

Registered No. 2506007

UNITED BISCUITS (UK) LIMITED

REPORT AND ACCOUNTS

FOR

THE 52 WEEKS ENDED

30th DECEMBER 1995



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-two weeks ended 30th December 1995.

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.

McVitie's UK

Biscuits and snacks

McVitie's UK is Britain's market leader in biscuits. In 1995 overall sales increased by 3% to £630m, reflecting the strong performance of McVitie's core brands, cake and export growth of 14%. Total value market share increased slightly to 41.9% and McVitie's share of branded biscuits increased by 0.8 percentage points to 44.4%.

The past 15 months have seen a sharp increase in new product activity, generating sales in excess of £30m from over 40 new or improved products such as Mini Jaffa Cakes and Crinklin Mini Cheddars.

Increased marketing investment and under-recovery of raw material costs, only partially offset by substantial operating efficiencies, reduced operating profit by 17% to £55.8m. A major drive on working capital has helped to fund a 12% increase in capital expenditure to underpin new product development and operating efficiencies. Late in 1995 we began to reverse the year's under-recovery of raw materials cost increases, and margins have held steady in the first part of 1996.

KP UK

Snacks

KP UK is a leading British savoury snacks operation. These accounts include the full year results of the businesses of Derwent Valley Foods Ltd. and Sisterson Foods Ltd. which were transferred on the 31st December 1994. 1995 was a disappointing year, while the market showed some growth, our share fell from 35% to 33%. On a comparative basis year on year, sales were down 3% and margins were lower. Operating profit decreased by 2% to £19.5m. The crisp business suffered from rising costs and overcapacity in an intensely competitive market, while nut sales declined in line with the market as a whole. Our core snack brands performed strongly demonstrating the powerful impact of effective marketing in the snacks sector. We are seeing more positive trends so far in 1996: product prices are rising and the closure of our factory in Grimsby, and consequent transfer of production to remaining sites, has significantly reduced manufacturing costs.

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.

Profits and appropriations

The profit and appropriations for the year are shown in the profit and loss account on page 7. On 29th September 1995 the Company paid a dividend of £3.4m and on 15th December 1995 the Company paid a further dividend of £18.4m. 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 £569,000.

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, 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 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.

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 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.

United Biscuits (UK) 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 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

18th March 1996

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 22 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 22 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 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 30th December 1995, 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

18th March 1996

United Biscuits (UK) Limited

Profit & Loss Account

for the 52 weeks ended 30th December 1995

Notes		1995 £m	1994 £m
2	Turnover		
	Continuing operations	1,022.8	988.2
	Total turnover	1,022.8	988.2
	Trade discounts	182.8	178.0
	Turnover after trade discounts	840.0	810.2
	Cost of sales	562.1	531.0
	Gross profit	277.9	279.2
	Distribution, selling and marketing costs	162.0	152.8
	Administrative expenses	67.0	61.9
3	Operational reorganisation costs	6.7	-
	Other income	(2.6)	(2.2)
	Total operating profit from continuing operations	44.8	66.7
	Profit on disposal of discontinued operations	-	0.1
	Loss on disposal of fixed assets	(0.8)	(14.9)
3	Profit before interest	44.0	51.9
4	Interest	10.7	3.2
	Profit on ordinary activities before tax and exceptional items	40.8	71.6
	Total exceptional items	(7.5)	(22.9)
	Profit on ordinary activities before tax	33.3	48.7
6	Tax on profit on ordinary activities	3.3	16.7
	Profit attributable to shareholders	30.0	32.0
7	Dividends	21.8	69.4
	Balance to/ (from) reserves	8.2	(37.4)

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

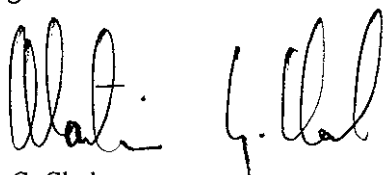
United Biscuits (UK) Limited

Balance Sheet

as at 30th December 1995

Notes		1995 £m	1994 £m
	Fixed assets		
8	Tangible assets	346.3	340.8
9	Investments	3.0	3.0
		349.3	343.8
	Current assets		
10	Stocks	53.5	53.3
11	Debtors	136.0	152.9
	Amount owed by parent company and fellow subsidiary undertakings	336.0	226.5
	Short-term deposits and loans	28.2	1.3
	Cash at bank and in hand	39.5	28.9
		593.2	462.9
	Creditors: amounts falling due within one year		
12	Trade and other creditors	146.8	106.3
13	Loans, overdrafts and finance lease obligations	135.7	40.0
	Amount owed to parent company and fellow subsidiary undertakings	241.6	212.3
	Taxation	22.9	31.6
		547.0	390.2
	Net current assets	46.2	72.7
	Total assets less current liabilities	395.5	416.5
	Creditors: amounts falling due after more than one year		
13	Loans and finance lease obligations	20.2	21.9
14	Other creditors	2.7	3.7
15	Provisions for liabilities and charges	10.4	36.9
		362.2	354.0
	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	30.6	22.4
17	Shareholder's funds	362.2	354.0

Signed on behalf of the board 18th March 1996.



A.G. Clark

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995

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.

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% p.a.
Vehicles	-	20-30% p.a.
Fixtures and fittings	-	10-33% p.a.

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.

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (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.

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.

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

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>	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m	1995 No.	1994 No.
McVitie's UK	630.4	610.7	55.8	66.9	184.8	269.0	6,773	6,739
KP UK	392.4	377.5	19.5	19.9	66.6	90.4	4,230	4,954
Group overheads and Central Services	-	-	(23.8)	(12.0)	-	-	2,112	2,368
Operating exceptional items	-	-	(6.7)	(8.1)	-	-	-	-
Unallocated assets and liabilities	-	-	-	-	144.1	57.1	-	-
	1,022.8	988.2	44.8	66.7	395.5	416.5	13,115	14,061

Turnover derives from the UK with the exception of exports which amounted to £49.8m in 1995 (1994: £59.8m) from continuing activities.

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

3 Profit before interest

	1995 £m	1994 £m
Profit before interest is after charging/(crediting):		
Operational exceptional items:		
- Management reorganisation	6.7	-
- Factory closure and reorganisation	-	8.1
Non-operating exceptional items:		
- Loss on closure of Grimsby factory	0.8	13.3
- Loss on disposal of fixed assets	-	1.6
- Profit on sale of Terry's UK business	-	(0.1)
Total exceptional items	<u>7.5</u>	<u>22.9</u>
Depreciation	31.2	30.1
Government grants released to profit	0.6	0.5
Operating lease rentals - plant and machinery	6.3	6.2
- land and buildings	8.3	8.7
Research and development	10.4	7.5
Directors' emoluments (see note 19)	<u>0.8</u>	<u>0.7</u>
Fees paid to auditors:		
- In their capacity as auditors	0.5	0.5
- Other services	<u>0.2</u>	<u>0.2</u>

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

4 Interest

	1995 £m	1994 £m
Interest payable		
Bank loans and overdrafts	11.1	4.2
Other	<u>2.3</u>	<u>1.2</u>
	<u>13.4</u>	<u>5.4</u>
Interest receivable		
Bank deposits	2.7	0.5
Other	<u>-</u>	<u>1.7</u>
	<u>2.7</u>	<u>2.2</u>
Net interest expense	<u>10.7</u>	<u>3.2</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. No payments will be made under the Scheme in respect of 1995 (1994:Nil).

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

6 Tax on profit on ordinary activities

	1995 £m	1994 £m
On the profit for the year:		
UK corporation tax at 33%	1.4	15.1
Adjustment in respect of prior years	(1.7)	(0.6)
Deferred tax	<u>3.6</u>	<u>2.2</u>
	<u>3.3</u>	<u>16.7</u>

The tax credit on the operating exceptional charge of £6.7m (1994: £8.1m) was £2.1m (1994: £2.7m).

The tax credit on the non-operating exceptional charge of £0.8m (1994: credit of £14.8m) was £ nil (1994: charge of £0.6m).

7 Dividends

	1995 £m	1994 £m
Dividends paid	<u>21.8</u>	<u>69.4</u>

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

8 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 1995	109.1	17.6	318.9	33.4	66.7	545.7
Additions	3.6	1.5	4.0	0.6	54.5	64.2
Disposals	(25.0)	(0.5)	(23.3)	(0.9)	-	(49.7)
Reclassification	13.5	(4.6)	36.9	8.0	(53.8)	-
At 30th December 1995	101.2	14.0	336.5	41.1	67.4	560.2
Depreciation						
At 1st January 1995	18.4	3.0	163.8	19.7	-	204.9
Charge for year	2.2	0.5	23.5	5.0	-	31.2
Disposals	(4.5)	(0.3)	(16.5)	(0.9)	-	(22.2)
Reclassification	-	-	0.4	(0.4)	-	-
At 30th December 1995	16.1	3.2	171.2	23.4	-	213.9
Net book value at 30th December 1995	85.1	10.8	165.3	17.7	67.4	346.3
Net book value at 1st January 1995	90.7	14.6	155.1	13.7	66.7	340.8

The net book value of leasehold properties includes £8.7m (1994: £12.8m) in respect of leases with under fifty years to run at 30th December 1995.

Analysis of leased tangible assets

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

	£m
At 30th December 1995	
Cost	1.6
Depreciation	(1.6)
Net book value	-
Net book value at 1st January 1995	-

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

9 Investments

	1995 £m	1994 £m
Investments in subsidiary undertakings	<u>3.0</u>	<u>3.0</u>

At the 30th December 1995 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. Group accounts have not been prepared as the Company is wholly owned by another Company incorporated in Great Britain.

10 Stocks

	1995 £m	1994 £m
Raw materials and consumables	30.5	34.2
Work in progress	0.7	0.4
Finished goods	<u>22.3</u>	<u>18.7</u>
	<u>53.5</u>	<u>53.3</u>

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

11 Debtors

	1995 £m	1994 £m
Trade debtors	105.3	115.3
Other debtors	4.2	4.4
Prepayments and accrued income	<u>26.5</u>	<u>33.2</u>
	<u>136.0</u>	<u>152.9</u>

Debtors include £17.0m (1994: £17.6m) which is due after more than one year.

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

12 Trade and other creditors

	1995 £m	1994 £m
Trade creditors	55.9	34.8
Other creditors	11.8	5.3
Other taxes and social security costs	14.4	9.0
Government grants	0.4	0.5
Accruals and deferred income	<u>64.3</u>	<u>56.7</u>
	<u>146.8</u>	<u>106.3</u>

13 Loans, overdrafts and finance lease obligations

	1995 £m	1994 £m
Other loans	155.9	53.3
Overdrafts	-	3.5
Finance lease obligations	-	5.1
	<u>155.9</u>	<u>61.9</u>
Repayable as follows:		
Over five years	2.5	4.7
Over 2 years and under 5 years	16.1	15.5
Over 1 year and under 2 years	1.6	1.7
Under one year	<u>135.7</u>	<u>40.0</u>
	<u>155.9</u>	<u>61.9</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 30th December 1995 (continued)

14 Other creditors falling due after more than one year

	1995 £m	1994 £m
Deferred income - Government grants	2.7	2.9
Other creditors	-	0.8
	<u>2.7</u>	<u>3.7</u>

15 Provisions for liabilities and charges

	Deferred tax £m	Rationalisation provisions £m	Total £m
At 1st January 1995	(0.5)	37.4	36.9
Profit and loss charge	2.3	6.7	9.0
Payments in the year	-	(35.5)	(35.5)
At 30th December 1995	1.8	8.6	10.4

Deferred Tax

The deferred tax liability consists of the following:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 1st January 1995	1.3	(1.8)	(0.5)
Profit and loss charge/(credit)	-	3.6	3.6
- in respect of current year	-	-	(1.3)
- in respect of prior year adjustments	(1.3)	-	
At 30th December 1995	-	1.8	1.8

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:

	1995 £m	1994 £m
Accelerated capital allowances	70.1	65.1
Other timing differences	<u>(1.2)</u>	<u>(1.6)</u>
	<u>68.9</u>	<u>63.5</u>

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

16 Equity share capital

	1995 £m	1994 £m
Authorised - 10 million ordinary shares of £1 each	<u>10.0</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 movement in shareholder's funds

	Called up equity share capital £m	Share premium £m	Profit and loss account £m	Total 1995 £m	Total 1994 £m
At 1st January 1995	10.0	321.6	22.4	354.0	391.4
Profit attributable to shareholders	-	-	30.0	30.0	32.0
Dividends	-	-	(21.8)	(21.8)	(69.4)
At 30th December 1995	<u>10.0</u>	<u>321.6</u>	<u>30.6</u>	<u>362.2</u>	<u>354.0</u>

18 Guarantees and contingent liabilities

	1995 £m	1994 £m
Joint and several guarantees in respect of borrowings by other group companies:		
US\$500m revolving credit facility	<u>173.9</u>	<u>54.5</u>

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

19 Directors' emoluments

	1995 £000's	1994 £000's
Emoluments as executives:		
- Salaries	941	869
- Benefits in kind	62	55
- Pension contributions	219	203
	<u>1,222</u>	<u>1,127</u>

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

£	No.	No.
125,001 - 130,000	-	1
145,001 - 150,000	1	1
155,001 - 160,000	1	-
235,001 - 240,000	-	1
255,001 - 260,000	1	-
405,001 - 410,000	-	1
430,001 - 435,000	1	-

The emoluments, excluding pension contributions, of the highest paid director, were £434,752 (1994: £408,294).

The directors of the Company are also directors of fellow subsidiaries. The directors received total remuneration for the year of £1,221,567 (1994: £1,126,544), 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			
	1995 No.	1994 No.	1995 No.	Granted	Exercised	1994 No.
A.G. Clark	42,502	38,332	124,930	42,668	2,300	84,562
A.D. Frew	-	-	154,626	53,266	-	101,360
E.L. Nicoli	71,941	31,544	476,689	104,052	33,721	406,358
J.A. Warren	19,867	10,320	257,090	61,888	16,676	211,878

Since the year end, the beneficial shareholdings of A.G. Clark, E.L. Nicoli and J.A. Warren have increased by 240, 12 and 271 shares respectively.

The options are exercisable at prices varying from 219p to 400p up to September 2005.

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (continued)

21 Pay and benefits to employees

	1995	1994
	£m	£m
Gross wages and salaries, holidays and sick pay	190.3	183.4
Social security costs	12.2	17.0
Pension and other costs	<u>11.5</u>	<u>7.8</u>
	<u>214.0</u>	<u>208.2</u>

During the year the average number of employees was 13,115 (1994: 14,061).

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 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 £441m and 101% respectively. The scheme covers certain employees of UB(Ross Young's) Limited but it is not practicable to separate the market value of the assets.

At 30th December 1995 prepayments included an amount of £16.7m (1994: £16.8m) resulting from the difference between pension cost and the amounts funded.

United Biscuits (UK) Limited

Notes to the accounts at 30th December 1995 (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:

	1995 £m	1994 £m
Capital expenditure:		
- contracted for	10.7	11.1
- authorised but not contracted for	<u>13.0</u>	<u>10.3</u>
	<u>23.7</u>	<u>21.4</u>

Rental commitments:

As at 30th December 1995 the company had annual rental commitments in respect of operating leases as follows:

	1995		1994	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring - within one year	-	1.3	0.5	1.9
Within two to five years	0.4	3.7	1.0	4.0
Over five years	4.9	-	5.5	0.1
	<u>5.3</u>	<u>5.0</u>	<u>7.0</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.