

COMPANY REGISTRATION NUMBER 3841804

KRAFT FOODS UK R&D LIMITED
FINANCIAL STATEMENTS
11 DECEMBER 2010

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KRAFT FOODS UK R&D LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

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KRAFT FOODS UK R&D LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

The directors have pleasure in presenting their report and the audited financial statements of the company for the period from 13 December 2009 to 11 December 2010

Principal Activities and Business Review

The principal activities of the company during the period were the provision of research and development services to fellow subsidiary companies within the Kraft Foods Inc group

Due to the straightforward nature of the business the company's directors are of the opinion that a detailed analysis using additional Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business

Results and Dividends

The profit for the period amounted to £1,141,000 (2009 - £2,121,000) The directors have not recommended a dividend (2009 - £Nil)

Principal Risks, Uncertainties and Future Outlook

As the company provides services to fellow subsidiaries within the Kraft Foods Inc group the directors consider the business and financial risk to be minimal and are further detailed in the ultimate parent company accounts The directors expect the business to continue in line with the current year

Financial Risk Management

As the company provides services to fellow subsidiaries the company has limited exposure to price risk, credit risk, liquidity risk and cash flow risk These are not considered to be material for the assessment of the assets, liabilities and financial position of the company

Directors

The directors who served the company during the period, and up to the date of signing of the financial statements, were as follows

J Graham
A Gundle
D Shearman

D Shearman was appointed as a director on 8 November 2010
A Gundle resigned as a director on 8 November 2010

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

Statement of Directors' Responsibilities

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

KRAFT FOODS UK R&D LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping 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.

Disclosure of Information to Auditors

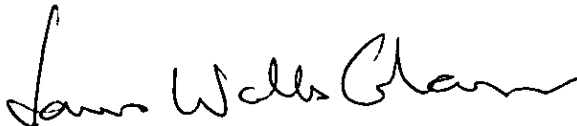
In so far as each of the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- each director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Signed on behalf of the board



Director J. W. GRAHAM

Approved by the directors on 23-06-2011

KRAFT FOODS UK R&D LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KRAFT FOODS UK R&D LIMITED

We have audited the financial statements of Kraft Foods UK R&D Limited for the period ended 11 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 to 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 11 December 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

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

KRAFT FOODS UK R&D LIMITED

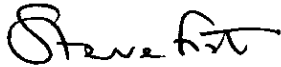
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF KRAFT FOODS UK R&D LIMITED *(continued)*

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

Matters on Which We are Required to Report by Exception

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

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



STEVE FISH (Senior Statutory Auditor)
For and on behalf of
PRICEWATERHOUSECOOPERS LLP
Chartered Accountants & Statutory Auditors

31 Great George Street
Bristol
BS1 5QD

23 June 2011

KRAFT FOODS UK R&D LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

	Note	2010 £000	2009 £000
Turnover			
Continuing operations		14,231	13,815
Discontinued operations		–	21,278
		<u>14,231</u>	<u>35,093</u>
Net operating expenses	2	(13,735)	(32,615)
Operating Profit:	3		
Continuing operations		496	935
Discontinued operations		–	1,543
		<u>496</u>	<u>2,478</u>
Interest receivable and similar income	6	54	41
Interest payable and similar charges	7	–	(99)
Profit on Ordinary Activities Before Taxation		<u>550</u>	<u>2,420</u>
Tax on profit on ordinary activities	8	591	(299)
Profit for the Financial Period		<u>1,141</u>	<u>2,121</u>

The company has no recognised gains or losses other than the results for the period as set out above

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalents

The accounting policies and notes on pages 7 to 18 form part of these financial statements

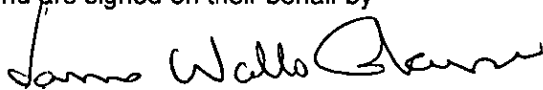
KRAFT FOODS UK R&D LIMITED

BALANCE SHEET

AS AT 11 DECEMBER 2010

	Note	11 Dec 10 £000	12 Dec 09 £000
Fixed Assets			
Tangible assets	9	<u>10,403</u>	<u>11,575</u>
Current Assets			
Debtors	10	<u>33,138</u>	<u>34,301</u>
Creditors Amounts Falling due Within One Year	11	<u>(6,489)</u>	<u>(9,511)</u>
Net Current Assets		<u>26,649</u>	<u>24,790</u>
Total Assets Less Current Liabilities		<u>37,052</u>	<u>36,365</u>
Provisions for Liabilities			
Deferred taxation	12	<u>(2,279)</u>	<u>(2,624)</u>
		<u>34,773</u>	<u>33,741</u>
Capital and Reserves			
Called-up share capital	16	<u>15,024</u>	<u>15,024</u>
Profit and loss account	17	<u>19,749</u>	<u>18,717</u>
Total Shareholder's Funds	18	<u>34,773</u>	<u>33,741</u>

These financial statements were approved by the board and authorised for issue on 23-06-2011 and are signed on their behalf by


Director J.W. GRAHAM

Company Registration Number 3841804

The accounting policies and notes on pages 7 to 18 form part of these financial statements.

KRAFT FOODS UK R&D LIMITED

ACCOUNTING POLICIES

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements are also prepared on the going concern basis and in accordance with the Companies Act 2006. The principal accounting policies which have been applied consistently throughout the period are set out below

Cash Flow Statement

The directors have taken advantage of the exemption in Financial Reporting Standard Number 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Related Parties Transactions

The company is a wholly owned subsidiary of Kraft Foods Inc, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the Kraft Foods group

Turnover

Turnover represents the value of invoiced and accrued research and development services to fellow subsidiary companies in the Kraft Foods Inc group, excluding value added tax

Fixed Assets

Tangible fixed assets are stated at historic cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant, machinery and equipment- 3 to 20 years

Work in progress is not depreciated

Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension Costs

The company is a participating employer in the Kraft Foods Retirement Benefits Plan, a group operated defined benefit scheme, for the benefit of the majority of its employees. The assets of the scheme are held separately from those of the company in independently administered funds. As the company is not able to separately identify its share of the assets and liabilities of the group scheme it accounts for contributions as if they were to a defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account in the period to which they relate

KRAFT FOODS UK R&D LIMITED

ACCOUNTING POLICIES *(continued)*

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

Provisions for Liabilities

Provisions are recognised where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. The effect of the time value of money on the provisions are not discounted unless material.

Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Share-Based Payments

Equity-settled share-based payment transactions for employee services received are measured at fair value and recognised as an expense spread over the service periods for share awards expected to vest. The fair value is measured by reference to the number and market value of the equity instruments at the date of grant. At each balance sheet date the company revises its estimates of the number of awards that are expected to vest and recognises the impact in the income statement with a corresponding adjustment to equity.

Recharges made to the company when the share awards have vested are recognised when paid and accounted for as a decrease in equity.

Provision is also made for the cost of stock option awards, granted by the ultimate parent company before November 2002, based on the market value of outstanding stock options at the end of the period. The costs of stock options exercised during the period are recharged to the company based on the spread between the issue and exercise price of those options.

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

1. Turnover

The company's activities consist solely of the provision of research and development services to fellow subsidiary companies of Kraft Foods Inc. As these activities are wholly undertaken within the United Kingdom no further segmental information is required.

2. Analysis of Net Operating Expenses

	Continuing operations £000	Discontinued operations £000	Total £000
Period from 13 December 2009 to 11 December 2010			
Turnover	14,231	-	14,231
Administrative expenses	13,735	-	13,735
Operating profit	496	-	496
Period from 13 December 2009 to 12 December 2009			
Turnover	13,815	21,278	35,093
Administrative expenses	12,880	19,735	32,615
Operating profit	935	1,543	2,478

3. Operating Profit

Operating profit is stated after charging

	2010 £000	2009 £000
Depreciation of owned fixed assets	1,937	825
Loss on disposal of fixed assets	16	15
Operating lease costs		
- Plant and equipment	6	10
- Other	261	355

Audit fees for the company are borne on behalf of the UK group by a fellow subsidiary undertaking and included in a service charge to the company. An estimated allocation of the audit fee for the period is £10,000 (2009 - £10,000).

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

4. Employee Information

The average monthly number of staff employed by the company during the financial period amounted to

	2010 Number	2009 Number
Number of research and development staff	143	140
Number of sales and marketing staff	–	15
Number of administration staff	16	48
	<u>159</u>	<u>203</u>

The aggregate payroll costs of the above were

	2010 £000	2009 £000
Wages and salaries	7,916	10,249
Social security costs	675	861
Other pension costs	1,456	620
Equity-settled share-based payments	287	(195)
	<u>10,334</u>	<u>11,535</u>

Other pension costs comprise contributions by the company to the Kraft Foods Retirement Benefits Plan, a group operated defined benefit scheme of which Kraft Foods UK Ltd is the sponsoring employer. With respect to the defined benefit scheme the contributions it receives are based upon the pension cost of the scheme members across the Kraft Foods group of companies as a whole. The company is unable to separately identify its share of the underlying assets and liabilities of the scheme on either a consistent or reasonable basis and therefore accounts for the scheme as a defined contribution scheme. At 11 December 2010 the company actuary estimated that the scheme had a deficit of £30,278,000 (2009 - £46,484,000) under the projected unit method. Further details of the pension fund are included in the financial statements of Kraft Foods UK Ltd. The company has no obligation to contribute towards the deficit accruing prior to the date of the transfer of the R&D business, although from that date could be jointly liable for a share of the deficit.

5. Directors' Remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2010 £000	2009 £000
Remuneration receivable	<u>957</u>	<u>501</u>

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

5. Directors' Remuneration *(continued)*

Remuneration of highest paid director:

	2010 £000	2009 £000
Total remuneration (excluding pension contributions)	<u>783</u>	<u>246</u>

Benefits are accruing under a defined benefits pension scheme and, at the period end the accrued pension amounted to £Nil (2009 - £55,000)

The number of directors who accrued benefits under company pension schemes was as follows

	2010 Number	2009 Number
Defined benefit schemes	<u>2</u>	<u>2</u>

The number of directors who exercised share options and received shares under a long term incentive scheme during the period were as follows

	2010 Number	2009 Number
Directors who exercised share options	1	1
Directors who received shares under a long term incentive scheme	<u>2</u>	<u>1</u>

6. Interest Receivable and Similar Income

	2010 £000	2009 £000
Other interest	–	1
Interest on loans to fellow subsidiaries	<u>54</u>	<u>40</u>
	<u>54</u>	<u>41</u>

7. Interest Payable and Similar Charges

	2010 £000	2009 £000
Interest on loans from fellow subsidiaries	<u>–</u>	<u>99</u>

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

8 Tax on Profit on Ordinary Activities

(a) Analysis of charge in the period

	2010 £000	2009 £000
Current tax		
UK Corporation tax based on the results for the period at 28% (2009 - 28%)	-	248
Adjustment in respect of previous period	(246)	(80)
Total current tax	(246)	168
Deferred tax		
Origination and reversal of timing differences	(152)	164
Adjustment in respect of previous period	(97)	(33)
Effect of changed tax rate on opening balance	(96)	-
Total deferred tax (note 12)	(345)	131
Tax on profit on ordinary activities	(591)	299

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower (2009 – lower) than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £000	2009 £000
Profit on ordinary activities before taxation	550	2,420
Profit on ordinary activities multiplied by standard rate of tax	154	678
Expenses not deductible for tax purposes	(442)	(266)
Capital allowances for period less than/(in excess) of depreciation	249	(235)
Adjustment in respect of previous period	(246)	(80)
Group losses surrendered without charge	131	-
Other timing differences	(92)	71
Total current tax (note 8(a))	(246)	168

In July 2010 The Finance (No 2) Act 2010 was substantively enacted and reduced the rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. The deferred tax liability has been calculated using this rate.

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

8. Tax on profit on Ordinary Activities *(continued)*

(c) Factors that may affect future tax charges

A number of further changes to the UK Corporation tax system were announced in the March 2011 Budget Statement. A decrease in the corporation tax rate to 26%, effective from 1 April 2011, was substantively enacted on 29 March 2011 under the Provisional Collection of Taxes Act 1968. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

If it had been enacted at the balance sheet date, the effect of the changes enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax liability provided at 11 December 2010 and increase profit by approximately £85,000.

9. Tangible Assets

	Leasehold Improvements £000	Plant, machinery and equipment £000	Work in progress £000	Total £000
Cost				
At 13 December 2009	11	9,596	2,673	12,280
Additions	–	–	781	781
Disposals	–	(665)	–	(665)
Transfers	–	2,876	(2,876)	–
At 11 December 2010	11	11,807	578	12,396
Accumulated Depreciation				
At 13 December 2009	–	705	–	705
Charge for the period	–	1,937	–	1,937
On disposals	–	(649)	–	(649)
At 11 December 2010	–	1,993	–	1,993
Net Book Value				
At 11 December 2010	11	9,814	578	10,403
At 12 December 2009	11	8,891	2,673	11,575

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

10. Debtors

	11 Dec 10 £000	12 Dec 09 £000
Amounts owed by group undertakings	29,125	27,277
Other debtors	211	325
Prepayments and accrued income	3,802	6,699
	<u>33,138</u>	<u>34,301</u>

Amounts due from fellow subsidiary companies include non trading balances which are unsecured, bear interest at London Interbank Mean Rate less 0.25% and are repayable on demand

11. Creditors: Amounts Falling due Within One Year

	11 Dec 10 £000	12 Dec 09 £000
Trade creditors	673	463
Amounts owed to fellow subsidiary companies	1,012	-
Corporation tax	-	463
Other taxation	303	213
Other creditors	125	19
Accruals and deferred income	4,376	8,353
	<u>6,489</u>	<u>9,511</u>

12 Deferred Taxation

The movement in the deferred taxation provision during the period was

	2010 £000	2009 £000
Provision brought forward	2,624	(556)
Transfer from Kraft Foods UK Ltd (see note)	-	3,049
Profit and loss account movement arising during the period	(345)	131
Provision carried forward	<u>2,279</u>	<u>2,624</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	11 Dec 10 £000	12 Dec 09 £000
Excess of taxation allowances over depreciation on fixed assets	2,502	(100)
Transfer from Kraft Foods UK Ltd	-	3,049
Other timing differences	(223)	(325)
	<u>2,279</u>	<u>2,624</u>

In 2009 a deferred tax provision of £3,049,000 was transferred to the company from Kraft Foods UK Ltd. This was in respect of accelerated capital allowances on fixed assets transferred to the company.

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

13. Share-Based Payments

Performance Incentive Plan

Under a Performance Incentive Plan eligible employees of the company are granted a "Deferred Stock Unit Award" (the "Award") with respect to a number of shares (the "Deferred Shares") of the Common Stock of Kraft Foods Inc. The employee does not have the right to vote the Deferred Shares or receive dividends but is entitled to receive cash payments in lieu of dividends otherwise payable. The Awards are non transferable and may not be assigned, hypothecated or otherwise pledged. The Awards granted to eligible employees have no performance criteria attached to them other than the requirement that the employee remains in employment of the Kraft Foods Inc. group from award date to vesting date. If an employee moves within the Kraft Foods Inc. group then an inter-group reallocation is made and the charge for the Award is time apportioned. The Awards generally vest on the third anniversary of the grant date.

Movements in the total number of deferred shares and their weighted-average grant date fair values (WAFV) are as follows

	2010		2009	
	Number of shares	WAFV	Number of shares	WAFV
Opening balance	19,560	£16.90	165,140	£16.43
Granted	4,460	£18.83	29,390	£17.25
Vested	(9,390)	£16.90	(80,220)	£16.39
Forfeited	(1,970)	£17.25	(15,090)	£16.67
Inter-group reallocation	-	-	(79,660)	£16.66
Closing balance	<u>12,660</u>	£17.52	<u>19,560</u>	£16.90

The fair value of deferred stock is determined based on the number of shares granted and the market value at date of grant. The total charge / (credit) for the period relating to employee share-based payments under this plan was £249,000 (2009 - £(233,000)), all of which related to equity-settled share-based payment transactions.

Executive share option scheme

The company has a share option scheme for eligible employees (including directors). Options are granted at an exercise price equal to the market value of the underlying stock on the date of grant. Share options generally become exercisable one-third each year on the first anniversary of the grant date and have a maximum term of ten years. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are not transferrable and are forfeited if the employee leaves the company before the options are exercised. If an employee moves within the Kraft group then an inter-group re-allocation is made on a time apportioned basis.

Details of the number of share options and the weighted average exercise price (WAEP) during the period are as follows

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

13. Share-Based Payments *(continued)*

		2010		2009
	Number of shares	WAEP	Number of shares	WAEP
Opening balance	398,874	£12 85	541,186	£17 64
Options exercised	(83,216)	£8 93	(118,920)	£8 01
Options cancelled/forfeited	(97,497)	£8 73	(63,360)	£13 02
New options issued in period	17,760	£18 83	82,200	£16 52
Inter-group reallocation	-	-	(42,232)	-
Closing balance	<u>235,921</u>	£16 65	<u>398,874</u>	£12 85
Exercisable at the end of the period	<u>200,349</u>	£16 63	<u>369,268</u>	£16 31

In February 2010 options were granted at an exercise price of £18 83 (2009 - £16 52). The estimated fair value of the options granted was £2 38 (2009 - £1 87). The fair values were calculated by Kraft Foods Inc using a modified Black Scholes methodology.

The weighted-average Black-Scholes fair value assumptions were as follows:

Risk-free interest rate	2.82%
Expected life	6 years
Expected volatility	19.86%
Expected dividend yield	4.14%
Fair value at grant date	£2 38

For options outstanding at the end of the period the range of exercise prices and their weighted average remaining life in years (WARL) are as follows:

		2010		2009
Range of exercise prices	Number of shares	WARL	Number of shares	WARL
£0.01 - £5.00	-	-	98,149	0.13
£10.01 - £15.00	110,800	1.46	177,284	2.63
£15.01 - £20.00	125,121	2.41	123,441	2.93
Closing balance	<u>235,921</u>	2.10	<u>398,874</u>	2.56

The weighted average share price during the period for options exercised over the period was £21 57 (2009 - £16 31). The total charge for the period relating to employee share-based payments under this plan was £38,000 (2009 - £38,000), all of which related to equity-settled share-based payment transactions.

The 2009 comparative figures for the WAEP of options exercised the range of exercise prices and associated WARL have been revised.

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

14. Lease Commitments

At 11 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	11 Dec 10	12 Dec 09
	£000	£000
Operating leases which expire		
Within 2 to 5 years	<u>265</u>	<u>265</u>

15. Related Party Transactions

The company undertakes transactions with its fellow subsidiaries and parent companies which are eliminated on consolidation in the consolidated financial statements of the ultimate parent company. The company has taken advantage of the exemption under FRS 8 not to disclose such transactions.

There were no other transactions during the period, which were material either to the company or the counterparty, and which are required to be disclosed under the provisions of FRS 8.

16. Called-Up Share Capital

Authorised share capital.

	11 Dec 10	12 Dec 09
	£000	£000
100,000,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted and fully paid.

	11 Dec 10		12 Dec 09	
	Number	£000	Number	£000
15,024,453 Ordinary shares of £1 each	<u>15,024,453</u>	<u>15,024</u>	<u>15,024,453</u>	<u>15,024</u>

17. Profit and Loss Account

	2010	2009
	£000	£000
Balance brought forward	18,717	17,753
Profit for the financial period	1,141	2,121
Movement in respect of equity share based payments	(109)	(1,157)
Balance carried forward	<u>19,749</u>	<u>18,717</u>

KRAFT FOODS UK R&D LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 13 DECEMBER 2009 TO 11 DECEMBER 2010

18. Reconciliation of Movements in Shareholder's Funds

	11 Dec 10 £000	12 Dec 09 £000
Profit for the financial period	1,141	2,121
New ordinary share capital subscribed	—	10,024
Movement in respect of equity share based payments	(109)	(1,157)
Net addition to shareholder's funds	1,032	10,988
Opening shareholder's funds	33,741	22,753
Closing shareholder's funds	34,773	33,741

19 Ultimate Parent Company and Controlling Party

At 11 December 2009 and 12 December 2009 the immediate parent company was Kraft Foods UK Ltd. Kraft Foods Schweiz Holdings GmbH, a company incorporated in Switzerland, is the parent company of the smallest group to consolidate these financial statements.

The company's ultimate parent company and controlling party is Kraft Foods Inc, incorporated in the United States of America. This is the parent company of the largest group to consolidate these financial statements. Copies of the consolidated financial statements of Kraft Foods Inc are available on application from the Company Secretary, St George's House, Bayshill Road, Cheltenham, Gloucestershire, GL50 3AE.