

Registered No. 2506007

UNITED BISCUITS (UK) LIMITED

REPORT AND ACCOUNTS

FOR

THE 53 WEEKS ENDED

3 JANUARY 1998



United Biscuits (UK) Limited

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-three weeks ended 3 January 1998.

Principal activities and review of the business

The principal activities of the Company are the manufacture and sale of a wide range of biscuits and snacks. No change in this activity is intended.

Biscuits performance in 1997 benefited from lower input costs and tight targeting of trade promotional expenditure. The McVitie's Go Ahead! brand advanced strongly with sales more than doubling in 1997, taking sales of the brand from zero to £33.0m in under two years. The range of this selection of 'better for you' products has been expended outside traditional biscuits to include cake bars and snacks and its performance reflects the Company's success in meeting consumer needs for great tasting, lower-fat products.

Snack cakes maintained the growth momentum of recent years and increased sales by 12%. An additional production line at Halifax will be commissioned at the end of 1998. Snacks' profitability was somewhat lower year-on-year but overall snack margins remain strong. Within the KP-McVitie's Snacks business unit the particular highlights have been the continued momentum in Skips (sales up 14%) and Mini Cheddars (sales up 12%). The KP Nuts business increased sales for the second year running, despite the gradual decline of the nuts market.

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 holding company, copies of which may be obtained from the address shown in note 23.

Transactions during the year

On 7 April 1997, the authorised share capital of the Company increased from £10,000,000 to £12,000,000 by the creation of 2,000,000 ordinary shares of £1 each.

On 8 April 1997, the Company entered into an agreement with UB Foods US Limited ("UBFUS"), a fellow subsidiary of the United Biscuits Group, by which UBFUS agreed to loan the Company £125,000,000. The Company subsequently created up to £152,500,000 discounted convertible unsecured loan stock 2000 and in consideration of the loan issued a loan stock certificate to UBFUS.

Profit and appropriations

The profit and appropriations for the year are shown in the profit and loss account on page 7. On 24 December 1997, the Company paid an interim dividend of £40m. The directors do not recommend the payment of any further dividend.

United Biscuits (UK) Limited

Directors' Report (continued)

Fixed assets

An analysis of the movements in tangible assets is given in note 8.

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 company made charitable donations to the value of £522,000.

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 ages, hours of work, holiday entitlement, overtime and shift work, 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 aptitude and abilities. Arrangements are made to continue the employment wherever possible to 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 aptitude 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 a comprehensive programme incorporating meetings, conferences, printed and electronic news systems and 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.

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'.

United Biscuits (UK) Limited

Directors' Report (continued)

Directors

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



A.D. Frew
Secretary

24 March 1998

Registered Office:

Church Road
West Drayton
Middlesex UB7 7PR

Statement of directors' responsibility 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 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.

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.

United Biscuits (UK) Limited

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

We have audited the accounts on pages 7 to 21 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 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.

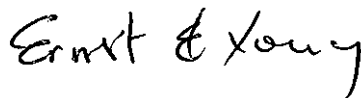
Basis of opinion

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 of the Company 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

United Biscuits (UK) Limited

Profit & Loss Account

for the 53 weeks ended 3 January 1998

Notes

	1997 £m	1996 £m
2 Turnover		
Continuing operations	856.4	870.4
Total turnover	856.4	870.4
Cost of sales	555.5	579.9
Gross profit	300.9	290.5
3		
Distribution, selling and marketing costs	165.1	157.9
Administrative expenses	70.3	75.6
Operational reorganisation costs	2.2	0.9
Other income	(3.3)	(3.0)
Total operating profit from continuing operations	66.6	59.1
Loss on disposal of fixed assets	(13.7)	-
Loss on disposal of investments	-	(2.6)
3 Profit before interest	52.9	56.5
4 Interest charge	8.2	11.4
Profit on ordinary activities before tax	44.7	45.1
6 Tax on profit on ordinary activities	(17.0)	18.8
Profit attributable to shareholders	27.7	63.9
7 Dividends	(40.0)	26.8
Balance (from)/to reserves	(12.3)	37.1

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

United Biscuits (UK) Limited**Balance Sheet**

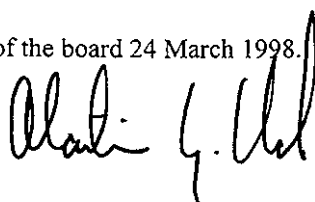
as at 3 January 1998

Notes

		1997 £m	1996 £m
	Fixed assets		
8	Tangible assets	329.6	343.9
9	Investments	3.0	3.0
		332.6	346.9
	Current assets		
10	Stocks	46.3	57.8
11	Debtors	141.2	175.0
	Amount owed by parent company and fellow subsidiary undertakings	558.2	502.0
	Cash and short term deposits	80.0	37.7
		825.7	772.5
	Creditors: amounts falling due within one year		
12	Trade and other creditors	158.0	179.5
13	Loans, overdrafts and finance lease obligations	1.8	2.2
	Amount owed to parent company and fellow subsidiary undertakings	579.3	511.1
	Taxation	9.7	0.7
		748.8	693.5
	Net current assets	76.9	79.0
	Total assets less current liabilities	409.5	425.9
	Creditors: amounts falling due after one year		
13	Loans and finance lease obligations	16.7	18.6
14	Other creditors	0.9	2.4
15	Provisions for liabilities and charges	4.9	5.6
		22.5	26.6
		387.0	399.3
	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	55.4	67.7
17	Shareholder's funds	387.0	399.3

Signed on behalf of the board 24 March 1998.

A.G. Clark



United Biscuits (UK) 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 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 and machinery	-	3-15%
Vehicles	-	20-30%
Fixtures and 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.

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

1 Accounting policies (continued)

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.

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 notes to the accounts have been adjusted to conform with the current year presentation.

2 Segmental analysis

No further analysis of results, assets and employee numbers is presented as the business operates in one class.

Turnover derives from the UK with the exception of exports which amounted to £82.2m in 1997 (1996: £87.4m) from continuing activities.

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

3

Profit before interest

	1997 £m	1996 £m
Profit before interest is after charging:		
Operational exceptional items:		
- Management reorganisation	2.2	0.9
Non-operating exceptional items:		
- Loss on closure of Broxburn factory	10.0	-
- Loss on closure of Grimsby factory	1.8	-
- Other losses on disposal of fixed assets	1.9	-
- Loss on disposal of fellow Group companies	<u>-</u>	<u>2.6</u>
Total exceptional items	<u>15.9</u>	<u>3.5</u>
Depreciation	37.1	33.0
Government grants released to profit	1.6	0.3
Operating lease rentals - plant and machinery	8.0	7.4
- land and buildings	7.1	8.3
Research and development	6.9	6.1
Directors' emoluments (see note 19)	<u>1.6</u>	<u>1.5</u>
Fees paid to auditors:		
- In their capacity as auditors	0.5	0.5
- Other services	<u>0.3</u>	<u>0.2</u>

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

4 Interest

	1997 £m	1996 £m
Interest payable		
Bank loans and overdrafts	2.3	7.1
Fellow subsidiary undertakings	7.5	6.4
Other	<u>1.2</u>	<u>1.2</u>
	<u>11.0</u>	<u>14.7</u>
 Interest receivable		
Bank deposits	<u>2.8</u>	<u>3.3</u>
	<u>2.8</u>	<u>3.3</u>
 Net interest expense	<u>8.2</u>	<u>11.4</u>

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.

Given a satisfactory level of profit, participating employees are awarded ordinary shares at nil consideration which are held in trust for a minimum of two years. 490,196 shares were purchased from the Group's ESOP Trust in June 1997 for allocation to all eligible UK employees.

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

6 Tax on profit on ordinary activities

	1997 £m	1996 £m
On the profit for the year:		
UK corporation tax at 31.5% (1996: 33%)	17.0	2.3
Deferred tax	1.2	1.3
Adjustment in respect of prior years:		
Current tax	(0.9)	(22.4)
Deferred tax	<u>(0.3)</u>	<u>(18.8)</u>
	<u>17.0</u>	

The tax credit on the operating exceptional charge of £22.2m (1996: £0.9m) was £0.5m (1996: £0.1m).

The tax credit on the non-operating exceptional charge of £13.7m (1996: £2.6m) was £0.1m (1996: £0.9m).

7 Dividends

	1997 £m	1996 £m
Dividends - paid	<u>40.0</u>	<u>26.8</u>

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

8 Tangible Assets

	Land and Buildings		Plant, Machinery and Vehicles	Fixtures and Fittings	Projects and Progress	Total
	Freehold £m	Leasehold £m	£m	£m	£m	£m
Cost						
At 29 December 1996	112.6	6.9	405.6	17.2	42.6	584.9
Additions	0.9	-	7.4	2.5	27.8	38.6
Disposals	(8.4)	-	(27.8)	(0.8)	-	(37.0)
Reclassification	9.1	-	11.9	8.7	(29.7)	-
At 3 January 1998	114.2	6.9	397.1	27.6	40.7	586.5
Depreciation						
At 29 December 1996	19.9	1.8	204.8	14.5	-	241.0
Charge for year	3.4	0.3	28.3	5.1	-	37.1
Disposals	(1.9)	-	(18.5)	(0.8)	-	(21.2)
Reclassification	-	-	(3.0)	3.0	-	-
At 3 January 1998	21.4	2.1	211.6	21.8	-	256.9
Net book value at 3 January 1998	92.8	4.8	185.5	5.8	40.7	329.6
Net book value at 29 December 1996	92.7	5.1	200.8	2.7	42.6	343.9

The net book value of leasehold properties includes £4.2m (1996: £4.4m) in respect of leases with under fifty years to run at 3 January 1998.

Analysis of leased tangible assets:

The net book value of plant, machinery and vehicles acquired under finance lease arrangements is set out below.

	£m
At 3 January 1998:	
Cost	1.6
Depreciation	1.6
Net book value at 3 January 1998	-
Net book value at 29 December 1996	-

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

9 Investments

	1997 £m	1996 £m
Investments in subsidiary undertakings	<u>3.0</u>	<u>3.0</u>

At the 3 January 1998 the Company wholly owned the following subsidiary undertakings: UB York Limited and Meredith and Drew 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. Related party transactions have not been disclosed, and Group accounts have not been prepared, as the Company is wholly owned by another company incorporated in Great Britain.

10 Stocks

	1997 £m	1996 £m
Raw materials and consumables	31.9	36.6
Work in progress	0.4	0.4
Finished goods	<u>14.0</u>	<u>20.8</u>
	<u>46.3</u>	<u>57.8</u>

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

11 Debtors

	1997 £m	1996 £m
Trade debtors	108.5	135.9
Other debtors	6.0	6.6
Prepayment and accrued income	<u>26.7</u>	<u>32.5</u>
	<u>141.2</u>	<u>175.0</u>

Debtors include £17.3m (1996: £16.9m) which is due after more than one year.

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

12 Trade and other creditors

	1997 £m	1996 £m
Trade creditors	62.7	63.0
Other creditors	11.6	5.9
Other taxes and social security costs	11.9	14.2
Government grants	0.2	0.3
Accruals and deferred income	71.6	96.1
	<u>158.0</u>	<u>179.5</u>

13 Loans, overdrafts and finance lease obligations

	1997 £m	1996 £m
Other loans	18.5	20.2
Overdrafts	-	0.5
Finance lease obligations	-	0.1
	<u>18.5</u>	<u>20.8</u>
Repayable as follows:		
Over five years	-	-
Over 2 years and under 5 years	4.7	16.8
Over 1 year and under 2 years	12.0	1.8
Under one year	1.8	2.2
	<u>18.5</u>	<u>20.8</u>

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

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

14 Other creditors falling due after more than one year

	1997 £m	1996 £m
Deferred income - Government grants	0.9	2.4
	<u>0.9</u>	<u>2.4</u>

15 Provisions for liabilities and charges

	Deferred Tax £m	Rationalisation provisions £m	Total £m
At 29 December 1996	3.1	2.5	5.6
Profit and loss charge/(credit)	0.9	(0.3)	0.6
Transfer to other debtors	-	2.4	2.4
Payments in the year	-	(3.7)	(3.7)

At 3 January 1998

4.0 0.9 4.9

Proceeds due from the sale of the Company's Grimsby factory of £2.4m have been transferred to other debtors.

Deferred Tax

The deferred tax liability consists of the following:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 29 December 1996			
Profit and loss charge (credit)	-	3.1	3.1
- current year	-	1.2	1.2
- prior year	-	(0.3)	(0.3)
At 3 January 1998	<u>-</u>	<u>4.0</u>	<u>4.0</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:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 28 December 1996	71.7	0.4	72.1
Current year movement	1.4	0.7	2.1
Prior year movement	(4.5)	(0.2)	(4.7)
At 3 January 1998	<u>68.6</u>	<u>0.9</u>	<u>69.5</u>

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

16 Equity share capital

	1997 £m	1996 £m
Authorised - 12 million ordinary shares of £1 each	<u>12.0</u>	<u>10.0</u>
Allotted, called up and fully paid shares of £1 each	<u>10.0</u>	<u>10.0</u>

17 Reconciliation of movements in shareholder's funds

	Called up equity share capital £m	Share premium £m	Profit and loss account £m	1997 Total £m	1996 Total £m
At 29 December 1996	10.0	321.6	67.7	399.3	362.2
Profit attributable to shareholders	-	-	27.7	27.7	63.9
Dividends	-	-	(40.0)	(40.0)	(26.8)
At 3 January 1998	10.0	321.6	55.4	387.0	399.3

18 Guarantees and contingent liabilities

	1997 £m	1996 £m
Joint and several guarantees in respect of borrowings by other Group companies:		
US\$300m revolving credit facility	<u>17.8</u>	<u>17.7</u>

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

19 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.

20 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.

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

21 Pay and benefits to employees

	1997	1996
	£m	£m
Gross wages and salaries, holidays and sick pay	182.0	178.4
Social security costs	13.9	14.1
Pension and other costs	10.6	11.5
	<u>206.5</u>	<u>204.0</u>

During the year the average number of employees was 11,828 (1996: 12,647).

Certain employees in the frozen and chilled businesses have service contracts with United Biscuits (UK) Limited. These costs have been recharged to UB Frozen & Chilled Foods 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 1997.

The main actuarial assumptions were as follows:

Investment return per annum	8%
Wages and salaries increases per annum	6%
Pension increases per annum	4%

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 projected unit method is the most appropriate method for valuing the main pension plan. The total market value of the scheme's assets, at the date of the last valuation, and its funding level as a percentage of accrued benefit liabilities, were £689m and 106% respectively. The scheme also covers those employees of UB Frozen & Chilled Foods Limited with service contracts with United Biscuits (UK) Limited.

At 3 January 1998 prepayments included an amount of £17.2m (1996: £16.5m) resulting from the difference between pension cost and the amounts funded.

United Biscuits (UK) Limited

Notes to the accounts at 3 January 1998 (continued)

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:

	1997 £m	1996 £m
Capital expenditure:		
- contracted for	<u>5.9</u>	<u>4.2</u>

Rental commitments:

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

	1997		1996	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Expiring - within one year	0.5	2.0	1.2	2.8
Within two to five years	1.6	4.1	0.9	3.2
Over five years	5.7	-	5.5	-
	<u>7.8</u>	<u>6.1</u>	<u>7.6</u>	<u>6.0</u>

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.