

Registered No. 1494105

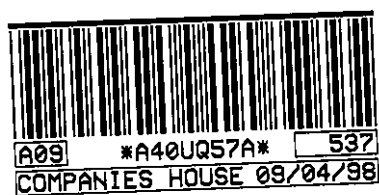
UB FOODS US LIMITED

REPORT AND ACCOUNTS

FOR

THE 53 WEEKS ENDED

3 JANUARY 1998



UB Foods US Limited

Directors' Report

Directors

The directors of the Company who served during the year are as follows:

A.G. Clark
A.D. Frew
E.L. Nicoli (Appointed 6.1.97)
J.A. Warren (Appointed 6.1.97)

The directors submit their annual report together with the accounts for the 53 weeks ended 3 January 1998.

Principal Activity, Review of the Business and Future Developments

The sole activity of the company is to act as an investment holding company for the United Biscuits Group. No change in this activity is intended. Full details of the performance of the United Biscuits Group are set out in the report and accounts of United Biscuits (Holdings) plc, the ultimate parent company, copies of which can be obtained from the address shown in note 11.

On 8 April 1997, the Company entered into an agreement with United Biscuits (UK) Limited ("UB (UK)"), a fellow subsidiary of the United Biscuits Group, by which the Company agreed to loan UB (UK) £125,000,000. In consideration of the loan, UB (UK) issued a loan note to the Company for the issue of up to £152,500,000 discounted convertible unsecured loan stock 2000.

The Company applied to the High Court of Justice, Chancery Division for a reduction of the share premium account. This was duly granted, and on 30 July 1997, the share premium account of the Company was reduced from £750,691,000 to £135,715,000.

By agreement dated 15 December 1997, the Company acquired the legal title to certain trademarks from UB Group Limited, a fellow subsidiary of the United Biscuits Group, for a consideration of the sterling equivalent of US\$150m. On 16 December 1997, the legal title in the trademarks was then transferred to PepsiCo Inc for an equivalent amount.

Directors' Interests

The interests of the directors and their families in the share capital of the ultimate holding company, United Biscuits (Holdings) plc at the beginning and the end of the year are set out in note 10 to the accounts.

During the year the company maintained liability insurance for its directors and officers.

Dividend

The directors do not recommend the payment of a dividend for the year.

Directors' Report

Auditors

A resolution to reappoint Ernst & Young as auditors to the Company will be proposed at the Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'A.D. Frew', with a large, stylized initial 'A' and a long, sweeping underline.

A.D. Frew
Secretary

24 March 1998

Statement of directors' responsibilities in relation to the accounts

The following statement which should be read in conjunction with the report of the auditors set out on page 5, describes the responsibilities of the directors in relation to these accounts.

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit and loss for the year.

The directors are of the opinion that, in preparing these accounts, the Company has used appropriate and consistently applied accounting policies, supported by reasonable and prudent estimates and judgements. All applicable accounting standards have been followed and the accounts have been prepared on a going concern basis.

The directors are responsible for ensuring that the Company keeps accounting records which disclose, with reasonable accuracy, the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors also have responsibility for safeguarding the assets of the Company and for taking reasonable steps to ensure the prevention of fraud and other irregularities.

The directors are satisfied that the Company has adequate resources to meet its operational needs for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the accounts.

Report of the auditors to the members of UB Foods US Limited

We have audited the accounts on pages 6 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are solely responsible for the preparation of the accounts. It is our responsibility to form an independent opinion on those accounts based on our audit, and to report our opinion to you.

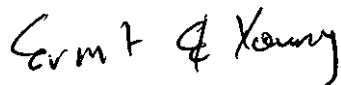
Basis of Opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 3 January 1998, and of the profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

24 March 1998

UB Foods US Limited

Profit and Loss Account

for the 53 weeks ended 3 January 1998

Notes

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| Income from shares in group undertakings | 3,201 | - |
| Royalties received from group undertakings | 275 | - |
| Other income | 175 | - |
| Administrative expenses | - | (543) |
| (Loss) on disposal of trademark | (431) | - |
| 2 Net interest income | 6,969 | 6,754 |
| (Loss) on disposal of investment in subsidiary undertakings | (1,462) | (4,017) |
| Profit on ordinary activities before tax | 8,727 | 2,194 |
| Tax on profit on ordinary activities | (28) | - |
| Profit transferred to reserves | 8,699 | 2,194 |

There were no recognised gains or losses other than the profit for the year disclosed above.

UB Foods US Limited

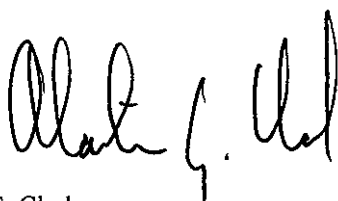
Balance Sheet

as at 3 January 1998

Notes

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| Fixed assets | | |
| 3 Intangible assets | - | - |
| 4 Investment in subsidiary undertakings | 3,536 | 3,536 |
| Current assets | | |
| 5 Other debtors | 91,424 | - |
| Amounts due from fellow subsidiary undertakings | 157,586 | 147,174 |
| | 249,010 | 147,174 |
| Creditors amounts falling due within one year: | | |
| Amounts owed to fellow subsidiary undertakings | 103,582 | 10,619 |
| Accruals and deferred income | 485 | 995 |
| | 104,067 | 11,614 |
| Net current assets | 144,943 | 135,560 |
| Total assets less current liabilities | 148,479 | 139,096 |
| 6 Provisions for liabilities and charges | 3,065 | 2,381 |
| | 3,065 | 2,381 |
| Net assets | 145,414 | 136,715 |
| 7 Capital and reserves | | |
| Called up equity share capital | 1,000 | 1,000 |
| Share premium account | 135,715 | 750,691 |
| Profit and loss account | 8,699 | (614,976) |
| 8 Shareholder's funds | 145,414 | 136,715 |

Signed on behalf of the board 24 March 1998



A.G. Clark
Director

UB Foods US Limited

Notes to the accounts at 3 January 1998

1 Accounting policies

Basis of accounting

The accounts are prepared on the historical cost basis of accounting and are prepared in accordance with applicable accounting standards. The company is exempt from producing group accounts, under S228 CA 1985, as its ultimate parent company, United Biscuits (Holdings) plc, has published group accounts. These are available at the address given in note 11.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Fixed asset investments

Investments are stated at their historic cost. Permanent diminutions in the value of investments are taken to the Profit and Loss account.

Intangible assets

Trademarks are valued at cost at the date of acquisition and accounted for as intangible assets. No amortisation is provided on these assets but the cost will be written down if, in the directors' opinion, there has been a permanent diminution in value.

2 Net interest income

| | 1997 | 1996 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Interest income from fellow subsidiary undertakings | 8,077 | 6,880 |
| Interest payable to fellow subsidiary undertakings | (1,108) | (126) |
| | <u>6,969</u> | <u>6,754</u> |

3 Intangible assets

| | |
|---------------------|-----------------|
| Trademarks at cost: | £'000 |
| At 29 December 1996 | - |
| Acquisitions | 91,855 |
| Disposals | <u>(91,855)</u> |
| At 3 January 1998 | <u>-</u> |

UB Foods US Limited

Notes to the accounts at 3 January 1998 (continued)

4 Investments in subsidiary undertakings

| | 1997 £'000 | 1996 £'000 |
|---|---------------|---------------|
| Unlisted shares in subsidiary undertaking at cost, net of provision for loss in value: | | |
| At 29 December 1996 | 3,536 | - |
| Acquisition of shares in subsidiary undertakings | - | 9,010 |
| Disposal of shares in subsidiary undertaking | - | (5,474) |
| Acquisition of shares in associate undertaking | - | 1,483 |
| Disposal of shares in associate undertaking | - | (1,483) |
| At 3 January 1998 | 3,536 | 3,536 |

Details of the Company's principal subsidiary undertakings at 3 January 1998 are set out below:

| <u>Principal Subsidiary undertakings</u> | <u>Activity</u> | <u>Country of Incorporation</u> |
|--|-----------------|---------------------------------|
|--|-----------------|---------------------------------|

Held directly:

| | | |
|-------------------------|-----------------|-------------|
| UB Snackfoods Europe BV | Holding Company | Netherlands |
|-------------------------|-----------------|-------------|

Held indirectly:

| | | |
|---------------------|--------------------|---------|
| KP Snack Foods GmbH | Snack manufacturer | Germany |
|---------------------|--------------------|---------|

The above subsidiaries are wholly owned.

The particulars given relate only to those undertakings whose results, in the opinion of the directors, principally affect the amount of the profit or assets of the Company.

5 Other Debtors

On 15 December 1997 the Company purchased for US\$150 million (£91,855,000) trademarks from a fellow subsidiary undertaking of the United Biscuits Group. These trademarks were subsequently sold to PepsiCo Inc. for US\$150 million (£91,424,000) effective on 2 January 1998.

UB Foods US Limited

Notes to the accounts at 3 January 1998 (continued)

6 Provisions for Liabilities and charges

| | Other Provisions |
|------------------------|------------------|
| | £'000 |
| At 29 December 1996 | 2,381 |
| Profit and loss charge | 1,500 |
| Amounts utilised | (816) |
| At 3 January 1998 | <u>3,065</u> |

Provisions for liabilities and charges represent liabilities arising from disposals of investments in prior years.

7 Equity Share Capital

| | 1997 | 1996 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Authorised ordinary shares of £1 each | <u>25,000</u> | <u>25,000</u> |
| Allotted, called up and fully paid shares of £1 each | <u>1,000</u> | <u>1,000</u> |

8 Reconciliation of movements in shareholder's funds

| | Share Capital | Share Premium | Profit & Loss Account | Total 1997 | Total 1996 |
|-----------------------------|---------------|----------------|-----------------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening shareholder's funds | 1,000 | 750,691 | (614,976) | 136,715 | 134,521 |
| Reduction of capital | - | (614,976) | 614,976 | - | - |
| Profit for the year | - | - | 8,699 | 8,699 | 2,194 |
| Closing shareholder's funds | <u>1,000</u> | <u>135,715</u> | <u>8,699</u> | <u>145,414</u> | <u>136,715</u> |

During the year the company applied to the High Court of Justice, Chancery Division, for a reduction of the share premium account which was then applied to the deficit on the profit and loss account. This was duly granted, and effected by a special resolution passed on 30 July 1997.

UB Foods US Limited

Notes to the accounts at 3 January 1998 (continued)

9 Directors' emoluments

| | 1997 £ | 1996 £ |
|--|------------------|------------------|
| Emoluments | 1,360,039 | 1,335,110 |
| Company contributions paid to defined benefit pension scheme | 198,346 | 205,988 |
| | <u>1,558,385</u> | <u>1,541,098</u> |

The amounts in respect of the highest paid director are as follows:

| | | |
|--|----------------|----------------|
| Emoluments | 571,321 | 578,722 |
| Company contributions paid to defined benefit pension scheme | 91,944 | 96,223 |
| | <u>663,265</u> | <u>674,945</u> |

| | | |
|--|-------------|-------------|
| | 1997 No. | 1996 No. |
| Members defined benefit pension scheme | 4 | 4 |

The directors of the Company are also directors of fellow subsidiaries. The directors received total remuneration for the year of £1,558,385 (1996: £1,541,098), which was paid by fellow subsidiaries. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of fellow subsidiaries.

10 Directors' interests in the share capital of the ultimate holding company

| | Ordinary Shares | | Options | | | |
|-------------|-----------------|-------------|-------------|---------|--------|-------------|
| | 1997 No. | 1996 No. | 1997 No. | Granted | Lapsed | 1996 No. |
| A.G. Clark | 45,873 | 44,095 | 142,428 | 22,851 | 6,695 | 126,272 |
| A.D. Frew | 3,662 | 3,559 | 213,398 | 13,044 | - | 200,354 |
| E.L. Nicoli | 80,258 | 74,398 | 524,167 | 53,939 | 17,755 | 487,983 |
| J.A. Warren | 21,963 | 20,804 | 305,073 | 44,348 | - | 260,725 |

The options are exercisable at prices varying from 159p to 400p up to 15 April 2007.

Since the year end the beneficial shareholdings of A.G. Clark, A.D. Frew, E.L. Nicoli and J.A. Warren have increased by 648, 21, 1,033 and 361 ordinary shares respectively.

11 Ultimate parent company

The ultimate parent company is United Biscuits (Holdings) plc which is incorporated in Scotland. Copies of the United Biscuits Group accounts can be obtained from Church Road, West Drayton, Middlesex UB7 7PR.