assets	Liabilities	Assets	Liabilities
	£m	£m	£m	£m
Within one year or on demand	-	-	1.0	1.8
Between one and two years	-	-	-	-
More than two years	-	16.4	-	-
	-	16.4	1.0	1 8

(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. Contracts are settled immediately.

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 loss of £12.0 million (2016 gain of £11.8 million) relating to interest rate swaps was recognized directly in other comprehensive income during the year ended 31 December 2017.

A loss of £2.0 million (2016 £0.5 million) was recognized in the income statement in relation to cash flow hedges of which a gain of £2.7 million (2016 £0.3 million) related to commodity contracts and was recognized in cost of goods sold and a loss of £0.7 million (2016 £0.8 million) related to forward foreign exchange contracts was recognized in operating profit.

21 Financial Instruments (continued)

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

			Non-cash movements						
	As at 1 January 2017	Financing cash flows	Business acquisition	FX revaluation	Change in deferred debt issue cost	Interest accrual	Conversion of loan to share capital	Other	As at 31 December 2017
	£m	£m		£m	£m	£m	£m	£m	£m
Bank loans (Note 20)	886.4	(226.5)	833.3	14.8	11.6	(2.2)	-	-	1,517.4
Loans from related parties (Note 26)	1,623.2	518.7	5.9	0.4	-	126.0	(1,200 0)	(16.4)	1,057.4
Total liabilities from financing activities	2,509.6	292.2	839.2	15.2	11.6	123.8	(1,200.0)	(16.4)	2,574.8

The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

22 Provisions

	Rationalisation Provisions £m	Onerous Contracts £m	Legal provisions £m	Total £m
At 1 January 2017	8.5	2.0	-	10 5
Income statement charge	3.9	-	-	3.9
Unused amounts reversed during the year	-	(0.5)	-	(0.5)
Acquisition	-	-	1 2	1.2
Amounts utilised	(8.1)	-	-	(8.1)
At 31 December 2017	4.3	1.5	1.2	7 0
At 31 December 2017				
Current	4.3	-	1.2	5.5
Non-current	-	1.5	-	1 5
	4.3	1.5	1.2	7.0

	Rationalisation Provisions £m	Repair Provision £m	Onerous Contracts £m	Total £m
At 3 January 2016	4.8	7 3	3 8	15.9
Income statement charge	4.6	-	-	4 6
Unused amounts reversed during the reporting period		-	(0.5)	(0.5)
Business disposal	(0.4)	-	-	(0 4)
Amounts utilised	(0.5)	(7.3)	(1.3)	(9.1)
At 31 December 2016	8.5	-	2 0	10 5
At 31 December 2016				
Current	8.5	-	-	8.5
Non-current	-	-	2.0	2.0
	8.5	-	2.0	10.5

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

Rationalisation provisions principally comprise obligations in relation to overhead reduction and manufacturing-efficiency programs across the Group. The provision is expected to be utilised within the next year.

The provision for onerous contracts relates primarily to the cost of surplus leasehold properties, where unavoidable costs exceed anticipated income. The associated lease commitments are due to expire in 2021.

Legal provisions relate to legal filings made by the personnel in Turkey which management expect to be resolved within 2018.

23 Reserves

Share capital

Ordinary shares Issued and fully paid

	Number of shares
Ordinary shares of 1 pence each	120,001,000,000

	Number of shares	£'000
At 31 December 2016	1,000,000	10
Issued during the year	120,000,000,000	1,200,000,000
At 31 December 2017	120,001,000,000	1,200,000,010

On 18 December 2017, 120 billion £0.01 ordinary shares were issued by the Company to its shareholder, UMV Global Food Investments Ltd, which was satisfied by the waiver of an inter-company loan amounting to £1.2 billion. On 6 March 2018, a further 93.42 billion £0.01 ordinary shares were issued by the Company in favour of its shareholder, satisfied by a waiver of an inter-company loan amounting to £934 2 million

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. As at 31 December 2017 the balance on the reserve amounted to a deficit of £13.8 million. (2016 deficit of £11.6 million).

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 effective. As at 31 December 2017 the balance on the reserve amounted to a deficit of £4.9 million (2016 deficit of £16.9 million).

Property revaluation reserves

The property revaluation reserve of £12.4 million records the surplus arising over cost on the revaluation of freehold land and buildings (see Note 12). The reserve is not distributable.

24 Pensions and other post-retirement benefits

The Group has defined benefit type post-retirement arrangements in the United Kingdom, for which contributions are paid into separately administered funds. All of the Group's defined benefit plans are closed to new members and membership of defined contribution plans is available for new employees.

The Group also has unfunded arrangements as follows: additional UK post-retirement benefits for certain senior managers; post-retirement healthcare benefits for certain employees in the Netherlands, and employees in France are entitled to a lump sum payment on retirement, indemnite de depart en retraite ("IDR").

The Group's retirement benefit assets/(liabilities), comprised the following:

	2017 £m	2016 £m
UK		
Pension - Funded		
UBUK	(35.7)	(176.4)
Jacob's Bakery	(26.3)	(40 1)
Other	-	-
Pension - Unfunded	(23.0)	(23.2)
	(85.0)	(239.7)
IFRIC 14 adjustment for minimum funding requirement	(103.6)	-
	(188.6)	(239.7)
Turkey		
Employee termination benefit	(15.9)	-
France		
IDR - Unfunded	(3.2)	(3.0)
Netherlands		
Post-retirement healthcare scheme – unfunded	(1.9)	(1.9)
A&P Foods Nigeria		
Pension scheme	(0.3)	-
Post retirement benefit liability	(209.9)	(244.6)

The total amount relating to pensions recognised in operating profit for the year ended 31 December 2017 was £18.2 million (2016 £13.5 million), of which £5.8 million (2016 £4.2 million) related to defined contribution plans.

The total amount relating to IDR recognised in operating profit for the year ended 31 December 2017 was £nil (2016 £nil)

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

24 Pensions and other post-retirement benefits (continued)

The assets and liabilities of the schemes and the net post-retirement obligations were:

At 31 December 2017	Pension £m	Employee termination benefit £m	IDR £m	Healthcare £m	A&P Foods £m	Total £m
Assets with a quoted market price						
Equities	643.2	-	-	-	-	643.2
Bonds	116 8	-	-	-	-	116.8
Hedge funds, currency and infrastructure	464.5	-	-	-	-	464.5
Cash	64.3	-	-	-	-	64.3
Assets not quoted in an active market		-				
Property, infrastructure and hedge funds	865.4	-	-	-	-	865.4
Total market value of assets	2,154.2	-	-	-	-	2,154.2
Present value of scheme liabilities	(2,239.3)	(15.9)	(3.2)	(1.8)	(0.3)	(2,260.6)
Deficit in the scheme	(85.0)	(15.9)	(3.2)	(1.8)	(0.3)	(106.3)
Additional liability due to minimum funding requirements	(103.6)	-	-	-	-	(103.6)
Net pension deficit	(188.6)	(15.9)	(3.2)	(1.8)	(0.3)	(209.9)

At 31 December 2016	Pension £m	IDR £m	Healthcare £m	A&P Foods £m	Total £m
Assets with a quoted market price					
Equities	797.3	-	-	-	797 3
Bonds	282.6	-	-	-	282.6
Hedge funds, currency and infrastructure	417.5	-	-	-	417.5
Cash	24.5	-	-	-	24.5
Assets not quoted in an active market					
Property, infrastructure and hedge funds	505.4	-	-	-	505.4
Total market value of assets	2,027.3	-	-	-	2,027.3
Present value of scheme liabilities	(2,267.0)	(3.0)	(1.9)	-	(2,271.9)
Deficit in the scheme	(239.7)	(3.0)	(1.9)	-	(244.6)

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

24 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.

2017	**Pension £m**	**IDR £m**	**Healthcare £m**	**Total £m**
Income statement				
Current service cost[1]	(6.8)	-	-	(6.8)
Scheme administration costs	(3.8)	-	-	(3.8)
Company administration costs	(1.8)	-	-	(1.8)
Curtailment gain	-	-	-	-
Operating profit	(12.4)	-	-	(12.4)
Net interest cost on scheme liabilities/assets	(5.2)	-	-	(5.2)
Other finance income – pensions	(5.2)	-	-	(5.2)
Statement of other comprehensive income				
Return on plan assets excluding amounts included in interest expense	151.8	-	-	151.8
Experience losses on scheme liabilities	10.0	-	-	10.0
IFRIC 14 minimum funding adjustment	(103.6)	-	-	(103.6)
Actuarial losses due to changes in financial assumptions	(43.8)	-	-	(43.8)
Actuarial losses due to changes in demographic assumptions	16.1	-	-	16.1
Re-measurement gains and losses recognised in the statement of other comprehensive income	30.5	-	-	30.5
2016	**£m**	**£m**	**£m**	**£m**
Income statement				
Current service cost[1]	(7.3)	-	-	(7.3)
Scheme administration costs	(4.2)	-	-	(4.2)
Company administration costs	(2.0)	-	-	(2.0)
Curtailment gain	4 2	-	-	4.2
Operating profit	(9.3)	-	-	(9.3)
Net interest cost on scheme liabilities/assets	(4.2)	-	-	(4.2)
Other finance income – pensions	(4.2)	-	-	(4.2)
Statement of other comprehensive income				
Return on plan assets excluding amounts included in interest expense	287.4	-	-	287.4
Experience gains on scheme liabilities	(3.9)	-	-	(3.9)
Actuarial losses due to changes in financial assumptions	(340.9)	-	-	(340.9)
Actuarial losses due to changes in demographic assumptions	(57.5)	-	-	(57.5)
Re-measurement gains and losses recognised in the statement of other comprehensive income	(114 9)	-	-	(114.9)

[1] Costs are recognised in cost of goods sold, distribution and marketing expenses and general and administrative expenses.

24 Pensions and other post-retirement benefits (continued)

Valuation

Valuations are prepared. at each balance sheet date, by independent qualified actuaries using the projected unit credit method. Where funded, 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

	2017 %	2016 %
Rate of salary increases		
Final salary	3 00	3.10
CARE	3.00	2.90
Rate of increase of pensions in payment	3.00	3.10
Discount rate	2 60	2 80
Inflation	3 10	3 20

The average life expectancy assumed for the UBUK plan for a current male pensioner aged 65 is 21 7 years and for a current female pensioner aged 65 is 23.4 years; for a future male pensioner aged 65 in 2035 it is 23.0 years and for a future female pensioner aged 65 in 2036 it is 24.8 years.

The weighted average duration of the schemes is 15 years

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

Contributions of approximately £28.3 million (2016 £28.1 million) per annum in addition to the employer's regular contribution are being made in order to eliminate the deficit in the UK defined benefit plans on a funding basis. The total contributions to the Group's defined benefit plans in 2017 are expected to be approximately £39.5 million (2016 £36.4 million).

(b) Employee termination benefit

	2017 %	2016 %
Discount rate	11.8	-
Inflation	7	-
Probability of resignation of employees	5.5	-

(c) IDR

	2017 %	2016 %
Discount rate	1.35	1.35
Salary increase	2.5	2.5

24 Pensions and other post-retirement benefits (continued)

(d) Post-retirement healthcare

	2017 %	2016 %
Discount rate	0.8	0.8
Inflation	2.0	2.0
Rate of increase in healthcare costs	2.0	2.0

Sensitivity Analysis

If the discount rate were to decrease by 0.1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £37.4 million (2016 £40 4million).

If the inflation rate were to increase by 0 1% without changing any other assumptions the total pension defined benefit obligations would increase by approximately £26.3 million (2016 £30.2 million).

If the life expectancy were to increase by 1 year without changing any other assumptions the total pension defined benefit obligations would increase by approximately £103 5 million (2016 £101.5 million).

If the discount rate were to increase by 0.1% without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £36.8 million (2016 £39.7 million).

If the inflation rate were to decrease by 0.1% without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £25.9 million (2016 £29.8 million).

If the life expectancy were to decrease by 1 year without changing any other assumptions the total pension defined benefit obligations would decrease by approximately £103.5 million (2016 £101 3 million).

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

	Pension £m	Employee termination benefit £m	IDR £m	Healthcare £m	A&P Foods £m	Total £m
As at 1 January 2017	2,266.2	-	3.0	1.9	0.5	2,271.6
Current service cost	6.8	-	0.2	-		7.0
Interest cost	51.5	-	-	-		51.5
Curtailment gain	-	-	-	-		-
Employee contributions	-	-	-	-		-
Benefits paid	(104.4)	-	-	(0 1)		(104.5)
Re-measurement losses	19.2	-	-	-		19.2
Acquisition (Note 4)		15.9				15.9
Change in scope of consolidation	-	-	-	0.1	(0.2)	(0.1)
As at 31 December 2017	2,239.3	15.9	3.2	1.9	0 3	2,260.6

24 Pensions and other post-retirement benefits (continued)

	Pension £m	IDR £m	Healthcare £m	Total £m
As at 3 January 2016	1,891.0	4.8	1.9	1,897.7
Current service cost	7 3	-	-	7.3
Interest cost	57.5	-	-	57.5
Curtailment gain	(4.2)	-	-	(4 2)
Employee contributions	0.2	-	-	0 2
Benefits paid	(87.9)	-	-	(87.9)
Re-measurement losses	402.3	-	-	402.3
Change in scope of consolidation	-	(1.8)	-	(1.8)
As at 31 December 2016	2,266.2	3.0	1.9	2,271.1

The defined benefit obligation comprises £2,216.3 million (2016 £2,242.2 million) arising from funded plans and £28.3 million (2016 £28.9 million) from plans or arrangement that are unfunded.

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

	Total £m
As at 1 January 2017	2,027 3
Interest income	45 9
Employer contributions	35.3
Employee contributions	-
Benefits paid	(103 6)
Administration expenses	(3.8)
Re-measurement gains	153 1
As at 31 December 2017	2,154.2

	Total £m
As at 3 January 2016	1,746.0
Interest income	54.6
Employer contributions	36.9
Employee contributions	0.2
Benefits paid	(87.7)
Administration expenses	(4.2)
Re-measurement gains	281.5
As at 31 December 2016	2,027.3

25 Financial commitments

The Group's financial commitments in respect of retirement benefits are set out in Note 24. The Group's financial commitments in respect of capital expenditure and commitments are summarised below.

The Group's export commitments amount to USD 192.7 million as of 31 December 2017. The average period of export commitments is 2 years. If the export commitments are not fulfilled, the Group will lose certain tax advantages arising on procurement of imported raw materials. Export commitments in 2017 were realised in full.

The Group's rental revenue to be received in the future periods under non-cancellable rent agreements is £1.6 million (2016: nil) and are all due to be realised within one year.

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

	2017 £m	2016 £m
Not later than one year	8.8	8.6
Later than one year but not later than five years	22.4	25.4
Later than five years	15.2	13.7
	46.4	47.7

The Senior Facilities Agreement entered during the year places certain restrictions on the distribution of capital, similar to the restrictions that existed under the previous SFA. The Group is restricted from paying dividends and making other capital distributions (including shareholder loan repayments) where the Group's leverage ratio is above a certain level. Where leverage is below the relevant level, distributions of capital may be made provided that, after giving effect to such payment, the leverage shall not be greater than the agreed level.

26 Related party disclosures

Except as otherwise disclosed in these financial statements, there have been no transactions with 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 Party Disclosures".

Amounts due to parent company

Amounts due by the Group to the Yildiz Holding Group were as follows:

	2017 £m	2016 £m
Loan	826.3	1,173.4
Accrued interest	221.5	95.5
Other amounts due	9.6	30.3
Purchase of available-for-sale financial asset (see Note 15)	-	324.0
	1,057.4	1,623.2
Made up as follows:		
Non-current	1,051.5	1,623.2
Current	5.9	-
	1,057.4	1,623.2

Of the above, £1,051.5m bears interest at 8% per annum and is repayable in 2023.

26 Related party disclosures (continued)

Receivables and payables

	2017 £m	2016 £m
Horizon Hızlı Tük. Ür. Paz. Sat. ve Tic. A.Ş.		
Receivables	32.5	-
Pasifik Tük. Ürün. Satış ve Ticaret A.Ş		
Receivables	43.4	-
Teközel Gıda T. Sağ.Mrk. Hiz. San. Tic. A.Ş.		
Receivables	7.6	-
Eksper Tüketim Mad.Sat. ve Paz. A.Ş.		
Receivables	5.4	-
Yıldız Holding A.Ş.		
Payables	3.7	-
Önem Gıda San. ve Tic. A.Ş.		
Payables	42.0	-
Besler Gıda ve Kimya San. ve Tic. A.Ş.		
Payables	11.4	-
Marsa Yağ San. ve Tic. A.Ş.		
Payables	3.9	-
CCC Gıda San. ve Tic. A.Ş.		
Payables	2.7	-
Other		
Payables	3.0	-

Purchase and sale transactions

	2017 £m	2016 £m
Ulker Biskuvi San. A.S. and its subsidiaries [1]		
Sales	0.4	0.2
Purchases	13.2	10.7
Godiva Belgium		
Purchases	2.1	-
Starbrands		
Sales	2.1	-
Amir Global		
Sales	1.7	-

26 Related party disclosures (continued)

(1) Pladis Foods Limited acquired Ulker Biskuvi San A.S on 29 December 2017, therefore the above reflects transactions conducted in 2017 prior to the acquisition.

Short-term employee benefits paid to key management personnel, including directors, for the year ended 31 December 2017 totalled £4.8 million (2016: £1.7 million), which includes termination benefits of £0.7 million (2016: £nil).

Fees totalling £2.0 million (2016 £2.0 million) were payable by the Group to Yildiz Holding A.S. for the year ended 31 December 2017. These fees are payable in respect of the provision of corporate governance services, including directors' fees.

27 Ultimate parent company

In the directors' opinion, the Company's ultimate parent undertaking as at 31 December 2017 was Yildiz Holding A.S., a company registered in Turkey. The registered address is Kısıklı Mahallesi Cesme Cikmazi *Sokak No:6/1,34692, Uskudar/Istanbul -Turkey. The ultimate controlling party is Mr Murat Ülker.*

The immediate parent company is UMV Global Food Investments Limited, a company registered in Jersey. The registered address is Mourant GS, 22 Grenville Street, St.Helier, Jersey, JE4 8PX.

28 Subsidiaries exempt from audit

The following UK subsidiaries have taken advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2017.

Name	Registration number
Regentrealm Limited	3885120
Runecorp Limited	3876056
Solvecorp Limited	3876059
United Biscuits Bidco Limited	5957644
United Biscuits Bondco Limited	5957937
UB Group Limited	SC064218
United Biscuits Holdco Limited	5957557
United Biscuits Holdco 2 Limited	5957575
UB Overseas Limited	1496587
United Biscuits VLNco Limited	5957560

Company registered no: 09295357

PLADIS FOODS LIMITED

Parent Company Financial Statements

For the year ended 31 December 2017

Income statement

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
General and administrative expenses		(69.5)	(24.1)
Non-recurring and restructuring operating items	4	(3.1)	(46.8)
Operating loss		**(72.6)**	**(70.9)**
Interest receivable and other financial income	5	100.9	95.0
Interest payable and other financial charges	6	(122.9)	(95.5)
Loss before tax		**(94.6)**	**(71.4)**
Tax charge on loss	7	-	-
Loss for the year		**(94.6)**	**(71.4)**

All amounts relate to continuing activities.

The comparative accounting period is for the period from 3 January to 31 December 2016

Statement of comprehensive income

For the year ended 31 December 2017

	2017 £m	2016 £m
Loss for the year	(94 6)	(71 4)
Items that may be reclassified subsequently to profit or loss		
Fair value re-measurement on available for sale financial assets	8.0	(12.7)
Total items that may be reclassified subsequently to profit or loss	8.0	(12.7)
Other comprehensive loss for the year after tax	**8.0**	**(12.7)**
Total comprehensive loss for the year after tax	**(86.6)**	**(84.1)**

The comparative accounting period is for the period from 3 January to 31 December 2016

Balance sheet

As at 31 December 2017

	Note	2017 £m	2016 £m
Fixed assets			
Investment in subsidiary	8	1,867.4	-
Available-for-sale financial asset	9	-	268.0
Intangible assets	10	9.1	-
Tangible assets	11	1.9	-
		1,878.4	**268.0**
Debtors: amounts falling due in more than one year			
Amounts owed by Group undertakings	12	174.2	1,268.4
Cash		0.4	-
Net current assets		**174.6**	**1,268.4**
Total assets less current liabilities		**2,053.0**	**1,536.4**
Creditors: amounts falling due after more than one year			
Amounts owed to Group undertakings	13	(1,023.7)	(1,620.5)
		(1,023.7)	(1,620.5)
Net assets/(liabilities)		**1,029.3**	**(84.1)**
Capital and reserves			
Called up share capital	14	1,200.0	-
Retained losses		(170.7)	(84.1)
Total equity		**1,029.3**	**(84.1)**

The financial statements of Pladis Foods Limited (registered number 09295357) were approved by the Board and signed on its behalf on 10 December 2018.

Murat Ulker – Director

Statement of changes in equity

For the year ended 31 December 2017

	Equity attributable to equity holders of the Company		
	Share Capital £m	Retained losses £m	Total Equity £m
At 1 January 2017	-	(84.1)	(84.1)
Comprehensive loss in the year:			
Loss for the year	-	(94.6)	(94.6)
Fair value re-measurement on available for sale financial assets	-	8.0	8.0
Total comprehensive loss for the year	**-**	**(86.6)**	**(86.6)**
Issue of share capital	1,200.0	-	1,200.0
At 31 December 2017	**1,200.0**	**(170.7)**	**1,029.3**

For the period ended 31 December 2016

	Equity attributable to equity holders of the Company		
	Share Capital £m	Retained losses £m	Total Equity £m
At 3 January 2016	-	-	-
Comprehensive loss in the period:			
Loss for the period	-	(71.4)	(71.4)
Fair value re-measurement on available for sale financial assets		(12.7)	(12 7)
Total comprehensive loss for the period	-	**(84.1)**	**(84.1)**
At 31 December 2016	**-**	**(84.1)**	**(84.1)**

1 Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, except for certain equity instruments that have been measured at fair value, and in accordance with applicable UK accounting standards.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement to disclose new accounting standards not yet effective;
- the requirement of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement,
- the requirements of paragraphs 10(d), 10(f) and 134 -136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements.

The principal accounting policies adopted are set out below.

Significant accounting judgements, estimates, and assumptions

The preparation of the Company's financial statements in conformity with FRS 101 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported 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 assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing material adjustment within the next financial year arises in connection with the recoverability of intercompany receivables. Management judgement is necessary in assessing whether debtors are recoverable.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

Intangible assets

The Company 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.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and provision for impairment where appropriate.

Depreciation is provided on a straight-line basis based on the cost or valuation less residual value of assets over their expected useful lives. Rates of depreciation applied are as follows:

Fixtures and fittings	10 – 33% p.a.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are capitalised but are not depreciated until such time as they are available for use.

1 Accounting policies (continued)

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.

Financial assets

The classification of financial assets depends on the purpose for which the assets were acquired. Management determines the classification of an asset at initial recognition and re-evaluates the designation at each reporting date. Financial assets are classified as: loans and receivables, available for sale financial assets or financial assets where changes in fair value are charged (or credited) to the income statement.

Financial assets are initially recognised at fair value including directly attributable transaction costs unless the asset is being fair valued through the income statement. Where the transaction price differs from fair value at initial recognition, the Company accounts for such differences as follows:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value is adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability)

Available for sale financial assets are subsequently measured at fair value, with unrealised gains and losses being recognised in other comprehensive income.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously taken to reserves are included in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR The EIR amortisation is included in finance income in the income statement. Losses arising from impairment are recognised in the income statement.

Interest receivable and payable

Interest is recognised as it accrues using the effective interest method The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to its net carrying amount

Adoption of new and revised standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. This includes the amendments to IAS 7 Disclosure Initiative, IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses and Annual Improvements to IFRSs 2014-2016 Cycle Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2 Directors and employees

Directors' remuneration for Cem Karakas was paid by United Biscuits (UK) Limited, a subsidiary company within the Group and by whom he is employed. The directors received no remuneration in respect of qualifying services to this company. The company secretary is Mark Oldham. Refer to Note 6 in the Group accounts for further details.

The Company has no employees

3 Auditor's remuneration

The auditor's remuneration is borne by United Biscuits (UK) Limited. Refer to Note 6 of the Group accounts for details.

4 Non-underlying and restructuring operating items

	2017 £m	2016 £m
AFS fair value re-measurement	-	43.3
Restructuring expenses	3.1	3.5
	3.1	46.8

Details of the 2016 day one fair value adjustment of £43.3 million on the available for sale investment are disclosed in note 15 to the Group financial statements.

5 Interest receivable

	2017 £m	2016 £m
Interest receivable from a group undertaking	100.9	95.0

Interest is receivable from UMV Global Foods Company Limited, the direct subsidiary of the Company.

6 Interest payable

	2017 £m	2016 £m
Interest payable to parent company	(122.9)	(95.5)

7 Taxation

Current tax on the loss for the year 2017 is lower than the average rate of corporation tax in the UK of 19.25% (2016 – 20.25%). The differences are reconciled below:

	2017 £m	2016 £m
Loss before taxation	(94.6)	(71.4)
Tax credit at UK statutory rate of 19.25% (2016: 20.25%)	(18.2)	(14.3)
Disallowable expenses	25.0	8.5
Group relief (received) / surrendered for nil consideration	(6.8)	5.8
Total tax	-	-

8 Investments

	2017 £m	2016 £m
Cost brought forward	-	-
Additions	1,867 4	-
Cost carried forward	1,867 4	-

The Company holds 100% of UMV Global Foods Holding Company Limited's share capital, which was acquired at a nominal value of £1 in the prior period. During the year, the Company subscribed for an additional 1,200,000,000 ordinary shares of 1p each.

The Company's 51% holding in Ulker (see Note 9 below) has been reclassified to investments.

Refer to the Note 12 of the group accounts for details of all subsidiary companies

9 Available-for-sale financial assets

	2017 £m	2016 £m
AFS financial assets at fair value:		
Unquoted equity shares	-	268.0
	-	268 0

On 22 December 2016, the Company acquired 21% of the equity shares of Ulker from the non-listed shares held by the Company's ultimate parent, Yildiz Holding A.S The Company considers this investment to be strategic in nature. Under IFRS13, the fair value of these equity shares was determined by reference to published price quotations in an active market, in this case the Ulker share price on the Istanbul Stock Exchange.

The shares were acquired for a purchase price of £324.0m. The fair value of the shares on the 22 December 2016 purchase date was £280.7m, generating a day one fair value loss of £43.3m which has been recorded

9 Available-for-sale financial assets (continued)

as a non-recurring item within the income statement (see note 4). A further £12.7m fair value re-measurement loss arose from the purchase date to 31 December 2016, which was recorded in other comprehensive income.

On 29 December 2017, the Group acquired a further 30% of the equity shares of Ulker Biskuvi Sanayi AS ("Ulker") from the non-listed shares held by the Group's ultimate parent, Yildiz Holding A.S. The shares were acquired for £391 0m. The investment in Ulker is presented within fixed asset investments.

10 Intangible assets

	Assets under construction £m
Cost	
At 1 January 2017	-
Additions	9.1
At 31 December 2017	9.1
Accumulated amortisation	
At 1 January 2017	-
Charge for the year	-
At 31 December 2017	-
Net Book Value at 31 December 2017	9.1
Net Book Value at 31 December 2016	-

Software is not yet ready for use.

11 Tangible assets

	Assets under construction £m
Cost	
At 1 January 2017	-
Additions	1.9
At 31 December 2017	1 9
Accumulated depreciation	
At 1 January 2017	-
Charge for the year	-
At 31 December 2017	-
Net Book Value at 31 December 2017	1.9
Net Book Value at 31 December 2016	-

12 Amounts owed by Group undertakings

	2017 £m	2016 £m
Due from UMV Global Foods Holding Company Limited	166.7	1,268.4
Due from Starbrands	7.5	-
	174.2	1,268.4

13 Amounts owed to Group undertakings

Loans and other balances repayable, included within creditors, are analysed as follows:

	2017 £m	2016 £m
Wholly repayable within five years	859.0	351.6
Not wholly repayable within five years	164.7	1,268.9
	1,023.7	1,620.5

Details of loans and other balances wholly repayable within five years are as follows.

	2017 £m	2016 £m
Loans	845.2	324.0
Current account balances	13.8	27.6
	859.0	351.6

Details of loans not wholly repayable within five years are as follows:

	2017 £m	2016 £m
Intercompany loan repayable on 23 November 2023	164.7	1,268 9
	164 7	1,268.9

This intercompany loan is unsecured and accrues interest at 8% p.a

14 Share capital

Share capital
Ordinary shares Authorised, issued and fully paid

	Number of shares
Ordinary shares of 1 pence each	120,001,000,000

	Number of shares	£000
At 31 December 2016	1,000,000	10
Issued during the year	120,000,000,000	1,200,000,000
At 31 December 2017	120,001,000,000	1,200,000,010

During the year, the Company issued 120,000,000,000 ordinary shares to its shareholder, UMV Global Foods Investments Limited, satisfied by the waiver of an intercompany loan of £1,200,000,000.

On 6 March 2018, a further 93.42 billion £0 01 ordinary shares were issued by the Company in favour of its shareholder, satisfied by a waiver of an inter-company loan amounting to £934.2 million.

15 Ultimate parent company

In the directors' opinion, the Company's ultimate parent undertaking as at 31 December 2017 was Yildiz Holding A.S , a company registered in Turkey. The registered address is Kısıklı Mahallesi Cesme Cikmazi Sokak No:6/1,34692, Uskudar/Istanbul -Turkey. The ultimate controlling party is Mr Murat Ülker.

The immediate parent company is UMV Global Food Investments Limited, a company registered in Jersey. The registered address is Mourant GS, 22 Grenville Street, St.Helier, Jersey, JE4 8PX.