

Registered No. 2207650

UB FROZEN & CHILLED FOODS LIMITED

REPORT AND ACCOUNTS

FOR

THE 52 WEEKS ENDED

2 JANUARY 1999



u/accounts/1999/ubf&c

UB Frozen & Chilled Foods Limited

Directors' Report

Directors

A.G. Clark
A.D. Frew
E.L. Nicoli (resigned with effect from 30 April 1999)
J.A. Warren

The directors present their report and the accounts for the fifty-two weeks ended 2 January 1999.

Principal activities, review of the business and future developments

The principal activities of the Company are the manufacture and processing of frozen and chilled food products. No change in this activity is intended.

On a like for like basis, sales rose by 3% to £391.2m but operating profit slipped £3.6m to £26.3m, due to inflationary cost pressures from fish, and late in the year, potatoes. This masked good performances in the rest of the portfolio, the year ending with market share increases in most of our frozen food categories.

The Linda McCartney meat-free range, which returned to TV advertising after a three year break, secured an excellent 15% increase in sales with further product launches, including flame-grilled burgers, a range of ready meals and two new grillsteaks. Underlining the strength of the Linda McCartney brand, the year also saw our entry into the chilled and food service sectors.

Following the highly successful relaunch of the San Marco frozen pizza range in the second quarter of 1998, growth began to show through in the second half, with sales up 24%, helped by range extensions into Snack Pizza.

Within the frozen desserts market, McVitie's continued to add both brand and product innovation. The continued success of Go Ahead! saw sales ahead by 36% as the brand extended further into family desserts and a new 85% fat free ice cream-style dessert.

A further example of innovation was the launch, last Autumn, of frozen mealtime Hula Hoops. Within eight weeks of trading, this product secured a 14% share of the frozen potato products market.

Post Balance Sheet Event

On 2 July 1999, the Company sold its Young's frozen seafood business to Bluecrest Seafood Limited. The net assets disposed of amounted to £36million, and the Company received cash consideration of £38million. This disposal was effected as part of the creation of a seafood joint venture between the United Biscuits Group and financial investors. The United Biscuits Group holds 44% of the equity of the joint venture.

Profit and appropriations

The profit and appropriations for the year are shown in the profit and loss account on page 7. A dividend of £30m (1997: £24m) was paid on 18 December 1998.

Fixed assets

An analysis of the movement in tangible fixed assets is shown in note 6.

Research and development

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

UB Frozen & Chilled Foods Limited

Directors' Report (continued)

Employment policies

The Company has a comprehensive framework of employment policies. The rights and opportunities of all people to seek, obtain and hold employment with dignity and without any form of discrimination remains of great importance to the Company.

It is 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 reason whatsoever. This policy applies in respect of all conditions of employment.

Equal opportunity is offered to disabled persons, whether registered or not, applying for vacancies having regard to their aptitudes and abilities. Arrangements are made to continue the employment, wherever possible, of those employees who have become disabled. Consideration is also given to arranging appropriate training facilities or providing special aids where necessary. Disabled persons are also provided with the same opportunities for training, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

The Company not only complies with the safety and health measures required by law, but acts positively to ensure that its premises are safe and healthy places in which to work. It recognises that the health and safety of all its employees, whether on Company premises or carrying out Company business elsewhere and of person visiting Company premises, is primarily the responsibility of management.

Suppliers

The Company negotiates appropriate terms and conditions of trade as competitively as it negotiates prices and other commercial matters. Employees are bound by the terms of the Company's 'Ethics and Operating Principles' which sets out the Company's code of practice on the treatment of its suppliers. This policy states that 'all suppliers will be paid on time in accordance with agreed terms of trade'.

The Company paid suppliers on average within 30 days of invoice during 1998.

Directors

The names of the present directors, all of whom served throughout the year are as stated above.

No director had, during the year or at the end of the year, any material interest in any contract of significance to the Company's business.

UB Frozen & Chilled Foods Limited

Directors' Report (continued)

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 end of the year are set out in note 17 to the accounts.

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

Millennium Compliance

In order to secure customer service levels across the change to the year 2000, the United Biscuits Group started Planning in 1995 a major programme of millennium compliance activity. This involves the testing and replacement, where necessary, of all computer software, hardware, telecommunications and other equipment containing embedded microchips. This millennium compliance programme remains on schedule. In addition, the Group is involving its stakeholders, particularly suppliers and customers, in the establishment and testing of detailed contingency planning arrangements in case of problems anywhere in the supply chain.

Auditors

A resolution to reappoint Ernst & Young as auditors will be put to the annual general meeting.

On behalf of the board



A.D. Frew
Secretary

16 July 1999

Registered Office:
Church Road
West Drayton
Middlesex UB7 7PR

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 6, 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 the accounts on pages 7 to 17 inclusive, appropriate accounting policies have been consistently applied, supported by reasonable and prudent estimates and judgements, and all applicable accounting standards have been followed.

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.

They 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.

UB Frozen & Chilled Foods Limited

Report of the auditors to the members of UB Frozen & Chilled Foods Limited

We have audited the accounts on pages 7 to 17 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion based on our audit on those accounts and to report our opinion to you.

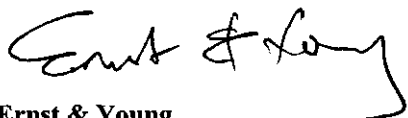
Basis of opinion

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 2 January 1999 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

16 July 1999

UB Frozen & Chilled Foods Limited

Profit & Loss Account

for the 52 weeks ended 2 January 1999

	Notes	1998 £m	1997 £m
Turnover		391.2	386.7
Cost of sales		(288.8)	(287.3)
Gross profit		102.4	99.4
Distribution, selling and marketing costs		(68.9)	(59.7)
Administrative expenses	2	(7.3)	(9.8)
Other operating income		0.1	-
Operating profit		26.3	29.9
Profit on disposal of investments		0.2	0.2
Profit before interest	2	26.5	30.1
Interest	3	(4.2)	(4.8)
Profit on ordinary activities before tax		22.3	25.3
Tax on profit on ordinary activities	4	(4.4)	(7.5)
Profit attributable to shareholders		17.9	17.8
Dividends	5	(30.0)	(24.0)
Balance (from)/to reserves	14	(12.1)	(6.2)

All activities relate to continuing operations.

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


UB Frozen & Chilled Foods Limited

Balance Sheet

as at 2 January 1999

	Notes	1998 £m	1997 £m
Fixed assets			
Tangible assets	6	94.0	93.1
Investments	7	0.7	0.7
		94.7	93.8
Current assets			
Stocks	8	44.7	35.2
Debtors	9	148.8	271.2
Cash at bank and in hand		6.1	3.9
		199.6	310.3
Creditors: amounts falling due within one year			
Trade and other creditors	10	192.8	280.1
Loans, overdrafts and finance lease obligations		-	7.0
Taxation		2.1	3.7
		194.9	290.8
Net current assets		4.7	19.5
Total assets less current liabilities		99.4	113.3
Creditors: amounts falling due after more than one year			
Other creditors	11	0.9	0.9
Provisions for liabilities and charges	12	1.3	3.1
		97.2	109.3
Capital and reserves			
Called up equity share capital	13	-	-
Share premium account	14	37.8	37.8
Capital reserve	14	34.2	34.2
Profit and loss account	14	25.2	37.3
Shareholder's funds		97.2	109.3

Signed on behalf of the board 16 July 1999



A.G. Clark
Director

UB Frozen & Chilled Foods Limited

Notes to the accounts

1 Accounting policies

Basis of accounting

The accounts are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

Turnover

Turnover consists of sales to third parties after trade discounts and excludes value added tax.

Exceptional items

Items which are of an exceptional nature by virtue of their size or incidence are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the group, or profits or losses on the disposal of fixed assets. In these cases, separate disclosure is provided in the profit and loss account after operating profit.

Tangible assets

Depreciation is calculated to write off the cost of the assets over their expected useful lives by equal annual instalments principally at the following rates:

Land and buildings	-	1½% unless short leasehold
Short leasehold	-	over the life of the lease
Plant	-	3-15%
Vehicles	-	20-30%
Fixtures & Fittings	-	10-33%

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the primary lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost in the case of raw materials and goods for resale is determined on a first-in, first-out basis. Cost, in the case of products manufactured by the Company, comprises direct material and labour cost together with appropriate factory overheads.

Commodity purchases

Certain commodities are purchased on the futures market in order to reduce the exposure to changes in the cost of ingredients. When contracts are closed, the realised surplus and deficits are applied against the cost of the related ingredients in the year of delivery.

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

1 Accounting policies (continued)

Taxation

Deferred taxation is provided on all timing differences of material amount except where no liability is likely to arise in the foreseeable future. Advance corporation tax is carried forward provided that it is expected to be offset against corporation tax liabilities on the profits of the next accounting period.

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, all differences being taken to the profit and loss account.

Research and development

Expenditure on research and development is written off as incurred.

Cash flow statement

The Company has not produced a cash flow statement as the ultimate holding Company, United Biscuits (Holdings) plc has prepared a consolidated cash flow statement complying with FRS 1.

2 Profit before interest

All of the Company's turnover arose in the United Kingdom and in the opinion of the directors is all in the same business segment relating to the manufacture of frozen and chilled food products.

Profit before interest is after charging:	1998 £m	1997 £m
Depreciation	11.4	11.0
Operating lease rentals - Plant machinery	2.4	2.4
- Land and buildings	1.0	1.0
Research and development	1.2	1.0
Fees paid to auditors		
-in their capacity as auditors	0.1	0.1
-internal audit services	0.1	-

Administrative expenses include the following exceptional items:

Factory rationalisation	(1.9)	-
Profit arising on insurance proceeds	2.4	-
	<u>0.5</u>	<u>-</u>

3 Interest

	1998 £m	1997 £m
Interest payable to fellow subsidiary	<u>4.2</u>	<u>4.8</u>

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

4 Tax on profit on ordinary activities

	1998	1997
	£m	£m
On the profit for the year:		
UK corporation tax at 31% (1997 : 31.5%)	5.6	6.5
Deferred tax	-	0.7
Adjustments in respect of prior years:		
- Current tax	(1.3)	-
- Deferred tax	0.1	0.3
	<u>4.4</u>	<u>7.5</u>

The tax credit on the operating exceptional credit of £0.5m (1997: £nil) was £0.6m (1997: £nil)

The tax charge on the non-operating exceptional credit of £0.2m (1997: £0.2m) was £nil (1997: £nil).

5 Dividends

	1998	1997
	£m	£m
Dividends - paid	<u>30.0</u>	<u>24.0</u>

6 Tangible fixed assets

	Land and Buildings Freehold	Leasehold	Plant, machinery and Vehicles	Fixtures and fittings	Total
	£m	£m	£m	£m	£m
Cost					
At 3 January 1998	18.7	19.6	117.9	5.5	161.7
Additions	2.0	2.3	8.4	-	12.7
Disposals	(1.3)	-	(4.0)	(0.5)	(5.8)
At 2 January 1999	19.4	21.9	122.3	5.0	168.6
Depreciation					
At 3 January 1998	3.1	3.6	57.9	4.0	68.6
Charge for year	1.2	0.6	9.4	0.2	11.4
Disposals	(1.3)	-	(3.6)	(0.5)	(5.4)
At 2 January 1999	3.0	4.2	63.7	3.7	74.6
Net book value at 2 January 1999	16.4	17.7	58.6	1.3	94.0
Net book value at 3 January 1998	15.6	16.0	60.0	1.5	93.1

The net book value of leasehold properties includes £1.3m (1997: £1.3m) in respect of leases with under 50 years to run at 2 January 1999

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

7 Investments

At 2 January 1999 the Company owned the following investments:

	Country of Incorporation	Ownership	Principal business Markets
UB Surgeles France SARL	France	100%	Exported frozen foods
Capital Foods Investments Ltd (in receivership)	UK	24.9%	Retail frozen foods

The Company also held investments in other subsidiaries which were either dormant or not significant. In the opinion of the directors the value at which the investments are stated in the accounts is not less than the aggregate value of the investments. Group accounts have not been prepared and related party transactions have not been disclosed as the Company is wholly owned by another company incorporated in Great Britain.

8 Stocks

	1998 £m	1997 £m
Raw materials and consumables	22.0	17.6
Work in progress	1.0	1.3
Finished goods	<u>21.7</u>	<u>16.3</u>
	<u>44.7</u>	<u>35.2</u>

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

9 Debtors

	1998 £m	1997 £m
Trade debtors	45.3	41.2
Other debtors	0.1	4.1
Amounts owed by parent company and other subsidiary undertakings	100.6	223.6
Prepayments and accrued income	<u>2.8</u>	<u>2.3</u>
	<u>148.8</u>	<u>271.2</u>

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

10 Creditors

	1998 £m	1997 £m
Trade creditors	30.8	21.5
Other creditors	2.2	2.7
Other taxes and social security costs	1.5	1.5
Amounts owed to parent company and other subsidiary undertakings	109.3	210.1
Accruals and deferred income	<u>49.0</u>	<u>44.3</u>
	<u>192.8</u>	<u>280.1</u>

11 Other creditors falling due after more than one year

	1998 £m	1997 £m
Deferred income	<u>0.9</u>	<u>0.9</u>

12 Provisions for liabilities and charges

	Deferred tax £m	Rationalisation provisions £m	Total £m
At 3 January 1998	(0.7)	3.8	3.1
Profit and loss charge/(credit)	0.1	1.9	2.0
Amounts utilised	-	(3.8)	(3.8)
At 2 January 1999	(0.6)	1.9	1.3

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

12 Provision for liabilities and charges (continued)

The potential liability for deferred tax which has not been provided for, is as follows:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 3 January 1998	16.5	(0.1)	16.4
Current year movement	0.4	0.1	0.5
Prior year movements	(1.3)	(0.3)	(1.6)
At 2 January 1999	15.6	(0.3)	15.3

13 Equity share capital

	1998 £	1997 £
Authorised - 40,000 ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>
Allotted, called up and fully paid shares of £1 each	<u>37,978</u>	<u>37,978</u>

14 Reconciliation of movements in shareholder's funds

	Share premium £m	Capital reserve £m	Profit and loss account £m	Total 1998 £m	Total 1997
At 3 January 1998	37.8	34.2	37.3	109.3	115.5
Profit attributable to shareholders	-	-	17.9	17.4	17.8
Dividends	-	-	(30.0)	(30.0)	(24.0)
At 2 January 1999	37.8	34.2	25.2	97.2	109.3

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

15 Pay and benefits to employees

	1998	1997
	£m	£m
Gross wages and salaries, holiday and sick pay	58.9	58.5
Social security costs	4.6	4.4
Pensions and other costs	<u>2.3</u>	<u>2.1</u>
	<u>65.8</u>	<u>65.0</u>

During the year the average number of employees was 4,507 (1997: 4,663). All employees of the Company have service contracts with United Biscuits (UK) Limited. Employment costs are recharged to the Company as disclosed above.

Pension Scheme

All employees of the Company are eligible for membership of the United Biscuits Pension Plan. Full details of the United Biscuits Pension Plan are disclosed within the accounts of United Biscuits (UK) Limited.

16 Directors' emoluments

	1998	1997
	£	£
- Emoluments	1,226,485	1,360,039
- Company contributions paid to defined benefit pension scheme	202,939	198,346
	<u>1,429,424</u>	<u>1,558,385</u>

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

	1998	1997
	£	£
Emoluments	508,228	571,321
Company contributions paid to defined benefit pension scheme	<u>94,270</u>	<u>91,944</u>
	<u>602,498</u>	<u>663,265</u>

	1998	1997
	No.	No.
Members of the defined benefit pension scheme	4	4

The directors of the Company are also directors of fellow subsidiaries. The directors' remuneration for the year was paid by a fellow subsidiary. 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.

UB Frozen & Chilled Foods Limited

Notes to the accounts (continued)

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

	Ordinary Shares		Options			
	1998 No.	1997 No.	1998 No.	Granted	Lapsed	1997 No.
A.G. Clark	42,334	45,873	149,673	18,600	11,355	142,428
A.D. Frew	3,471	3,662	229,298	15,900	-	213,398
E.L. Nicoli	72,961	80,258	572,241	93,200	45,126	524,167
J.A. Warren	23,210	21,963	315,418	25,105	14,760	305,073

Since the year end, the beneficial shareholdings of A.G. Clark, A.D. Frew and J.A. Warren have increased by 4,174, 9,538 and 13,716 ordinary shares respectively. The year end and prior to 30 April 1999 the beneficial shareholding of E. Nicoli increased by 22,333 ordinary shares.

The options are exercisable at prices varying from 159p to 400p up to 19 April 2008.

18 Financial commitments

The Company's financial commitments in respect of capital expenditure and rentals are summarised below:

	1998 £m	1997 £m
Capital expenditure:		
- contracted for	0.9	1.0

Rental commitments:

As at 3 January 1998 the Company had annual rental commitments in respect of non-cancellable operating leases as follows:

	1998		1997	
	Land & buildings £m	Other £m	Land & Buildings £m	Other £m
Expiring within one year	0.1	0.5	-	0.5
Within two to five years	0.2	0.3	0.2	0.2
Over five years	0.6	-	0.9	-
	0.9	0.8	1.1	0.7

UB Frozen & Chilled Foods Limited

19 Ultimate parent company

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