

Registered No. 2506007

UNITED BISCUITS (UK) LIMITED

REPORT AND ACCOUNTS

FOR

THE 52 WEEKS ENDED

31st DECEMBER 1994



Directors' Report

Directors

A.G. Clark
A.D. Frew
E.L. Nicoli
J.A. Warren

The directors present their report and the accounts for the fifty-two weeks ended 31st December 1994.

Principal activities and review of the business

The principal activities of the Company are the manufacture and sale of a wide range of food products, principally biscuits and savoury snacks.

The 1993 directors' report detailed an internal reorganisation between the Company and a fellow subsidiary of the United Biscuits group, UB Group Limited (Company number: 64218). As a result of this reorganisation, the 1993 accounts for the Company reflected the trading of the UK businesses of McVitie's and KP for the period from 6th November 1993 to 1st January 1994 only. The review of the businesses set out below make comparisons with the full year figures for 1993.

McVities's UK

McVitie's UK is Britain's market leader in biscuits. In 1994 sales were down by 1% to £611 million in a market that contracted overall by 2% over the year. Against aggressive price competition among manufacturers and price retailers the Company increased spending on consumer marketing to affirm the power of its leading product brands. This stimulated sales growth for Jaffa Cakes, Boasters and Mini Cheddars but contributed to a modest fall in margins. The huge programme of initiatives in marketing, product quality and innovation will boost sales growth for improved profitability in the years ahead.

KP UK

KP UK is a leading British savoury snacks operation. In 1994, sales fell by 2% to £378 million. Furthermore, inflationary cost increases on oils and packaging materials and fierce price-based competition, exacerbated by widespread overcapacity in the crisp sector, resulted in significant pressure on margins. The steps we have taken to reduce significantly our cost base will allow us to invest in our high quality brands and enhance our already strong market positions thus ensuring future success.

Derwent Valley Foods

The businesses of Derwent Valley Foods Limited and Sisterson Foods Limited both United Biscuits group subsidiaries, were transferred to the Company on the 31st December 1994.

Details of turnover and operating profit on a segmental basis are set out in note 2 of the accounts.

Full details of the performance of McVitie's and KP Foods worldwide are set out in the report and accounts of United Biscuits (Holdings) plc, the ultimate parent company, copies of which may be obtained from the address shown in note 23.

Profit and appropriations

The profit and appropriations for the year are shown in the profit and loss account on page 6.

On 19th December 1994, an interim dividend of £69.4 million was paid. The directors do not recommend the payment of any further dividend.

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. In addition to new product success, significant research advances were achieved in the understanding of key raw materials and processes.

Charitable donations

During the year the total amount of charitable donations made by the Company in the UK amounted to £681,000.

Employment policies

The Company has a comprehensive framework of employment policies.

Employees at all levels shall not in the course of employment discriminate against any other person, or be discriminated against on the grounds of colour, race, religion, sex, marital status or ethnic or national origins. This policy applies in respect of all conditions of work, including salaries and wages, hours of work, holiday entitlement, overtime and shift work, work allocation, sick pay, recruitment, training, promotion, redundancy and use of available amenities.

Equal opportunities are 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.

There are regular consultations at all levels with employees through union representatives, staff councils and consultative committees. Information on matters of concern to employees is given through employee reports, in-house journals and other publications.

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, safety and welfare of all its employees, whether on company premises or carrying out Company business elsewhere, is primarily the management's responsibility. In addition, the Company recognises that it has a responsibility for the health and safety of other persons whilst they are on its premises.

Directors

The names of the present directors are as stated above, all the directors served throughout the year. In accordance with the articles of association, they all remain in office.

Directors of the Company are eligible to participate in the group's employee share schemes. Except in relation to the scrip dividend alternative, no other arrangements to which the Company was a party subsisted at the end of the year or at any time during the year which would enable directors or their families to acquire benefits by the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

The interests of the directors and their families in the share capital of the ultimate parent company, United Biscuits (Holdings) plc at the beginning and end of the year are set out in note 20 to the accounts.

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

Auditors

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

On behalf of the Board



Registered Office:
Church Road
West Drayton
Middlesex UB7 7PR

A D Frew
Secretary

24th March 1995

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 the accounts on pages 6 to 21 inclusive, appropriate accounting policies have been consistently applied, supported by reasonable and prudent estimates and judgements, and all applicable accounting standards have been followed. 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.

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.

Report of the auditors to the members of United Biscuits (UK) Limited

We have audited the accounts on pages 6 to 21 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 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 31st December 1994, and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
London

24th March 1995

United Biscuits (UK) Limited

Profit & Loss Account

for the 52 weeks ended 31st December 1994

Notes		1994 £m	1993 £m
2	Turnover		
	Continuing operations	988.2	163.5
	Discontinued operations	-	32.9
	Total turnover	988.2	196.4
	Trade discounts	178.0	32.4
	Turnover after trade discounts	810.2	164.0
	Cost of sales	531.0	102.0
	Gross profit	279.2	62.0
	Distribution, selling and marketing costs	152.8	27.6
	Administrative expenses	61.9	13.3
3	Operational reorganisation costs	-	18.2
	Other income	(2.2)	(0.7)
2	Operating profit/(loss)		
	Continuing operations	66.7	4.5
	Discontinued operations	-	(0.9)
	Total operating profit	66.7	3.6
	Profit on disposal of discontinued operations	0.1	73.3
	(Loss)/profit on disposal of fixed assets	(14.9)	8.5
3	Profit before interest	51.9	85.4
4	Interest	3.2	2.6
	Profit on ordinary activities before tax	48.7	82.8
	Profit on ordinary activities before tax and exceptional items	71.6	19.2
	Total exceptional items	(22.9)	63.6
6	Tax on profit on ordinary activities	16.7	23.0
17	Profit attributable to shareholders	32.0	59.8
7	Dividends	69.4	-
	Balance (from)/to reserves	(37.4)	59.8

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

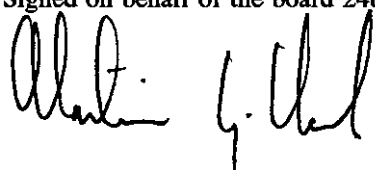
United Biscuits (UK) Limited

Balance Sheet

31st December 1994

Notes		1994 £m	1993 £m
	Fixed assets		
8	Tangible assets	340.8	316.5
9	Investments	3.0	3.0
		343.8	319.5
	Current assets		
10	Stocks	53.3	52.0
11	Debtors	152.9	147.7
	Amount owed by parent company and fellow subsidiaries	226.5	192.9
	Short-term deposits and loans	1.3	40.6
	Cash at bank and in hand	28.9	36.2
		462.9	469.4
	Creditors: amounts falling due within one year		
12	Trade and other creditors	106.3	100.6
13	Loans, overdrafts and finance lease obligations	40.0	5.0
	Amount owed to parent company and fellow subsidiaries	212.3	204.0
	Taxation	31.6	30.9
		390.2	340.5
	Net current assets	72.7	128.9
	Total assets less current liabilities	416.5	448.4
	Creditors: amounts falling due after more than one year		
13	Loans and finance lease obligations	21.9	23.1
14	Other creditors	3.7	5.0
15	Provisions for liabilities and charges	36.9	28.9
		354.0	391.4
	Capital and reserves		
16	Called up equity share capital	10.0	10.0
17	Share premium account	321.6	321.6
17	Profit and loss account	22.4	59.8
17	Shareholder's funds	354.0	391.4

Signed on behalf of the board 24th March 1995.



A.G. Clark.

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 before discounts and excludes value added tax.

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 (except as noted below) - 1½ % unless short leasehold.

Short leasehold - over the life of the lease.

Plant and machinery - 3-15 %

Vehicles - 20-30 %

Fixtures and fittings - 10-33 %

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.

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.

Pensions

The expected cost of the Company's pension schemes is charged to the profit and loss account over the service lives of employees. Variations from regular cost are spread over the expected remaining service lives of the relevant employees.

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.

Government grants

Capital grants received in respect of any fixed assets are credited to deferred income and amortised to the profit and loss account over the economic useful lives of the assets to which they relate.

Adjustments to comparative figures

Certain comparative figures in the accounts and the notes thereto have been revised in minor respects onto a basis consistent with that applied in the current year.

2 Analysis of results, assets and employee numbers

The Company's turnover, operating profit, assets and employee numbers are analysed below:

	<u>Turnover</u>		<u>Operating profit before exceptional items</u>		<u>Total assets less current liabilities</u>		<u>Average number of employees</u>	
	1994 £m	1993 £m	1994 £m	1993 £m	1994 £m	1993 £m	1994 No.	1993 No.
McVitie's UK	610.7	97.2	66.9	19.6	269.0	256.9	6,739	1,102
KP UK	377.5	66.3	19.9	5.5	90.4	116.0	4,954	778
Terry's UK (Discontinued)	-	32.9	-	(0.9)	-	-	-	513
Group overheads and Central Services including distribution and sales			(12.0)	(2.4)			2,368	66
Operating exceptional items			(8.1)	(18.2)				
Non operating and unallocated assets and liabilities					57.1	75.5		
	988.2	196.4	66.7	3.6	416.5	448.4	14,061	2,459

Turnover derives from the UK with the exception of exports which amounted to £59.8m in 1994 (1993: £7.4m) from continuing activities.

3

Profit before interest

	1994 £m	1993 £m
Profit before interest is after charging/(crediting):		
Operational exceptional items:		
- UK reorganisation	-	18.2
- Factory closure and reorganisation	8.1	-
Non-operating exceptional items:		
- Profit on disposal of former head office	-	(8.5)
- Loss on closure of Grimsby factory	13.3	-
- Loss on disposal of fixed assets	1.6	-
- Profit on sale of Terry's UK Business	(0.1)	(73.3)
Total exceptional items	22.9	(63.6)
Depreciation	30.1	5.4
Operating lease rentals - plant and machinery	6.2	1.9
- land and buildings	8.7	1.0
Research and development	7.5	1.5
Directors' emoluments (see note 19)	0.9	0.1
Fees paid to auditors:		
- In their capacity as auditors	0.5	0.1
- Other services	0.2	-

3 Profit before interest continued

Full analysis of turnover down to profit before interest is set out below:

	1994			1993		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	988.2	-	988.2	163.5	32.9	196.4
Trade discounts	178.0	-	178.0	28.7	3.7	32.4
Turnover after trade discounts	810.2	-	810.2	134.8	29.2	164.0
Cost of sales	531.0	-	531.0	81.6	20.4	102.0
Gross profit	279.2	-	279.2	53.2	8.8	62.0
Distribution, selling and marketing costs	152.8	-	152.8	19.2	8.4	27.6
Administrative expenses	61.9	-	61.9	12.0	1.3	13.3
Operating reorganisation costs	-	-	-	18.2	-	18.2
Other income	(2.2)	-	(2.2)	(0.7)	-	(0.7)
Total operating profit before exceptional items	66.7	-	66.7	4.5	(0.9)	3.6
Non-operating exceptional (charges)/credits	(14.9)	0.1	(14.8)	8.5	73.3	81.8
Profit before interest	51.8	0.1	51.9	13.0	72.4	85.4

4 Interest

	1994 £m	1993 £m
Interest payable		
Bank loans and overdrafts	4.2	0.3
Fellow subsidiary undertakings	-	2.6
Other	1.2	-
	<hr/> 5.4	<hr/> 2.9
Interest receivable		
Bank deposits	0.5	0.1
Other	1.7	0.2
	<hr/> 2.2	<hr/> 0.3
Net interest expense	<hr/> 3.2	<hr/> 2.6

5 Profit sharing

Employees with five years service are eligible to participate in the Profit Sharing Scheme which is approved under the Finance Act 1978 (as amended). The board determines the amount of profits (if any) to be made available to the Trustees of the Scheme up to a maximum of five per cent of those profits. No payments will be made under the Scheme in respect of 1994. (1993:Nil).

6 Tax on profit on ordinary activities

	1994 £m	1993 £m
On the profit for the year:		
UK corporation tax at 33 %	15.1	30.9
Adjustment in respect of prior years	(0.6)	-
Deferred tax	2.2	(7.9)
	<u>16.7</u>	<u>23.0</u>

The tax credit on operating exceptional charge of £8.1m (1993: £18.2m) was £2.7m (1993: £6.0m).

The tax credit on the non-operating exceptional charge of £14.8m (1993: credit of £81.8m) was £0.6m (1993: charge of £22.9m).

7 Dividends

	1994 £m	1993 £m
Dividends paid	<u>69.4</u>	<u>-</u>

Tangible Assets

	Land and buildings		Plant, machinery and vehicles	Fixtures and fittings	Projects in progress	Total
	Freehold £m	Leasehold £m	£m	£m	£m	£m
Cost						
At 1st January 1994	98.9	13.2	299.5	32.3	51.1	495.0
Additions	2.1	4.9	1.0	1.9	42.6	52.5
Disposals	(0.7)	-	(9.0)	(2.5)	-	(12.2)
Transfers from/(to) group companies	2.3	1.1	7.3	(0.3)	-	10.4
Reclassification	6.5	(1.6)	20.1	2.0	(27.0)	-
At 31st December 1994	109.1	17.6	318.9	33.4	66.7	545.7
Depreciation						
At 1st January 1994	15.9	2.1	144.0	16.5	-	178.5
Charge for year	2.0	0.6	23.4	4.1	-	30.1
Disposals	-	-	(8.5)	(0.9)	-	(9.4)
Transfers from group companies	0.4	0.4	4.9	-	-	5.7
Reclassification	0.1	(0.1)	-	-	-	-
At 31st December 1994	18.4	3.0	163.8	19.7	-	204.9
Net book value at 31st December 1994	90.7	14.6	155.1	13.7	66.7	340.8
Net book value at 1st January 1994	83.0	11.1	155.5	15.8	51.1	316.5

The net book value of leasehold properties includes £12.8m (1993: £8.2m) in respect of leases with under 50 years to run at 31st December 1994.

Analysis of leased tangible assets

The book value of assets acquired under finance lease arrangements is set out below:

	Land and Buildings Leasehold £m	Plant, machinery and vehicles £m	Total £m
At 31st December 1994			
Cost	5.0	1.9	6.9
Depreciation	-	1.7	1.7
	—	—	—
Net book value	5.0	0.2	5.2
	—	—	—
Net book value at 1st January 1994	-	0.2	0.2
	—	—	—

9 Investments

	1994 £m	1993 £m
Investments in subsidiary undertakings	3.0	3.0

At the 31st December 1994 the Company wholly owned the following subsidiary undertakings: UB York Limited and UB Bridgend One Limited which were both dormant. 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.

10 Stocks

	1994 £m	1993 £m
Raw materials and consumables	34.2	31.8
Work in progress	0.4	0.4
Finished goods	18.7	19.8
	<hr/>	<hr/>
	53.3	52.0
	<hr/>	<hr/>

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

11 Debtors

	1994 £m	1993 £m
Trade debtors	115.3	120.0
Other debtors	4.4	0.2
Prepayments and accrued income	33.2	27.5
	<hr/>	<hr/>
	152.9	147.7
	<hr/>	<hr/>

Debtors include £17.6m (1993: £14.7m) which is due after more than one year.

12 Trade and other creditors

	1994 £m	1993 £m
Trade creditors	34.8	30.3
Other creditors	5.3	4.6
Other taxes and social security costs	9.0	10.4
Government grants	0.5	0.5
Accruals and deferred income	56.7	54.8
	<u>106.3</u>	<u>100.6</u>

13 Loans, overdrafts and finance lease obligations

	1994 £m	1993 £m
Other loans	53.3	23.0
Overdrafts	3.5	4.9
Finance lease obligations	5.1	0.2
	<u>61.9</u>	<u>28.1</u>
Repayable as follows:		
Over five years	4.7	16.7
Over 2 years and under 5 years	15.5	5.0
Over 1 year and under 2 years	1.7	1.4
Under one year	40.0	5.0
	<u>61.9</u>	<u>28.1</u>

Finance lease obligations are generally secured on the tangible assets to which the obligations relate (see note 8).

14 Other creditors falling after more than one year

	1994 £m	1993 £m
Deferred income - Government grants	2.9	3.3
Other creditors	0.8	1.7
	<u>3.7</u>	<u>5.0</u>

15 Provisions for liabilities and charges

	Deferred tax £m	Rationalisation provisions £m	Total £m
At 1st January 1994	(2.7)	31.6	28.9
Profit and loss charge	2.2	22.9	25.1
Payments in the year	-	(17.1)	(17.1)
At 31st December 1994	<u>(0.5)</u>	<u>37.4</u>	<u>36.9</u>

Deferred Tax

The deferred tax asset consists of the following:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 1st January 1994	1.3	(4.0)	(2.7)
Profit and loss charge	-	2.2	2.2
At 31st December 1994	<u>1.3</u>	<u>(1.8)</u>	<u>(0.5)</u>

None of the tax liability is payable within one year after the balance sheet date. The potential liability for deferred tax which has not been provided for, is as follows:

	1994 £m	1993 £m
Accelerated capital allowances	65.1	66.6
Other timing differences	(1.6)	(1.9)
	<u>63.5</u>	<u>64.7</u>

16 Equity share capital

	1994 £m	1993 £m
Authorised - 10 million ordinary shares of £1 each	10.0	10.0
	—	—
Allotted, called up and fully paid shares of £1 each	10.0	10.0
	—	—

17 Reconciliation of movement in shareholder's funds

	Called up equity share capital £m	Share premium £m	Profit and loss account £m	Total 1994 £m	Total 1993 £m
At 1st January 1994	10.0	321.6	59.8	391.4	-
Share capital issued	-	-	-	-	10.0
Share premium arising	-	-	-	-	321.6
Profit attributable to shareholders	-	-	32.0	32.0	59.8
Dividends	-	-	(69.4)	(69.4)	-
At 31st December 1994	10.0	321.6	22.4	354.0	391.4

18 Guarantees and contingent liabilities

	1994 £m	1993 £m
Joint and several guarantees in respect of borrowings by other group companies:		
US\$330m revolving credit facility	54.5	20.9
Other	-	4.7
	—	—
	54.5	25.6
	—	—

19 Directors' emoluments

	1994 £000	1993 £000
Emoluments as executives:		
- Salaries	869	838
- Benefits	55	46
- Pension contributions	203	201
	<hr/>	<hr/>
	1,127	1,085
	<hr/>	<hr/>

Emoluments, excluding pension fund contributions, of the directors were within the following bands

£	No.	No.
Nil	-	3
125,001 - 130,000	1	-
145,001 - 150,000	1	1
155,001 - 160,000	-	1
210,001 - 215,000	-	1
235,001 - 240,000	1	-
365,001 - 370,000	-	1
405,001 - 410,000	1	-

Directors included above, serving for part of the year only - 7

The emoluments, excluding pension contributions, of the highest paid director were £408,294 (1993: £369,988)

The directors of the Company are also directors of fellow subsidiaries. The directors received total remuneration for the year from the United Biscuits' group of £1,126,544 (1993: £1,084,821), which was paid partly 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. Comparative figures for 1993 have been restated on this basis.

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

	Ordinary Shares		Options			
	1994 No.	1993 No.	1994 No.	Granted	Exercised	1993 No.
A.G. Clark	38,332	36,708	84,562	9,651	-	74,911
A.D. Frew	-	-	101,360	7,098	-	94,262
E.L. Nicoli	31,544	19,972	406,358	51,832	-	354,256
J.A. Warren	10,320	9,818	211,878	22,181	-	189,697

Since the year end, the beneficial shareholdings of A.G. Clark, E.L. Nicoli and J.A. Warren have increased by 176, 156 and 196 shares respectively.

The options are exercisable at prices varying from 190p to 400p up to April 2004.

21 Pay and benefits to employees

	1994 £m	1993 £m
Gross wages and salaries, holidays and sick pay	183.4	35.5
Social security costs	17.0	3.0
Pension and other costs	7.8	1.4
	<hr/> 208.2 <hr/>	<hr/> 39.9 <hr/>

During the year the average number of employees was 14,061 (1993: 2,459).

Certain employees in the frozen and chilled businesses have service contracts with United Biscuits (UK) Limited, these costs have been recharged to UB (Ross Young's) Limited and the appropriate accounting disclosures have been made in those accounts.

Pension Schemes

The Company's principal pension scheme is of the defined benefit type funded by payments to a separate trustee administered fund. The latest actuarial valuation of the scheme was carried out by an independent qualified actuary during 1994.

The main actuarial assumptions were as follows:

Investment return per annum	9%
Wages and salaries increases per annum	7%
Pension increases per annum	5%

The stability of the age profile of scheme membership dictates the most appropriate method in valuing a scheme. The independent actuaries have advised that the use of the projected unit method for valuing the main pension plan is more appropriate than the attained age method used previously. The total market value of these schemes' assets, at the date of the last valuation, together with their funding level as a percentage of accrued benefit liabilities, was £441m (101%). The schemes cover certain employees of UB(Ross Young's) Limited but it is not practicable to separate the market value of the assets.

At 31st December 1994 pre-payments included an amount of £16.8m (1993: £16.8m) resulting from the difference between pension cost and the amounts funded.

22 Financial commitments

The company's financial commitments at the year-end in respect of finance lease obligations and in respect of its pension arrangements are set out in notes 13 and 21 respectively. The company's financial commitments in respect of capital expenditure and rentals are summarised below:

	1994 £m	1993 £m
Capital expenditure:		
- contracted for net of government grants	11.1	13.7
- authorised but not contracted for	10.3	7.6
	—	—
	21.4	21.3
	—	—

Rental commitments:

As at 31st December 1994 the company had annual rental commitments in respect of operating leases as follows:

	1994		1993	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring - within one year	0.5	1.9	0.2	1.7
over one year and under five years	1.0	4.0	0.4	3.5
over five years	5.5	0.1	5.5	1.2
	7.0	6.0	6.1	6.4

23 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.