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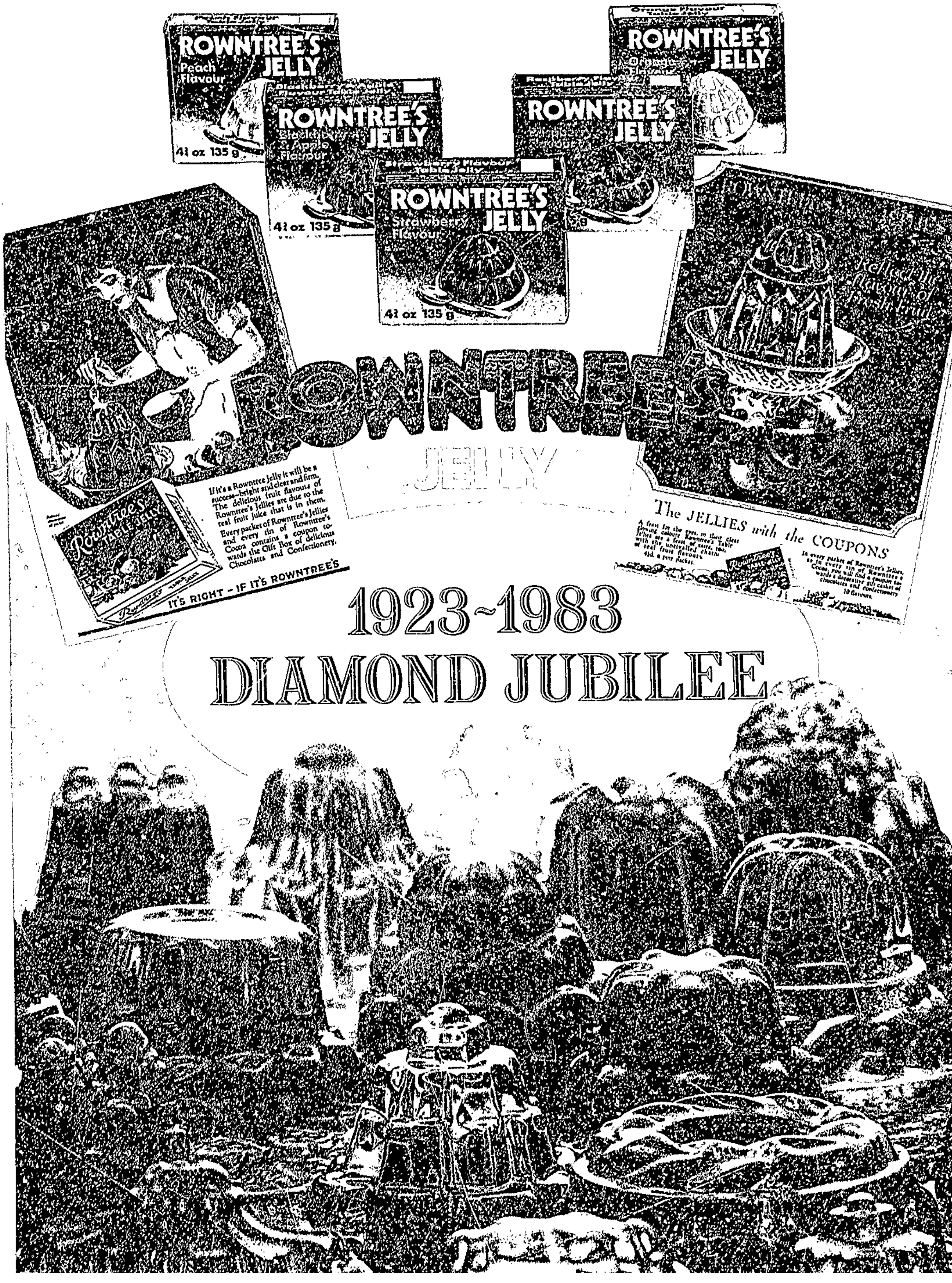
Rowntree Mackintosh

Annual report 1983


ROWNTREE'S JELLY
Peach Flavour
4¾ oz 135 g
ROWNTREE'S JELLY
ROWNTREE'S JELLY
ROWNTREE'S JELLY
ROWNTREE'S JELLY
Strawberry Flavour
4¾ oz 135 g
ROWNTREE'S
JELLY
If it's a Rowntree Jelly it will be a success—bright and clear and firm. The delicious fruit flavours of Rowntree's Jellies are due to the real fruit juice that is in them.
Every packet of Rowntree's Jellies and every tin of Rowntree's Cocoa contains a coupon towards the Gift Box of delicious Chocolates and Confectionery.
IT'S RIGHT - IF IT'S ROWNTREE'S
The JELLIES with the COUPONS
1923~1983
DIAMOND JUBILEE

S1491.

Rowntree Mackintosh

Contents

1981
THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

General information

Secretary	N J Nightingale
Registered office	York YO1 1XY
Auditors	Price Waterhouse
Solicitors	Slaughter and May
Principal UK bankers	Midland Bank plc and Barclays Bank PLC

87th annual general meeting	17 April
Ordinary dividend record date	8 June
Payment of final ordinary dividend (Subject to declaration by the annual general meeting)	6 July
Payment of preference dividends	30 June and 31 December
Interim report 1984	September

Rowntree Mackintosh

Directors
and their principal responsibilities

K H M Dixon BA (Econ) *Chairman*

K Haslinger BCom, FCMA *Deputy chairman*
USA operations, pensions

J Nutter BScTech, CEng, MIMechE *Deputy chairman*
Group personnel, engineering research & development

P H Blackburn BA, FCA
European division

D B Bowden FCA
Finance, export division, corporate planning

J W Colquhoun BSc, FIFST
Products research & development

T Copley MA
Overseas division

D Cramb CBE, FCMA, FSCA
Anglo Bellamy, Sun-Pat, engineering companies, UK distribution, group management services

R A Kaner MA
UK confectionery division, health food companies

J L Mackinlay FCA, FCMA
European division, RPC, group cocoa supply

Sir Ashley Ponsonby Bt, MC
Non executive

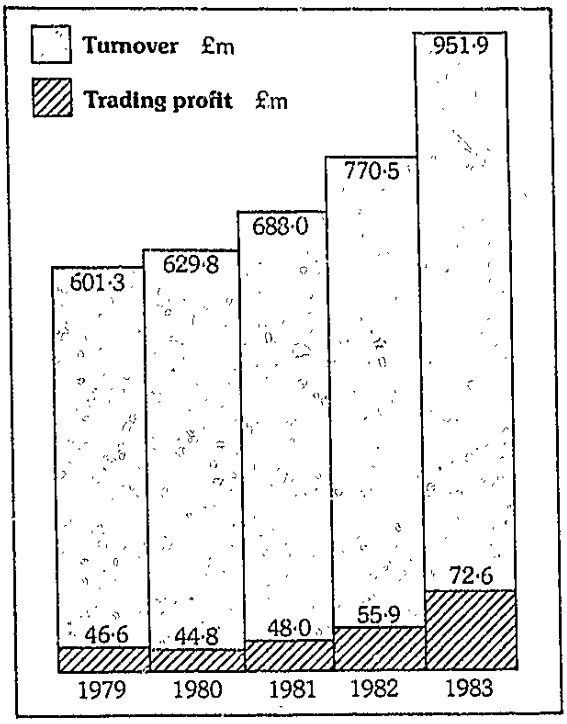
J A P Treasure PhD
Non executive

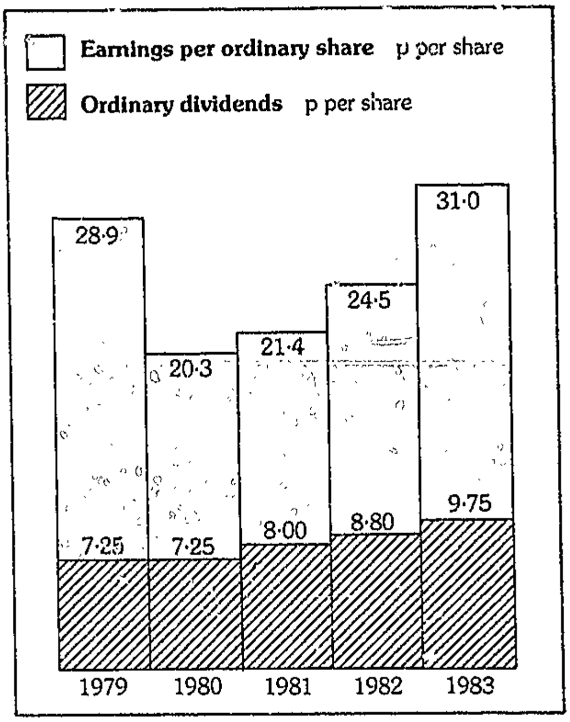
Principal activity

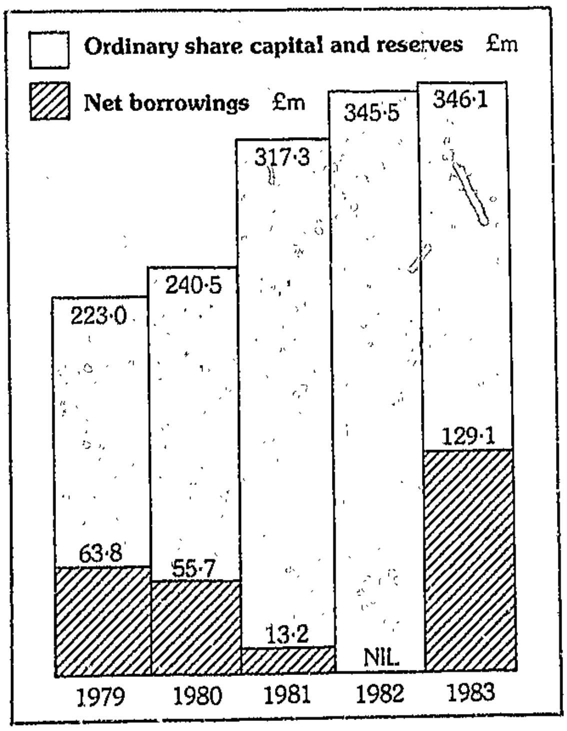
The group makes confectionery, snack food and grocery products which it sells throughout the world. A review of the group's activities in 1983 is set out in the Directors' report.

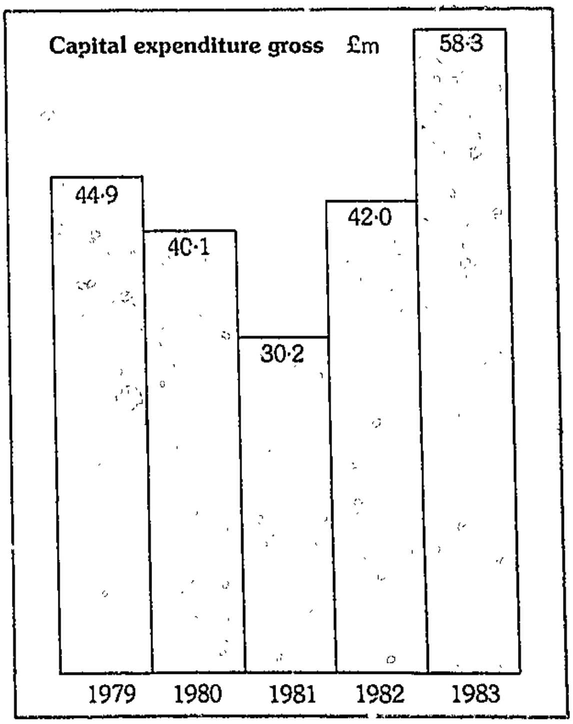
Rowntree Mackintosh

Financial highlights 1979–83









Rowntree Mackintosh

Chairman's statement

1983 was an important year for the group: the financial results continued to improve on the back of good trading performances and two strategically significant acquisitions were successfully completed.

Sales were £181 million higher than 1982 at £952 million, an increase of 24 per cent, of which a little more than half came from new acquisitions. Trading profits were up 30 per cent, and pre-tax profits, after interest charges which include financing costs of the acquisitions, reached £61 million. Earnings per share increased by 27 per cent. Excluding acquisition costs the group generated sufficient funds to finance all its needs, including capital expenditure of £58 million, £16 million higher than in 1982.

The trading performance, looked at as a whole, was fully satisfactory given the persistent effects of recession in some countries, the intensity of competition from other manufacturers and the growing pressure for higher discounts from increasingly powerful retail and wholesale distributors. As usual, performance in some countries and companies was better than others; but diversity is part of the strength of a company that trades internationally. A comprehensive description of our trading activities appears on pages 6 to 15 of this report.

Three aspects of our activities deserve particular comment; our North American acquisitions, Tom's Foods and Laura Secord; the progress we are making in Europe; and the scale and intensity of the group's efforts to improve its competitiveness by increasing efficiency and lowering costs.

Tom's Foods and Laura Secord fit well into our strategic objectives. Both businesses have, in their different ways, widened the scope of the group's activities. They have increased our geographical spread and shifted significantly the proportion of our earnings coming from non-confectionery sales. Based on our experience in 1983 we would expect over 30 per cent of our trading profit this year will arise in North America compared with less than 10 per cent in 1982; and over 20 per cent will be generated by non-confectionery sales, compared with about 5 per cent. Tom's Foods has given us an important stake in the large and growing US savoury snack food market, and in Canada Laura Secord has added to our powerful branded confectionery operation a specialist retailing business of high and distinctive reputation. Both businesses have contributed immediately to the earnings of the group; Tom's Foods furthermore has already demonstrated its capacity to generate cash well in excess of its own needs.

The European division is now making a positive contribution to the group's trading profits, but there is still a way to go before its profits represent an adequate return on the investment we have made. There has been however no simple step we could have taken to transform the position—it has been a question of steadily building international brands, improving the effectiveness of management and reducing the cost base of the operations. However, considerable progress has been made. All the trading companies except Belgium made profits in 1983. The French company continued to improve its results and market share. A similar improvement occurred in the Netherlands, where steady growth over the past years has given us a stable and profitable business. Management action in Italy has turned the company into a profitable operation allowing important marketing support for our brands. The Belgian market is less buoyant and steps are being taken to tackle the problems there. Germany is the most competitive market in the division; whilst our sales volumes were lower in 1983, we have a number of well established brands and recent management appointments will help us to build on this foundation.

During 1983 the group intensified its efforts to improve its competitiveness, particularly in the UK where the profits of the confectionery business have been reduced by the need to respond positively to intense price competition from other manufacturers and pressure from distributors for higher discounts. We are continuing to improve our international competitiveness with high levels of capital expenditure and by restructuring some of our operations. Capital expenditure, firmly directed toward cost saving projects, was £58 million gross. In 1984 it will exceed £60 million and the greater part will have the effect of reducing costs. Expenditure on this scale is, we believe, vital if the group is to maintain its competitiveness; indeed we have demonstrated this conviction by continuing to invest heavily in new plant and equipment through the recession. Shareholders will see that £11 million has been included under extraordinary items in the Profit and Loss Account for rationalisation costs; this relates mainly to plans announced for certain UK operations. Unhappily such changes necessitate significant reductions in numbers employed in factories and offices. Our wish always is that the reductions should so far as possible be achieved naturally or through special voluntary redundancy or early retirement schemes. It is only by taking actions of this kind, in addition to investment in new plant and equipment, that a secure future for the majority of employees can be achieved.

We believe very strongly that the pressure to reduce costs should not diminish either the strength of our brands or the quality of the service we offer our customers. We are therefore continuing to take an aggressive marketing stance with competitive advertising expenditure, tight pricing policies and a commitment to maintain the distinctive characteristics of our brands.

The group's performance depends on the energy and quality of its employees; and the board's thanks are due to all of them for their great efforts at a time when response to economic forces makes change, and often unwelcome change, essential. This need to adapt and to seize new opportunities makes heavy demands on all involved and managers have to exercise their responsibilities with particular sensitivity, care and firmness.

We believe it is right that each year part of the group's resources should be used in the wider interests of the communities of which we are part. In 1983 contributions of both financial and managerial resources were made to a variety of charitable and local community causes.

The group is well balanced to make further trading and financial progress. Its mature, established businesses are strong and have demonstrated their effectiveness during the recession. Its developing businesses, particularly in continental Europe, are responding to resolute, long term strategies. Our recent acquisitions are performing well and have beneficially shifted the balance of the group's earning capacity. The board's objective is to continue to grow and to combine growth with progressive improvement in the return on the funds invested in the business.

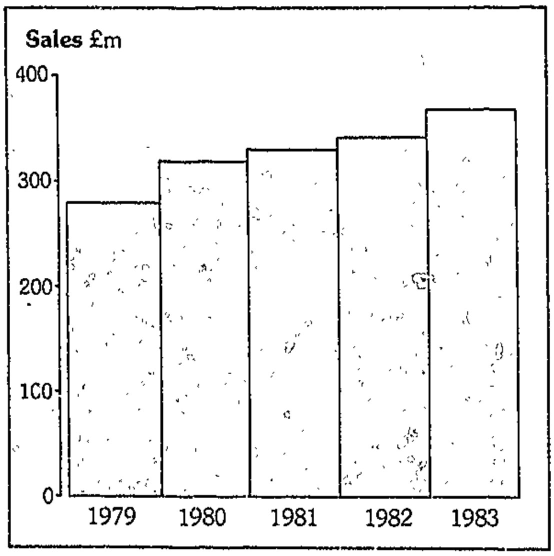
Kenneth Dixon

Rowntree Mackintosh

Directors' report
for the year ended 31 December 1983

Review of operations in 1983

UK Confectionery



The UK confectionery division increased its volume and market share in 1983, but its profitability in the face of intense competition was reduced. During the year the division reduced its numbers and improved productivity, and accelerated a longer term programme to continue these trends. The division withstood increasingly severe competition, maintained its market place momentum through a very hot summer, experimented with new products and faced the controversial issues into which it has been unwillingly drawn by "the high street war".

The long-term trends in the UK confectionery market continued during 1983—with increased chocolate consumption offsetting a declining demand for sugar confectionery, though the hot summer did produce a temporary setback in the chocolate sector. Encouraging success was achieved in both sectors. Rowntree's Fruit Pastilles, one of the most valuable brands in sugar confectionery, again gained volume against the downward trend in the market. Increased chocolate market share came from a relatively new brand Lion Bar, over 40 per cent up on 1982, from an additional formulation of a long established brand Aero, over 250 million bars of which in the new chunky shape were sold, from the division's biggest brand Kit Kat which reached record volumes for a fourth successive year, and from improved value and heavier advertising of Rolo which saw its highest sales since 1974.

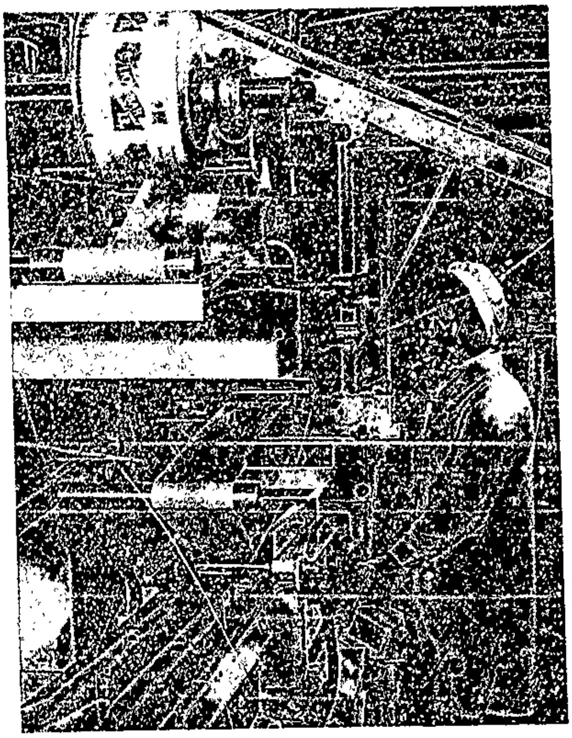
Quality Street is the leading brand among seasonal chocolate assortments, and as a result the division has become unwillingly embroiled in the issues raised by selling below cost. When, in normal trading, a product much in demand is sold below cost by publicity conscious retailers, other retailers are discouraged from stocking it. The possibility of making higher than necessary profits on other products to subsidise losses on one is not likely to be attractive to them, or to be pursued for long even by the original "seller at a loss". Consequently, general availability is reduced to the inconvenience and disadvantage of the consumer and as the confectionery industry is geared to serving the impulse purchase, reduced availability of distribution reduces volume and increases costs. For these reasons new supplies of the Quality Street Family Tin were refused to those retailers who sold it below cost, even when they were important groups whose goodwill we greatly value.

Nevertheless, in the face of these pressures and in spite of determined competition 1983 saw the division make a material gain in market share, in both volume and value.

Fully recognising that its continued progress in a highly competitive market depends on flexible and efficient production, the division has completed some and initiated other major steps to achieve this. Capital expenditure has been primarily directed at improving labour productivity. Refurbishment of the Lion Bar plant at Fawdon has been essential to that brand's value and growth. Rapid installation at York made possible the success of new Aero. Other significant projects included a £2·5 million Easter Egg plant at Norwich, being followed by a similar one in Halifax, re-equipment for Blue Riband packing at Glasgow, using the most recent technical developments, and the start of the building of a multi-million pound automated warehouse in York which will make an important contribution to the development of sophisticated planning procedures and efficient and cost effective control of manufactured stocks and deliveries to customers. During 1984, work will commence on a new £16 million Kit Kat production plant at York.

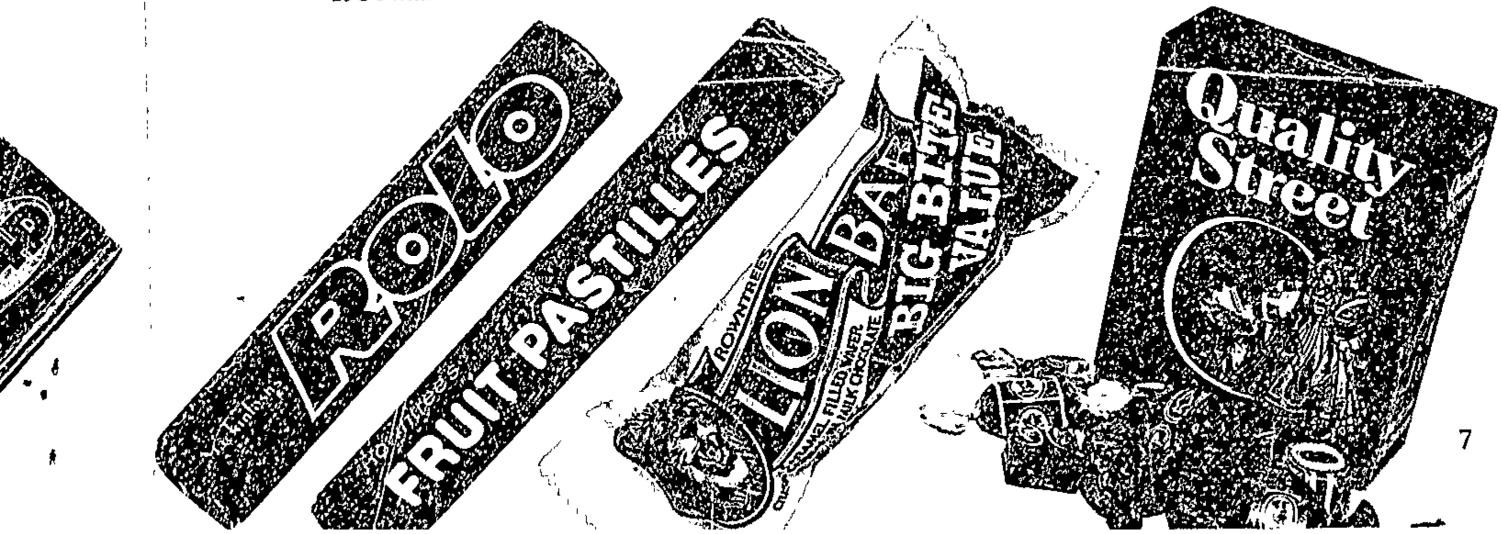
The extension of the division's well-established communication and consultative arrangements is referred to on page 16. These arrangements have played and will play an important part in the introduction of the factory changes that are taking place. Although production volume increased, average numbers employed were reduced as the result of increased productivity from 16,300 in 1982 to 15,810. This reduction was largely achieved by the introduction at a number of locations of voluntary redundancy and early retirement schemes, of which over 450 employees took advantage. At Fawdon, Halifax and York comprehensive reviews of operations were conducted, with the involvement of consultants. These have pointed to opportunities for reducing staffing, some of which have already been taken.

With an increasing market share and increasing productivity, the division faces unabated competition in 1984 with confidence.



A Lion Bar wrapping machine at Fawdon factory, Newcastle.

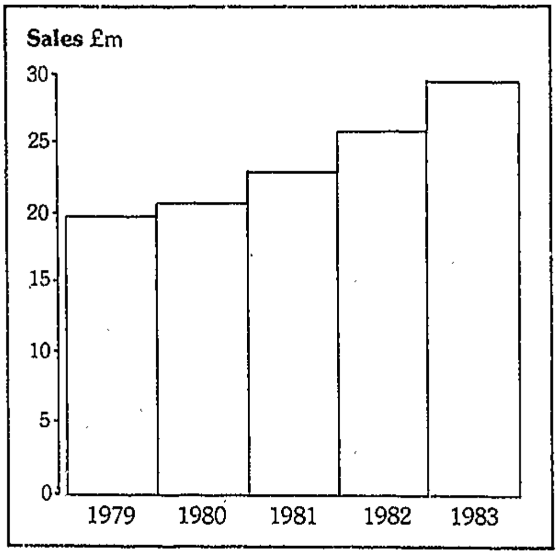
Anglo Bellamy, with a steady programme of new line introductions and a commitment to giving value for money, more than held its place in the highly competitive low priced children's line market. Sales volume and turnover were above 1982 levels and a reduction of 8 per cent in numbers employed led to improved efficiency and productivity.



Directors' report *continued*

Review of operations *continued*

Rowntree Mackintosh Sun-Pat



Rowntree Mackintosh Sun-Pat had another successful year with increases in sales volume, turnover and trading profit. In addition, the company maintained employment at 1982 levels, improved its competitive position in the market and continued to strengthen its major brands.

Rowntree's Table Jelly during its Diamond Jubilee year maintained its market leader position and achieved increases in both sales volumes and market share. TV advertising was successfully reintroduced with the company gaining a gold award from the advertising industry for the best use of music accompaniment for a TV commercial. This, together with the hot summer stimulating demand, combined to produce encouraging total market growth. Extensive advertising of Sun-Pat Peanut Butter produced higher sales volumes and market share, reinforcing its market leader status.

A new spread product, Hazelnut Chocolate Spread, was successfully test marketed in Scotland and a UK launch supported by TV advertising will be undertaken during 1984. This launch continues the company's policy of developing new lines which are capable of building a substantial Sun-Pat spreads business.

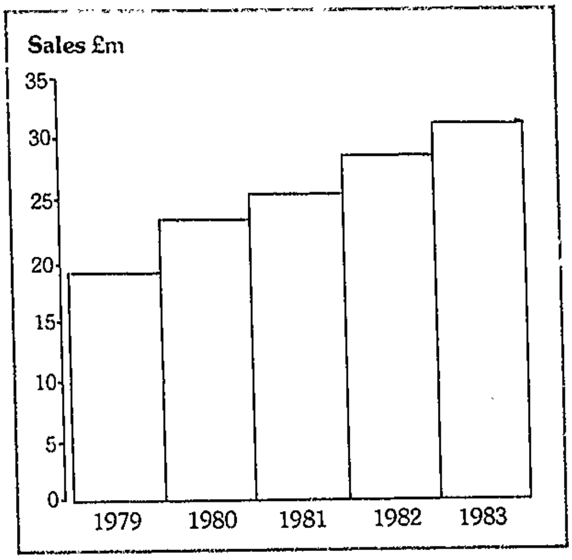
The Pan Yan brand of Pickles and Sauces showed encouraging signs of recovery and had one of its best years for some time whilst other products—desserts, snacks and drinks—maintained their market positions. The company continued to make progress in the development of its own label business.

Capital expenditure in 1983 included the installation of a new pickle and sauce filling plant, improvements to Cheese Spread filling and further improvements to warehousing and factory services. Work also commenced on a new employee amenity building.

Trading conditions in the grocery market continue to be very competitive but with the continued co-operation of all employees further progress is anticipated.

Two employees at the new peanut butter labelling plant at Hadfield factory.

RPC



RPC had a satisfactory year with volume growth of 3 per cent over 1982, sales 9 per cent higher at £31·7 million and a continuing high level of profitability.

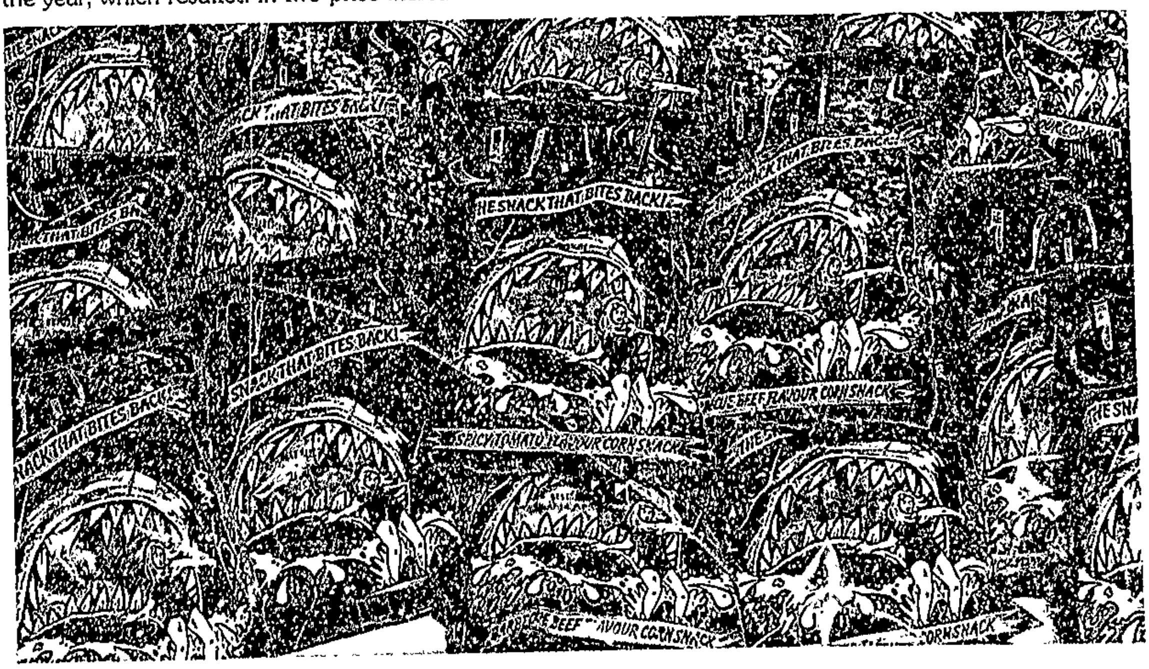
There were two main areas of note: firstly the escalating cost of major raw materials in the second half of the year, which resulted in two price increases within four months and consequently affected volumes; secondly the rapidly growing strength of the multiple retailers placed further pressure on van selling operations but enabled the company to increase its sales of own label products.

The company's policy of low unit cost and high quality has been maintained and an additional crisp packing line, incorporating the latest computer technology, was installed during the year at a cost of £0·5 million.

In 1983 RPC sold over 400 million bags of snack foods, an estimated 7 per cent market share. The crisp and nut markets experienced little growth and this trend is not expected to change significantly in the immediate future. Savoury snacks, however, remained a relatively high growth area and RPC is developing new extruded products in 1984, commencing with the introduction of Jaws in January.

Sufficient capacity is available to meet medium term planned volumes and anticipated levels of capital expenditure are adequate to provide a comprehensive fixed asset replacement and modernisation programme.

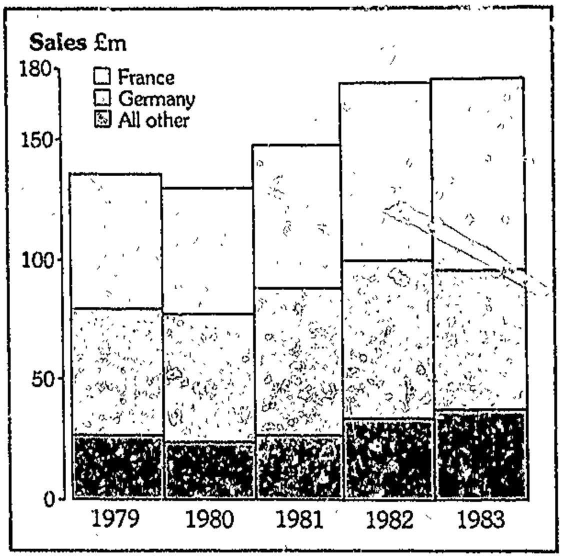
The RPC workforce increased slightly in 1983. The company faces 1984 with confidence, knowing that its excellent labour relations will be a vital ingredient of continued success.



Directors' report *continued*

Review of operations *continued*

European division



The division achieved increased sales volume and turnover and improved profitability for the third successive year. This progress was achieved against a background of continuing economic recession, rising unemployment and curtailed consumer spending.

Confectionery markets were generally static and competition remained intense, particularly in northern Europe where record summer temperatures affected confectionery demand.

In Germany, in a depressed market sales failed to reach planned levels although Choco Crossies continued to perform well. 1983 saw a strengthening of the management team in Hamburg and with a modest upturn forecast in the German economy, the division's primary objective for 1984 is for renewed growth in its largest market.

The French company continued the progress made in recent years, again increasing its sales volume and market share. This progress was shared by most of the company's brands, with Kit Kat, After Eight and Smarties being especially encouraging. Rêve Doré, a milk chocolate version of the successful Rocher Rêve Noir, and Petits Cracks, branded mini chocolate bars, were successfully introduced during the year. The division is continuing to put major efforts into improving production facilities following the recent period of factory consolidation.

In Holland the company had a good year with gains in volume and market share. Kit Kat, Nuts and Rolo were particularly prominent whilst Bros also made good progress. We have now acquired the Bros brand, sold under licence during 1983, together with related manufacturing plant.

The Belgian company had a disappointing year with several brands failing to achieve previous sales levels. Smarties however performed well. A major effort is being made to improve the position of the Belgian company which has to operate in a declining market.

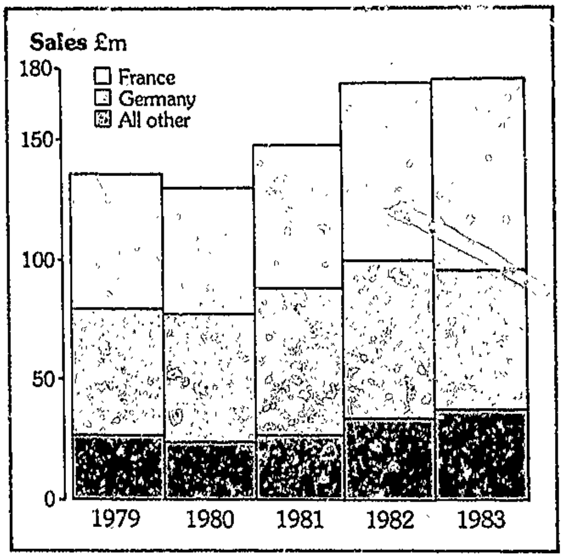
The Italian company is beginning to achieve very positive results following a period of retrenchment and reappraisal. Sales and profits were well ahead of 1982 levels, with the relaunch of Kit Kat being particularly successful. Lion Bar, launched in September, has been well received by both trade and consumer.

The division continues to make investments in its manufacturing companies. At Hamburg major projects have improved After Eight and Smarties packing and in Holland a warehouse and distribution depot was completed. In France, Quality Street manufacture commenced at Dijon and further investment was made for the production of mini Lion Bars and Petits Cracks. In addition to these major projects, the division continues at all locations to achieve improvements in quality and productivity which are vital if values for the consumer are to be maintained.

The division is forecasting further progress in 1984 by continuation of the brand building necessary to secure long term stable profitability.

Review of operations *continued*

European division



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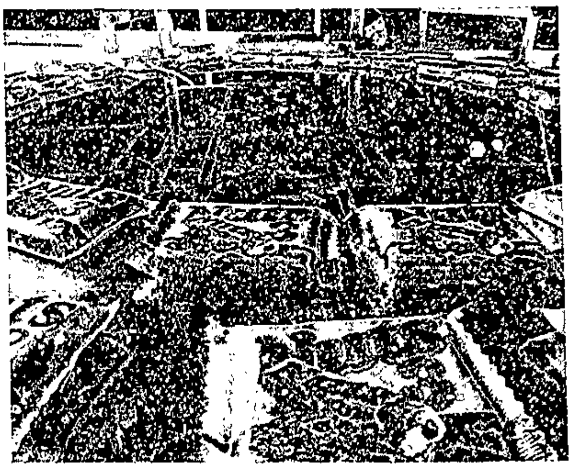
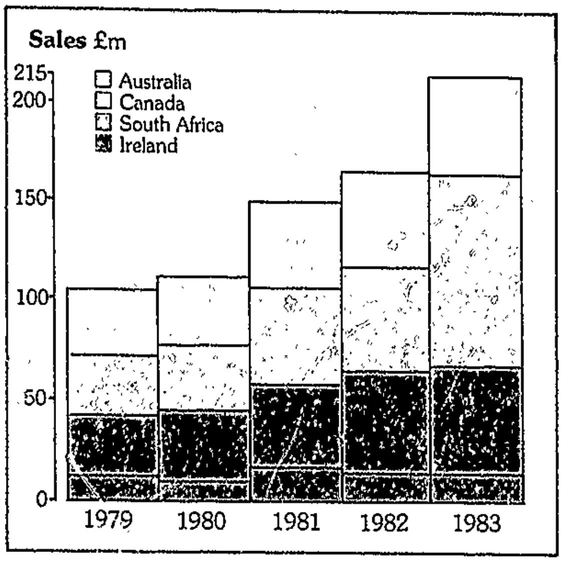


Overseas division



The companies operating within the Overseas division produced mixed results. Trading profit showed a useful increase over that of 1982, but sales volume was lower.

Outstanding progress was achieved in Canada where our long established subsidiary, Rowntree Mackintosh Canada, made a dramatic recovery from the disappointing performance of the previous year and where our newly acquired Laura Secord business was successfully absorbed into the division. Rowntree Mackintosh Canada's record sales were in part attributable to the very successful launch of Mirage, a chunky bar of aerated milk chocolate, but other lines, particularly Black Magic and After Eight, performed well too. Market share was increased in both bar lines and boxed chocolates. The current emphasis placed by Laura Secord management on quality, freshness, value and presentation is confidently expected to enhance the Laura Secord image and build sales volume. The cost cutting and productivity incentive schemes effected before the acquisition have ensured that the business has contributed a satisfactory profit to the group.

In South Africa a combination of severe drought and recession reduced incomes, particularly among the black population who have been a significant source of Wilson-Rowntree's rapidly growing sales in recent years. As a consequence, along with other major suppliers of consumer goods, Wilson-Rowntree experienced in 1983 a setback in sales. Nevertheless, market share was increased in both the chocolate and sugar confectionery segments of the market and overall profitability was maintained. In spite of the unhappy political situation in the neighbouring Ciskei, which has affected workers in all major East London companies, employee relations have been very good during the year and progress has been achieved in the further development of personnel policies, particularly for training. A copy of our report to the Department of Trade on the EEC Code of Conduct is available on request.

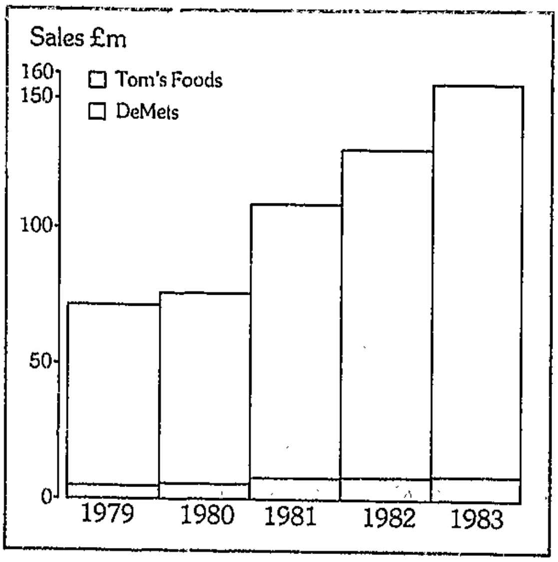
Rowntree Hoadley in Australia experienced a very difficult year in the market place and trading profits were lower. However, sales of the major brands on which the future of the business depends were well maintained. Considerable progress was made in improving the use of materials, labour and capital, with new plant being brought into production. The old South Melbourne factory was closed and has been sold. Progress was also made in simplifying product distribution with considerable benefits to profitability.

A further increase in VAT in Ireland, to 23 per cent, depressed confectionery sales generally, and the Irish company fell short of its sales targets. This was in spite of the introduction in the second half of the year of a 15 per cent bigger Kit Kat which was well received by trade and consumer. The very competitive state of the market meant that certain planned price increases had to be foregone, but close attention to costs limited the adverse effect on trading profit.

Directors' report *continued*

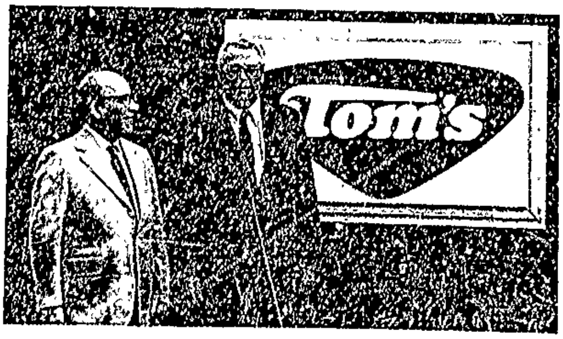
Review of operations continued

USA operations



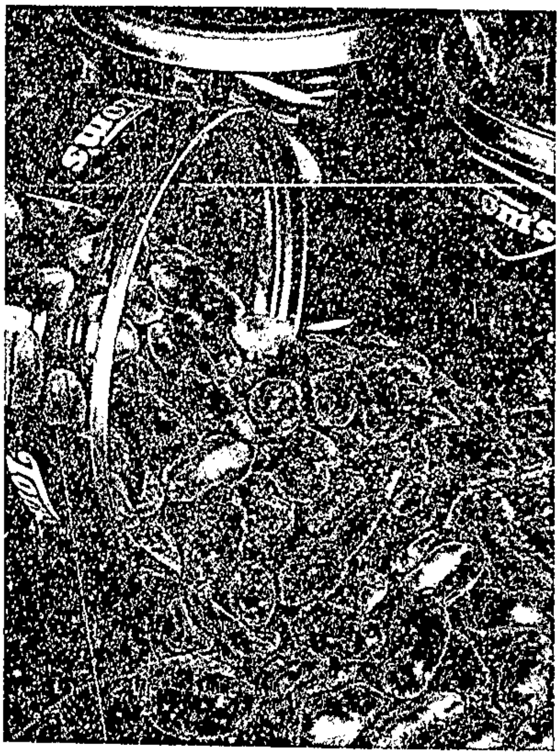
Tom's Foods was acquired in July 1983 and has, under its existing management team, been successfully integrated into the group.

The Tom's business, founded in 1925 by Tom Houston in Columbus, Georgia, manufactures corn and potato crisps, peanuts, confectionery and baked goods at seven different locations in the USA, mainly in the south and south-east, and employs approximately 2,400 people. Tom's is a large user of peanuts, corn, potatoes, wheat and certain vegetable cooking oils, all of which are available within the USA. Tom's 350 different snack products are largely sold through independent distributors, with a considerable proportion of sales being effected by some 130,000 vending machines. The vending machines, most of which are owned by the independent distributors, are located in premises of high activity such as factories, colleges and offices.



K Haslinger and M L Tracy, respectively Chairman and President of Tom's Foods.

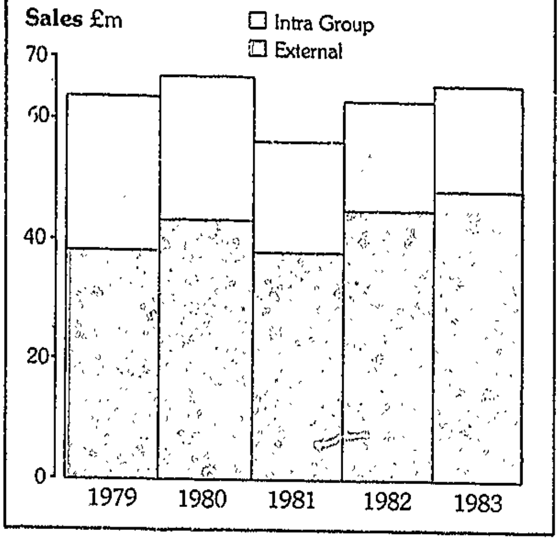
Helped by the recent improvements in the US economy, Tom's achieved a satisfactory trading performance in the 25 weeks since acquisition and its contribution to group profits fully measured up to our expectations. Vending machine sales improved on 1982 and it is anticipated that this improvement will continue.



DeMets is a small sales company with its headquarters in Chicago selling in various parts of the USA the Turtles product manufactured by Laura Secord in Canada. Volume in 1983 was in line with the previous year, whilst trading profit was close to plan and significantly up over 1982. The company's name has been changed to Rowntree DeMets Inc and it is now selling other group products in the USA in addition to Turtles.

Royalty income under our licensing agreement with Hershey showed a steady increase and Kit Kat sales were particularly strong.

Exports

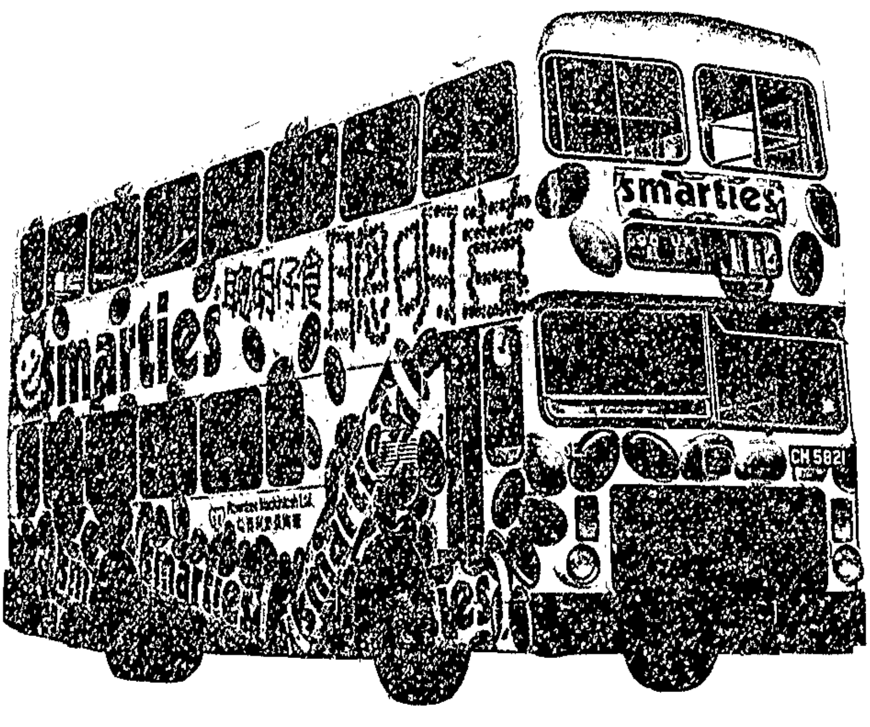


Export trading results were excellent. Sales volumes exceeded 1982 by 6 per cent, although they were not quite up to the record level of 1978. In profit terms, however, the previous record set in 1977 was exceeded.

The 1983 trading pattern was broadly the same as in recent years, but it is noteworthy that the share of the division's sales going to the Middle East has now edged up to around the 50 per cent mark compared with 15 per cent a decade ago.

In product terms, Quality Street and Kit Kat continue to be two of the division's most successful brands in most of its markets; other leading brands were Smarties, After Eight, Lion Bar and Toffo.

The group's export business is founded on established market positions developed in conjunction with our distributors around the world, and on the collective professional skills and team spirit of our own staff. These attributes should contribute towards the continuing success of the division during the current year.



Smarties advertising in Hong Kong.

Directors' report *continued*

Review of operations *continued*

Health foods

Sunrise Natural Foods, in which a majority holding was acquired in 1982, became a wholly owned subsidiary during the year. In January 1983 another small company in the health foods field, Holgates Honey Farm, with a factory in mid-Wales was bought. During 1983 the two companies' production was concentrated in Wales, and other steps towards integrating and combining the operations of the two businesses are in hand, with the continuing involvement in their management of the original owners. As well as selling honey and other preserves, Holgates, like Sunrise, manufactures a range of bars specially for the health food trade.

Engineering companies

The engineering companies had contrasting trading experiences in 1983.

Gainsborough Craftsmen, a small company involved in the design and manufacture of special purpose process and packaging equipment, mainly for use in the confectionery, food and tobacco industries, was unable to obtain sufficient orders to keep its skilled workforce fully employed. Short-time working had therefore to be introduced during the late summer and autumn, but orders then improved to enable a recovery to full-time working towards the end of the year.

Yorkshire Moulds, a leading supplier of chocolate moulds and other plastic products to confectionery manufacturers throughout the world, had a particularly busy year with turnover and trading profits much increased over 1982 levels. Determined efforts to increase export business were successful to the extent that 40 per cent of total sales went to overseas customers, compared with 33 per cent in the previous year. Some investment was made in new equipment, largely directed towards product improvement, shorter manufacturing times and cost reductions.

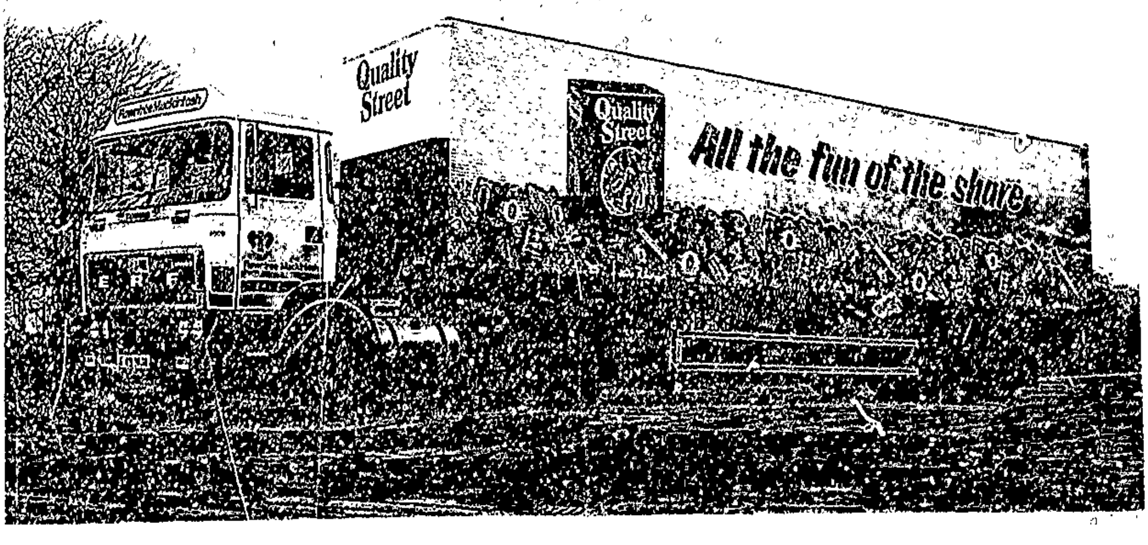
UK Transport and distribution division

The division's continued drive for increased efficiency and energy conservation has led to useful savings. The numbers employed within the division have reduced by 4 per cent while the tonnage handled for the UK confectionery division and Rowntree Mackintosh Sun-Pat has risen by nearly 5 per cent. This reflects a marked increase in productivity.

In May 1983 it became permissible to operate 38 tonne gross weight vehicles on roads in the UK. Following careful investigations we have concluded that the introduction of 38 tonne trunkers into the trunker fleet will reduce transport costs without detriment to the environment or to the division's very high safety standards. These vehicles will be fitted with an extra axle to spread the load more evenly over the road surface to reduce damage and with a number of additional safety features.

The division remains committed, however, to the use of rail for long haul wherever it is practicable and economic to do so. Improvements are planned in the design of equipment to ensure that rail remains a viable alternative to road transport at least for those sites with private rail sidings.

It is planned to use both the trunker fleet and the depot delivery fleet more extensively for product advertising during 1984. Advertising will be concentrated on Kit Kat, Quality Street and Yorkie.



Cocoa supply

Adverse weather and growing conditions in West Africa affected the market for cocoa materials in 1983. The previous year's surplus cocoa stocks were steadily eroded with each revised estimate of production and consumption, and prices rapidly escalated. The group's buying policies have provided some protection against the effects of the higher prices which, if persisting, will result in lower demand for cocoa materials.

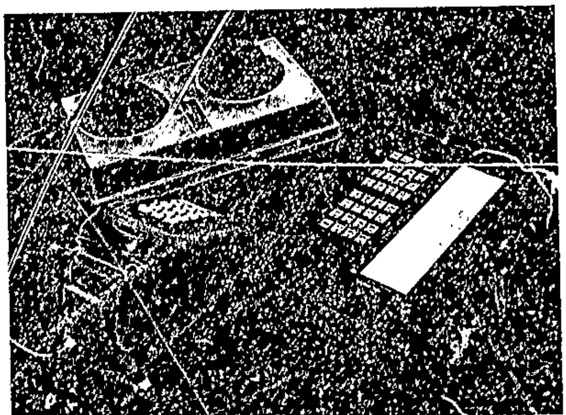
The group has continued to support research and development of cocoa bean production and is participating in the Cocoa Chocolate and Confectionery Alliance's "Ivory Coast Project" through which the Alliance is endeavouring, in conjunction with the Ivorian authorities, to improve the quality of cocoa produced.

Group management services

The group continued to take the opportunities offered by advances in information technology. Group management services met the changing needs of the group, by the introduction of advanced communication facilities, microprocessors and management work-stations.

Electronic plant and process control facilities and workroom data collection equipment were introduced extensively into our factories and important cost reductions are expected. Our international telecommunications networks were extended to include direct transmissions to and from the group's factories on the continent of Europe. Direct data links were also established with our offices in Toronto, Canada and Columbus, Georgia, USA.

A portable order entry terminal has been developed by the group. This enables the UK sales forces to send their daily orders direct to a central computer in a matter of seconds and this in turn speeds up the receipt of orders in the depot system and the subsequent delivery of products to customers.



One of our portable order entry terminals.

Group personnel

This group function was established during the year, to concentrate on personnel policy issues and longer-term development of employee relations in the group's operations in many parts of the world. The function exercises responsibility for developments in employee communications (see page 16), consultation policies, training at all levels, recruitment, management education and development, remuneration research, career development and management succession planning. It is staffed with a small number of experienced managers accustomed to carrying out senior responsibilities.

The group's policy for recruitment and training is to ensure that staff of the appropriate calibre and qualifications are available for future developments of the group and that they are appropriately trained for their responsibilities.

Research and development

Much of the group's scientific, research engineering and information technology resources is applied to improving methods and efficiency of manufacture, packaging, distribution and communication. Other projects are concerned with promoting economy in the use of ingredients, materials and energy.

With 33 factories on four continents, the effective exploitation of technical developments throughout the group is promoted by a small team of engineers who colle[illegible] and redistribute information and know-how, revi[illegible] all major developments and monitor capital expenditure proposals to ensure that maximum advantage is taken of new ideas and techniques.

Research has been and continues to be carried out both internally and externally into the basic science and technology of those sectors of the food industry with which the group is involved, the quality and security of supply of its raw materials, and the safety and acceptability of finished products.

Future developments

We consider that in the years ahead there will be considerable scope for the continued development of the group's activities in accordance with our strategic objectives.

Directors' report *continued*

People

Directors

The directors of the company and their principal responsibilities are listed on page 2.

Mr I Mackintosh served as a director until his death on 9 January 1983 and Mr J F Main served as a director until his retirement on 25 January 1983.

The members of the board who retire by rotation are Mr D B Bowden, Mr D Cramb, Sir Ashley Ponsonby and Dr J A P Treasure who, being eligible, offer themselves for re-election at the AGM. Mr Bowden and Mr Cramb have each entered into service contracts with the company which are terminable upon three year's notice.

Senior appointments

Mr D J Fearnley retired in July 1983 and was succeeded as director of group management services by Mr P A Hewitt. Also in July, Mr R C Lowe retired as Managing Director of our Irish company and was succeeded by Mr P Marron.

The following senior appointments were also made:

European division	
Finance Director:	Mr H B Farnhill
Export division	
Sales Director:	Mr A W Corner
Group headquarters	
Assistant Group Finance Director:	Mr T M Holmes
Deputy Director Group Personnel:	Mr M W Jones
Director of Public Relations:	Mr G T Russell
Overseas division	
Finance Director:	Mr D W Meal
Chairman Laura Secord Ltd:	Mr R Sugden
President Laura Secord Ltd:	Mr A W McEwen
Deputy Managing Director Wilson-Rowntree (Pty) Ltd:	Mr G Millar
RPC Ltd	
Marketing and Sales Director:	Mr C J Ireland
Rowntree DeMets Inc	
President:	Mr B J Fulford
Tom's Foods Inc	
President:	Mr M L Tracy
UK confectionery division	
Joint Deputy Chairmen:	Mr T Gardiner
	Mr A Revell
Finance Director:	Mr A Bertram
Personnel Director:	Mr P J Lawson
Product Research Director:	Dr J R Ravenhill

Communications

During the year the group continued to develop means of informing employees about and involving them in matters which affect their working lives.

Our briefing system continued to provide an effective means of regularly informing employees on a wide range of topics. This was supported by local presentations of the financial results, the group newspaper *RM News*, and by the 1982 annual report to employees. A research study indicated that the report to employees was well received and helped employees gain a better understanding of the business. Over 90 per cent felt that a similar report should be produced for 1983 and a copy is enclosed with this report.

We developed a different dimension of involvement with the trial introduction of quality circles. These give employees the opportunity to come together in small groups in working time to use their experience and natural abilities to identify problems related to their work and formulate solutions. The results from our initial introduction in the UK have encouraged further introductions to be planned for 1984.

We firmly believe that a common understanding of corporate objectives and achievements is best secured by means of the voluntary commitment implicit in the above arrangements rather than by the legislation now proposed by the Commission of the European Communities.

Profit sharing and share option schemes

In 1983, 1,129 employees (1982 1,102) elected to take all or part of their profit share entitlements in shares and in total 66,629 shares at a price of 237p each were appropriated to them through the Employee Share Trust.

The directors have allocated £2·54 million in respect of the 1983 financial year for distribution under the profit sharing scheme.

During the year the company issued 906,252 ordinary shares of 50p each in return for subscriptions totalling £1,400,657 in respect of options exercised under the group's employee share option schemes. Options over 1,317,778 ordinary shares were granted in June 1983 under the schemes to employees in Australia, Belgium, Canada, France, Germany, Holland, Ireland, Italy and the United Kingdom. On 31 December 1983 a total of 3,550 employees held options over 5,696,309 ordinary shares. These options entitle holders to take up the shares at prices varying between 112p and 226p, depending on the form and date of participation, at various dates between 1984 and 1990.

Disabled persons

The group recognises its legal and social obligations for the employment of disabled persons, and does what is practicable to fulfil them. Disabled persons' applications for employment are carefully considered and their aptitudes and abilities are taken fully into account. If employees become disabled while employed by the group every effort is made to retain them in the same job.

General training and promotional opportunities are available to disabled employees according to individual ability in the same way as other employees.

Social and community involvement

The group made charitable donations totalling £194,000 during 1983 (1982 £233,000) of which payments made by UK companies amounted to £125,000 (1982 £204,000). These were given to a wide range of causes, most being linked to projects in the localities where the group has its manufacturing bases. £25,000 was contributed to the appeal fund for the establishment in York of a hospice which will provide care facilities for terminally ill patients.

The group has intensified its efforts to assist in providing training and work experience for young people. In the UK we have extended our participation in the government's Youth Training Scheme and nearly 100 school leavers have been accepted under the Scheme at a number of locations and will remain with the group for about a year. The main purpose of the Scheme is to prepare youngsters for adult working life and to enable them to make the most of future job opportunities. In conjunction with government agencies the group has been actively engaged in the establishment of an Information Technology Centre at York. The Centre will initially provide 30 places for school leavers to receive a year's practical training in electronics and computing and the development of social skills. It is expected that the Centre will open during 1984. Management and financial support has also been given to a special training project for youngsters in Glasgow, and to organisations such as Business in the Community, Project Fullemploy, Trident and Community Task Force, which are in varying ways helping to tackle the problem of unemployment.

Youth training at Norwich factory.

General information

Dividends

The directors are recommending a final dividend on the ordinary share capital of 6·55p per share, making with the interim dividend of 3·20p per share, a total dividend of 9·75p per share in respect of 1983. The 1982 total dividend was 8·80p per share. After charging dividends it is proposed to transfer £17·3 million to reserves.

Capital investment

During the year the group spent £58·3 million on fixed assets of which £1·3 million was leased (1982 £42·0 million, £3·2 million leased).

Acquisitions

In May 1983 the group acquired the outstanding 10 per cent of the issued share capital of RPC Limited for £1·9 million, which was satisfied by the issue of Rowntree Mackintosh loan stock 1983/87.

Also in May 1983 the group completed the purchase of the Canadian confectionery manufacturing and

Directors' report *continued*

General information *continued*

retailing business, Laura Secord, and its USA confectionery sales subsidiary DeMets Inc. The total purchase price was the equivalent of about £19 million which was satisfied in cash.

In July 1983 the group acquired the Tom's Foods business for a total purchase price equivalent to approximately £138 million, £102 million of which was satisfied in cash and the remainder by the issue of 17·5 million ordinary shares in the company valued at 205p per share and credited as fully paid.

Principal activity

The principal activity of the group is set out on page 2 and the group's main subsidiaries are listed on page 33.

Annual general meeting—special business

Section 17 of the Companies Act 1980 provides shareholders with pre-emption rights on the issue of equity shares or convertible securities for cash unless such rights have been disapplied by special resolution of the shareholders in general meeting. The directors consider it is in the best interests of the company that Section 17 should not apply until the next annual general meeting of the company to the allotment of equity securities in a rights issue in favour of ordinary shareholders nor to the allotment of equity securities (otherwise than in a rights issue) up to a maximum nominal amount of £5,293,438 being approximately 5 per cent of the company's ordinary share capital which is issued or available for issue generally.

The directors recommend shareholders accordingly and an appropriate resolution seeking the consent of shareholders to this recommendation will be proposed as special business at the annual general meeting.

Notice of the annual general meeting appears on page 40.

On behalf of the board of Rowntree Mackintosh plc.

N J Nightingale *secretary*

12 March 1984

Accounting policies

The consolidated accounts for the 52 weeks ended 31 December 1983 and the corresponding figures for the previous year comply with the new format and disclosure requirements of the Companies Act 1981.

The following paragraphs summarise the more important accounting policies used in the preparation of the accounts of the group.

Basis of consolidation

The group accounts include the accounts of Rowntree Mackintosh plc and its subsidiary companies. The accounts of subsidiaries acquired during the year are included from the date of acquisition. Goodwill arising on acquisitions is written off against reserves.

Foreign currency translation

The accounts of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date.

Exchange adjustments arising on consolidation and on foreign currency borrowings arranged to finance overseas investments have been dealt with as a movement on reserves. Previously exchange adjustments were included in extraordinary items.

Depreciation

The cost or subsequent revaluation of buildings and the cost of plant and machinery (less any investment or other grants) is depreciated on a straight line basis over the estimated useful lives of the assets commencing in the year after commissioning. In general the rates used throughout the group are as follows:

Buildings	1½%
Plant and machinery	10%–20%

Capitalisation of overheads

In the case of fixed assets manufactured by the group's engineering staff, an appropriate proportion of the overhead costs of this function is included in the amounts capitalised.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost is arrived at mainly on an average basis and includes the appropriate proportion of production overheads.

Pensions

Retirement pensions are funded by payments to either trusts or insurance companies which are entirely separate from the group.

The current cost of retirement pensions is calculated periodically in conjunction with consulting actuaries. The cost of funding that part of retirement benefits which relates to past service is charged in the year in which it arises.

Deferred taxation

Provision is made for deferred taxation at current rates of tax in respect of all material timing differences arising from the different treatment of certain items for taxation and accounting purposes, unless there is reasonable evidence that such deferred taxation will not be payable in the foreseeable future.

Advance corporation tax

Advance corporation tax arising on dividends in respect of the year is charged to the profit and loss account except where it will, with reasonable probability, be recovered against the liability to corporation tax on the following year's profits. Credit is taken for advance corporation tax written off in previous years to the extent that it is recoverable against the current year's liability to corporation tax.

Group profit and loss account

52 weeks ended 31 December 1983

	Note	1983 £m	1982 £m
Turnover	1	951·9	770·5
Cost of sales		617·9	512·7
Gross profit		334·0	257·8
Distribution costs		39·1	30·0
Marketing, selling and administrative expenses		226·5	173·4
Other operating income		(4·2)	(1·5)
		261·4	201·9
Trading profit	2	72·6	55·9
Interest	4	11·2	5·4
Profit before taxation on ordinary activities		61·4	50·5
Taxation on profit on ordinary activities	5	14·9	16·0
Profit after taxation on ordinary activities		46·5	34·5
Minority interests		—	0·1
Profit before extraordinary items		46·5	34·4
Extraordinary items	6	13·5	(0·6)
Profit attributable to Rowntree Mackintosh plc	7	33·0	35·0
Dividends	8	15·7	12·4
Added to reserves	9	17·3	22·6
Earnings per ordinary share	10	31·0p	24·5p

Rowntree Mackintosh

Group balance sheet

at 31 December 1983

	Note	1983 £m	1982 £m
Fixed assets			
Tangible assets	11	347·4	245·3
Current assets			
Stocks	13	160·1	130·8
Debtors	14	144·5	111·0
Cash at bank and in hand		25·1	73·8
		329·7	315·6
Current liabilities			
Bank overdrafts and short term loans		54·3	39·8
Creditors—amounts falling due within one year	15	161·6	129·8
		215·9	169·6
Net current assets		113·8	146·0
Total assets less current liabilities		461·2	391·3
Creditors—amounts falling due after more than one year	16	2·9	6·9
Loan capital	17	99·9	31·4
Provisions for liabilities and charges	19	9·5	3·6
		348·9	349·4
Capital and reserves			
Called up share capital	20	82·0	72·7
Share premium account	9	73·4	45·5
Revaluation reserve	9	47·5	47·5
Profit and loss account	9	145·9	182·5
		348·8	348·2
Minority interests		0·1	1·2
		348·9	349·4

Approved by a meeting of the board on 12 March 1984

Kenneth Dixon
David Bowden } *Directors*

Kenneth Dixon
David Bowden

Rowntree Mackintosh

Group source and application of funds

52 weeks ended 31 December 1983

	1983 £m	1982 £m
Source of funds		
Profit before taxation on ordinary activities	61·4	50·5
Adjustments for items not involving the movement of funds:		
Depreciation	26·8	20·1
Other non cash items	0·2	0·2
Disposal proceeds of tangible assets	4·0	2·1
Disposal proceeds of Huntley & Palmer Foods PLC shares	—	18·0
Dividends from associated companies	—	0·7
Issue of shares under employee share schemes	1·6	2·2
Issue of shares in part consideration for acquisition of subsidiaries	35·6	4·6
	129·6	98·4
Application of funds		
Expenditure on fixed assets	55·9	38·0
Taxation paid	15·1	10·6
Dividends paid	12·4	11·0
Rationalisation costs	5·1	1·6
Acquisition of minority interests	2·5	—
Acquisition of subsidiaries (note 21)	157·1	13·6
Loans, bank borrowings and cash arising on acquisition of subsidiaries	4·0	(0·7)
	252·1	74·1
Increase (Decrease) in working capital		
Stocks	13·6	6·4
Debtors	4·5	6·8
Creditors	(14·1)	(7·7)
	4·0	5·5
	256·1	79·6
Net outflow (inflow) of funds	126·5	8·3)
Adjustment on translation of overseas borrowings	5·2	3·0
Increase (Decrease) in net group borrowings	131·7	(15·8)
Comprising		
Increase in loan capital and overdrafts	83·0	24·5
Decrease (Increase) in cash at bank and in hand	48·7	(40·3)
	131·7	(15·8)

Exchange differences on working capital are incorporated in the respective items.

Movements relating to subsidiaries acquired during the year are included only for the period they were owned by the group and therefore working capital movements do not correspond to the change in balance sheet amounts.

Parent company balance sheet
at 31 December 1983

	Note	1983 £m	1982 £m
Fixed assets			
Tangible assets	11	75·5	63·7
Investments	12	23·6	21·5
Current assets			
Stocks	13	85·6	81·2
Debtors	14	343·2	171·7
Cash at bank and in hand		3·8	65·5
		432·6	318·4
Current liabilities			
Bank overdrafts and short term loans		26·8	9·0
Creditors—amounts falling due within one year	15	147·4	149·1
		174·2	158·1
Net current assets		258·4	160·3
Total assets less current liabilities		357·5	245·5
Creditors—amounts falling due after more than one year	16	2·4	6·4
Loan capital	17	78·5	12·4
Provisions for liabilities and charges	19	6·2	—
		270·4	226·7
Capital and reserves			
Called up share capital	20	82·0	72·7
Share premium account	9	73·4	45·5
Profit and loss account	9	115·0	108·5
		270·4	226·7

Approved by a meeting of the board on 12 March 1984

Kenneth Dixon
David Bowden
} *Directors*

Kenneth Dixon
David Bowden

Notes to the accounts

1 Turnover

Turnover represents the value of sales of group products to third parties.

Geographical analysis of sales and trading profit

	1983		1982	
	Sales	Trading Profit	Sales	Trading Profit
	£m	£m	£m	£m
UK	443·6	35·6	388·1	35·2
Europe	198·2	2·8	201·6	—
N America	175·0	16·8	53·5	4·6
Australasia	48·2	0·5	47·9	2·2
Rest of World	86·9	16·9	79·4	13·9
	951·9	72·6	770·5	55·9

Export sales and profits are included in the appropriate overseas areas.
Trading profits are shown after the allocation of headquarter costs.
Exports from the UK are analysed as follows:

	1983	1982
	£m	£m
External	49·5	44·8
Intra group	17·4	17·9
Total exports	66·9	62·7

2 Trading profit

	1983	1982
	£000	£000
Trading profit is after charging the following:		
Depreciation	26,800	20,100
Leasing and hire charges	6,100	5,600
Auditors' remuneration	540	406
Directors' emoluments	727	650
The directors' emoluments (excluding pension contributions) were made up as follows:		
The chairman	75	66

The directors, including the chairman:

£	Gross emoluments 1983	1982
1— 5,000	1	—
5,001—10,000	3	4
30,001—35,000	—	1
35,001—40,000	1	1
40,001—45,000	2	2
45,001—50,000	1	3
50,001—55,000	3	2
55,001—60,000	2	—
65,001—70,000	—	1
75,001—80,000	1	—

In the UK employees other than directors earned gross emoluments, excluding pension contributions, within the band:

£	1983	1982
30,001—35,000	5	—

3 Employees

The aggregate remuneration costs of employees were:

	1983 £m	1982 £m
Wages and salaries	215·2	171·0
Social security costs	24·0	21·2
Other pension costs	10·2	10·0
	249·4	202·2

The average numbers employed in the geographical areas of operation were:

	1983 Number	1982 Number
UK	19,700	19,400
Europe	4,000	3,800
N America	3,800	1,200
Australasia	1,200	1,400
Rest of world	2,500	2,400
	31,200	28,200

4 Interest

	1983 £m	1982 £m
Interest payable on:		
Bank borrowings and short term loans repayable within five years	10·3	8·9
Long term loans	5·3	1·5
	15·6	10·4
Interest receivable	4·4	5·0
	11·2	5·4

5 Taxation

	1983 £m	1982 £m
Based on the profits of the year:		
UK corporation tax at 52%	8·8	15·7
Advance corporation tax written off less recoveries	1·6	(4·1)
Overseas taxes payable at various rates	5·0	3·9
Adjustments relating to previous years	(0·5)	0·5
	14·9	16·0

UK corporation tax payable on future profits will be reduced by advance corporation tax of £7·9 million already paid or provided.

The group taxation charge for the year has been reduced by £13·4 million (1982 £7·3 million) being £10·6 million (1982 £5·1 million) in respect of accelerated capital allowances for which no deferred tax has been provided and £2·8 million (1982 £2·2 million) in respect of stock relief.

	Group 1983 £m	Group 1982 £m	Parent company 1983 £m	Parent company 1982 £m
The group's potential amount of deferred taxation on all timing differences, calculated at current rates of tax, is made up as follows:				
Deferred by capital allowances	55·5	47·4	37·6	31·5
Other timing differences	(1·4)	(2·8)	(1·3)	(2·7)
Deferred in respect of revaluation surpluses	12·9	13·4	—	—
	67·0	58·0	36·3	28·8

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.

Notes to the accounts *continued*

6 Extraordinary items

	1983 £m	1982 £m
Rationalisation costs in the UK and overseas	13·4	—
Amount written off unlisted investment	1·1	—
Surplus on disposal of shares in associated company	—	(2·1)
	14·5	(2·1)
Tax attributable to extraordinary items	(1·0)	1·5
	13·5	(0·6)

7 Profit attributable to Rowntree Mackintosh plc

The group accounts do not include a separate profit and loss account for Rowntree Mackintosh plc (the parent company) as permitted by Section 149(5) of the Companies Act 1948. The amount of group profits attributable to Rowntree Mackintosh plc dealt with in the accounts of the parent company is £22·2 million (1982 £28·5 million).

8 Dividends

	1983 £m	1982 £m
Ordinary		
Payable 3 January 1984: Interim of 3·20p per share (1982 2·90p per share)	5·1	4·1
Proposed: Final of 6·55p per share (1982 5·90p per share)	10·5	8·2
Preference	0·1	0·1
	15·7	12·4

9 Reserves

	Group 1983 £m	Group 1982 £m	Parent company 1983 £m	Parent company 1982 £m
Share premium				
Opening balance	45·5	40·9	45·5	40·9
Premium on employee share schemes	1·1	1·4	1·1	1·4
Premium on shares issued on acquisition of subsidiaries	26·8	3·2	26·8	3·2
	73·4	45·5	73·4	45·5
Revaluation reserve				
Opening balance	47·5	48·0		
Movement in year	—	(0·5)		
	47·5	47·5		
Profit and loss account				
Opening balance	182·5	161·1	108·5	92·4
Currency translation differences	0·4	4·7		
Goodwill on acquisition of minorities	(1·4)	—		
Goodwill on acquisition of subsidiaries	(52·9)	(5·9)		
Transfer from profit and loss account	17·3	22·6	6·5	16·1
	145·9	182·5	115·0	108·5

Currency translation differences are after charging £5·5 million (1982 £1·2 million) losses on foreign currency borrowings used to finance overseas investments.

10 Earnings per ordinary share

Earnings per share is calculated on the profit attributable to ordinary shares, before extraordinary items, of £46·4 million and 149·5 million ordinary shares being the average number in issue during the year. There is no material dilution of earnings per share as a result of outstanding options under the employee share option schemes.

11 Tangible assets

	Group Land and buildings £m	Group Plant and machinery £m	Parent company Plant and machinery £m
Cost or valuation			
At 2 January 1983	122·2	235·5	116·0
Currency adjustments	2·1	2·4	
Inter company transfers			(0·2)
Additions after deducting grants (£1·1 million group £0·5 million parent)	7·4	48·5	23·7
On acquisition of subsidiaries	27·9	44·3	
Disposals	(1·8)	(6·1)	(2·6)
At 31 December 1983	157·8	324·6	136·9
Comprising—Freehold properties	150·0		
Properties held on long lease	5·7		
Properties held on short lease	2·1		
	157·8		
At cost	42·9	324·6	136·9
At 1981 valuation	114·9	—	—
	157·8	324·6	136·9
Depreciation			
At 2 January 1983	1·7	110·7	52·3
Currency adjustments	—	(0·3)	
Inter company transfers			(0·1)
Disposals	—	(4·0)	(1·8)
On acquisition of subsidiaries	—	0·1	
Charged in the profit and loss account	2·4	24·4	11·0
At 31 December 1983	4·1	130·9	61·4
Net book value at 31 December 1983	153·7	193·7	75·5
Net book value at 2 January 1983	120·5	124·8	63·7

Assets included at a valuation would have been included on an historical cost basis at:	1983 Land and buildings £m	1982 Land and buildings £m
Cost	63·4	63·3
Aggregate depreciation	11·6	10·7

In addition to expenditure on fixed assets during the year of £57·0 million (before deducting grants) the group leased assets with a capital value of £1·3 million. All leasing costs arising in the year have been charged against profits.

	Group 1983 £m	Group 1982 £m	Parent company 1983 £m	Parent company 1982 £m
Capital expenditure authorised at 31 December 1983 by the respective boards of directors:				
Contracts placed	11·5	16·3	6·2	7·8
Contracts not yet placed	15·9	27·8	9·7	20·1
	27·4	44·1	15·9	27·9

Notes to the accounts *continued*

12 Investments

	£m
Shares in subsidiaries at cost	
At 2 January 1983	21·5
Subsidiary acquired during the year	0·2
Further investment in subsidiaries during the year	1·9
At 31 December 1983	23·6

13 Stocks

	Group		Parent company	
	1983	1982	1983	1982
	£m	£m	£m	£m
Raw materials and consumables	73·2	62·0	41·5	41·7
Work in progress	16·6	12·4	8·9	7·1
Finished goods and goods for resale	70·3	56·4	35·2	32·4
	160·1	130·8	85·6	81·2

14 Debtors

	Group		Parent company	
	1983	1982	1983	1982
	£m	£m	£m	£m
Trade debtors	106·2	90·8	40·5	39·1
Amounts owed by group companies			295·7	121·5
Other debtors	34·7	16·5	5·5	9·2
Prepayments and accrued income	3·6	3·7	1·5	1·9
	144·5	111·0	343·2	171·7

Included in 'other debtors' are loans to and notes receivable from US distributors amounting to £21·0 million of which £16·0 million are receivable after more than one year. Loans to distributors arise from the financing of vending machines, parts and related services. They are repayable in equal monthly amounts over 7 to 8 years and bear interest at rates of 6 per cent to 14 per cent per annum. Notes receivable are secured loans to distributors to finance working capital and are repayable in varying amounts over periods of up to 10 years and bear interest at rates of 6 per cent to 14 per cent per annum.

15 Creditors—amounts falling due within one year

	Group 1983 £m	Group 1982 £m	Parent company 1983 £m	Parent company 1982 £m
Trade creditors	101·0	82·9	50·0	49·9
Amounts owed to group companies			59·2	69·1
Bills of exchange	4·3	3·6	—	
Taxation and social security	26·4	18·9	18·6	14·1
Accruals	9·8	6·8	2·7	1·5
Other creditors	4·5	5·3	1·3	2·2
Proposed dividends	15·6	12·3	15·6	12·3
	161·6	129·8	147·4	149·1

16 Creditors—amounts falling due after more than one year

	Group 1983 £m	Group 1982 £m	Parent company 1983 £m	Parent company 1982 £m
Taxation	2·9	6·9	2·4	6·4

17 Loan capital

	1983 £m	1982 £m
Bank loans		
Parent company	78·5	12·4
Overseas subsidiaries	2·5	5·8
	81·0	18·2
Other loans		
10¼% sterling foreign currency bonds	12·0	13·2
6½% and 6¾% industrial revenue bonds (secured on land and buildings)	6·9	—
	18·9	13·2
	99·9	31·4

	Bank loans 1983 £m	Bank loans 1982 £m	Other loans 1983 £m	Other loans 1982 £m
Repayable as follows:				
Between one and two years	13·4	14·3	1·2	1·2
Between two and five years	1·0	3·9	10·8	3·6
In five years or more	66·6	—	6·9	8·4
	81·0	18·2	18·9	13·2

The above bank loans have been negotiated at variable interest rates which at 31 December 1983 ranged between 10⅛% and 11%.

Notes to the accounts *continued*

18 Aggregate bank borrowings

	Group 1983 £m	Group 1982 £m	Parent company 1983 £m	Parent company 1982 £m
Overdrafts	41·4	30·4	16·4	—
Loans	81·0	18·2	78·5	12·4
	122·4	48·6	94·9	12·4

Group aggregate bank borrowings include £1·1 million (1982 £1·6 million) of overseas borrowings secured on land and buildings.

19 Provisions for liabilities and charges

	Group £m	Parent Company £m
Rationalisation costs		
At 2 January 1983	3·6	—
Costs incurred during the year	(5·1)	(2·4)
Transfer from profit and loss account	11·0	8·6
At 31 December 1983	9·5	6·2

20 Called up share capital

	Authorised 1983 £m	Authorised 1982 £m	Issued and fully paid 1983 £m	Issued and fully paid 1982 £m
6% (now 4·2% net) First cum. pref. shares of £1 each	1·0	1·0	1·0	1·0
7% (now 4·9% net) Second cum. pref. shares of £1 each	1·0	1·0	0·8	0·8
7½% (now 5·25% net) Third cum. pref. shares of £1 each	1·0	1·0	0·9	0·9
	3·0	3·0	2·7	2·7
Ordinary shares of 50p each	114·0	100·0	79·3	70·0
	117·0	103·0	82·0	72·7

17,500,000 ordinary shares at 205p were issued in July 1983 as part of the consideration for the purchase of Tom's Foods, and 4,000 ordinary shares at 210p were issued in relation to the acquisition of Holgates Honey Farm Ltd.

During 1983 options over 906,252 ordinary shares were exercised under the group's share option schemes at an average price of 156p per share and 66,629 ordinary shares at 237p were allotted to the Employee Share Trust under the UK Profit Sharing Scheme.

At 31 December 1983 options were outstanding over 5,696,309 ordinary shares. These options entitle holders to purchase the shares at prices varying between 112p and 226p at various dates between 1984 and 1990.

On 12 March 1984 the following were interested in the classes of shares in the company to the extent set out opposite their respective names:

	6% Preference shares
Norwich Union	195,300 (19·5%)
The Lion Confectionery Co Ltd	60,000 (6·0%)
	7% Preference shares
Hill Samuel Life Assurance	85,000 (10·5%)
Norwich Union	59,000 (7·3%)
Prudential Assurance	62,500 (7·7%)
D Le Grove	42,500 (5·3%)

21 Acquisition of subsidiaries

	Tom's Foods £m	Laura Secord £m	1983 £m	1982 £m
Fixed assets	63·6	8·5	72·1	7·9
Stocks, debtors less creditors	32·3	3·8	36·1	0·1
Net borrowings	(6·1)	2·1	(4·0)	0·7
	89·8	14·4	104·2	8·7
Minority interests	—	—	—	0·9
	89·8	14·4	104·2	7·8
Goodwill on acquisition	48·3	4·6	52·9	5·8
Purchase consideration including costs	138·1	19·0	157·1	13·6

22 Contingent liabilities

Tom's Foods Inc has guaranteed the repayment of amounts borrowed by certain US distributors of £1·0 million.

Rowntree Mackintosh plc has guaranteed UK subsidiary borrowings of £6·2 million (1982 £5·5 million).

A subsidiary has a contingent liability in respect of discounted bills receivable amounting to £4·9 million (1982 £2·7 million).

Notes to the accounts *continued*

23 Other statutory information

Directors' interests

Interests, including options granted under the United Kingdom employee share option schemes, of the directors in the share capital of the company at 2 January 1983 and at 31 December 1983 are set out below.

		Ordinary shares	Rowntree Mackintosh plc ordinary shares of 50p each over which options granted	6% Preference shares
Beneficial interests				
K H M Dixon	2.1.83	3,042	15,057	100
	31.12.83	3,666	17,303	100
K Haslinger	2.1.83	5,170	19,499	
	31.12.83	7,094	20,747	
J Nutter	2.1.83	5,784	22,615	100
	31.12.83	6,431	24,494	100
P H Blackburn	2.1.83	550	11,404	
	31.12.83	1,000	9,217	
D B Bowden	2.1.83	965	21,648	100
	31.12.83	1,331	21,980	100
J W Colquhoun	2.1.83	900	23,254	
	31.12.83	1,200	23,254	
T Copley	2.1.83	1,922	26,390	
	31.12.83	2,563	22,365	
D Cramb	2.1.83	1,140	14,760	100
	31.12.83	1,566	9,112	100
R A Kaner	2.1.83	8,546	908	
	31.12.83	7,629	2,415	
J L Mackinlay	2.1.83	7,398	20,563	
	31.12.83	7,829	22,139	
Sir Ashley Ponsonby	2.1.83	1,500		
	31.12.83	1,500		
J A P Treasure	2.1.83	500		
	31.12.83	500		
Other interests				
Sir Ashley Ponsonby	2.1.83	6,000		
	31.12.83	NIL		

At no time during the year has any director had any material interest in a contract with the company, being a contract of significance in relation to the company's business.

Companies Act 1980

During 1983 the company provided current account facilities for a number of employees. In the case of each director any amounts outstanding were limited to £500 and were settled within two months, the facilities in part comprising quasi-loans complying with Section 50(2) of the Companies Act 1980.

Rowntree Mackintosh

Group companies

	Country of registration or incorporation	Preference share capital holding (% held)
Parent company		
Rowntree Mackintosh plc	England	
Principal subsidiary companies		
Confectionery, snack food and grocery manufacturers and distributors		
Anglo Bellamy Ltd*	England	
RPC Ltd*	England	
Rowntree Mackintosh Sun-Pat Ltd*	England	
Gray, Dunn & Co Ltd*	Scotland	
Rowntree Hoadley Ltd	Australia	
Rowntree Mackintosh NV	Belgium	
Rowntree Mackintosh Canada Ltd	Canada	
Laura Secord Ltd	Canada	
Rowntree Mackintosh SA	France	
Rowntree Mackintosh SpA	Italy	
Nuts Chocoladefabriek BV	Netherlands	
Rowntree Mackintosh BV	Netherlands	
Rowntree-Mackintosh (Ireland) Ltd*	Republic of Ireland	1%
Wilson-Rowntree (Pty) Ltd†	South Africa	
Rowntree DeMets Inc	United States	
Tom's Foods Inc	United States	
Rowntree Mackintosh GmbH	West Germany	
Engineering		
Gainsborough Craftsmen Ltd†*	England	
Yorkshire Moulds Ltd*	England	
Finance and administration		
Rowntree Mackintosh International Ltd*	England	
Rowntree Mackintosh (Properties) Ltd	England	
Rowntree Mackintosh International Finance BV	Netherlands	
Rowntree Mackintosh International BV	Netherlands	
Rowntree Mackintosh Inc	United States	

All companies are wholly owned except Rowntree-Mackintosh (Ireland) Ltd.

For all companies, the country of registration or incorporation is also the principal country of operation.

*Direct subsidiaries of the parent company †Auditors other than Price Waterhouse

Rowntree Mackintosh

Group current cost profit and loss account

52 weeks ended 31 December 1983

	Note	1983 £m	1982 £m
Turnover†		951·9	770·5
Trading profit†		72·6	55·9
Less: Additional depreciation	2	8·3	6·8
Additional cost of sales	3	5·6	2·5
Monetary working capital adjustment	4	0·6	0·6
		14·5	9·9
Current cost operating profit		58·1	46·0
Interest†		11·2	5·4
Gearing adjustment	5	3·2	1·2
		8·0	4·2
Current cost profit before taxation		50·1	41·8
Taxation†		14·9	16·0
		35·2	25·8
Minority interests		—	0·1
Current cost profit before extraordinary items		35·2	25·7
Extraordinary items		14·5	3·6
Dividends†		15·7	12·4
Retained current cost profit	7	5·0	9·7
Current cost earnings per share		23·4p	18·3p

† as historical cost accounts.

Rowntree Mackintosh

Group current cost profit and loss account

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† as historical cost accounts.

Rowntree Mackintosh

Group current cost balance sheet
at 31 December 1983

	Note	1983 £m	1982 £m
Fixed assets			
Tangible assets	2	455·7	339·5
Current assets			
Stocks		165·2	133·8
Debtors†		144·5	111·0
Cash at bank and in hand†		25·1	73·8
		334·8	318·6
Current liabilities			
Bank overdrafts and short term loans†		54·3	39·8
Creditors—amounts falling due within one year†		161·6	129·8
		215·9	169·6
Net current assets		118·9	149·0
Total assets less current liabilities		574·6	488·5
Creditors—amounts falling due after more than one year†		2·9	6·9
Loan capital†		99·9	31·4
Provisions for liabilities and charges		10·7	3·8
		461·1	446·4
Capital and reserves			
Called up share capital†		82·0	72·7
Share premium account†		73·4	45·5
Current cost reserves	7	305·6	327·0
		461·0	445·2
Minority interests		0·1	1·2
		461·1	446·4

† as historical cost accounts.

Rowntree Mackintosh

Notes to the current cost accounts

1 Basis of preparation

The current cost accounts have been prepared in compliance with SSAP 16.

2 Tangible assets and depreciation

The current cost of land and buildings has been based on a directors' valuation following advice from professional surveyors. Plant and machinery has been restated by applying external indices appropriate to the business in the country of operation or by using group engineering staff valuations. Asset lives have been reviewed and are approximately 50 per cent longer than those applied in the historical cost accounts.

The additional depreciation in the current cost profit and loss account represents the difference between depreciation based on the current cost of fixed assets and that charged in the historical cost accounts.

The current cost balance sheet value of tangible assets is after deducting accumulated depreciation of £306·2 million.

3 Cost of sales

In current cost accounts stocks are charged at costs ruling at the time of sale. The additional cost of sales represents the difference between these current costs and those charged in the historical cost accounts.

4 Monetary working capital

The monetary working capital comprises mainly the debtors and creditors of the business, but also includes those stocks of a service nature which do not form part of the companies' products. The current cost profit and loss account adjustment represents the amount required to maintain the monetary working capital at current operating levels in the face of price changes which have taken place during the year. The calculations are based on the monetary working capital held throughout the year.

5 Gearing adjustment

Part of the group's operations are financed by borrowings. Accordingly the depreciation, cost of sales and monetary working capital adjustments have been reduced by a gearing adjustment to reflect the extent of this external finance. The calculations are based on the average borrowings throughout the year.

6 Foreign currency translation

Current cost adjustments of overseas subsidiaries are calculated in the appropriate local currency and translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of overseas current cost assets and liabilities are reflected in the capital maintenance reserve.

7 Reserves

	£m	£m
Total reserves at 2 January 1983		327·0
Retained current cost profit for the year		5·0
Movement on capital maintenance reserve		
Revaluation of land and buildings	7·2	
Revaluation of plant and machinery	15·2	
Revaluation of stocks	7·7	
Monetary working capital	0·6	
Exchange differences on translation of overseas subsidiaries' net assets	0·4	
	31·1	
Gearing adjustment	3·2	27·9
Other reserve movements within the historical cost accounts		(54·3)
Total reserves at 31 December 1983		305·6

Auditors' report

To the members of Rowntree Mackintosh plc

We have audited the accounts on pages 19 to 37 in accordance with approved Auditing Standards.

In our opinion the accounts on pages 19 to 33, which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, give under that convention a true and fair view of the state of affairs of the company and the group at 31 December 1983 and of the profit and source and application of funds of the group for the 52 weeks then ended and comply with the Companies Acts 1948 to 1981.

In our opinion the supplementary current cost accounts on pages 34 to 37 have been properly prepared, in accordance with the policies and methods described in the notes, to give the information required by Statement of Standard Accounting Practice No. 16.

Price Waterhouse

Price Waterhouse *chartered accountants*

London and Leeds

12 March 1984

Rowntree Mackintosh

Group financial review 1979–83

	1979 £m	1980 £m	1981 £m	1982 £m	**1983 £m**
Turnover	601·3	629·8	688·0	770·5	**951·9**
Trading profit	46·6	44·8	48·0	55·9	**72·6**
Profit before taxation	40·4	31·4	39·9	50·5	**61·4**
Attributable to ordinary shares, before extraordinary items	32·2	22·7	27·1	34·3	**46·4**
Ordinary dividends	7·9	7·9	10·9	12·3	**15·6**
Earnings per ordinary share—p per share	28·9	20·3	21·4	24·5	**31·0**
Ordinary dividends—p per share	7·25	7·25	8·00	8·80	**9·75**

Capital employed	£m	£m	£m	£m	**£m**
Ordinary share capital and reserves	223·0	240·5	317·3	345·5	**346·1**
Preference shares and minority interests	13·8	4·4	2·9	3·9	**2·8**
Net borrowings	63·8	55·7	13·2	—	**129·1**
	300·6	300·6	333·4	349·4	**478·0**

Assets					
Fixed assets	176·0	184·0	216·5	245·3	**347·4**
Investments	10·5	11·7	17·4	—	**—**
Stocks, debtors less creditors	114·1	104·9	99·5	101·5	**130·6**
Net liquid funds	—	—	—	2·6	**—**
	300·6	300·6	333·4	349·4	**478·0**

Rowntree Mackintosh

Notice of meeting

Notice is hereby given that the 87th annual general meeting of Rowntree Mackintosh plc will be held in the Joseph Rowntree Theatre, Haxby Road, York, on Tuesday 17 April 1984, at 3.00 pm for the following purposes:

1 To receive the directors' report and accounts and the auditors' report for the 52 weeks ended 31 December 1983.
2 To declare a dividend.
3 To re-elect directors.
4 To reappoint the auditors.
5 To authorise the directors to fix the auditors' remuneration.
6 As special business, to consider, and, if thought fit, pass the following resolution as a special resolution:
"That the directors be and they are hereby empowered in accordance with Section 18 of the Companies Act 1980 to allot equity securities (within the meaning of Section 17 of the said Act) pursuant to the authority conferred on them by resolution of the company passed on 8 July 1983 as if sub-section (1) of the said Section 17 did not apply to any such allotment provided that this power shall be limited:
(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them; and
(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £5,293,438 and shall expire on the date of the next annual general meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the company.

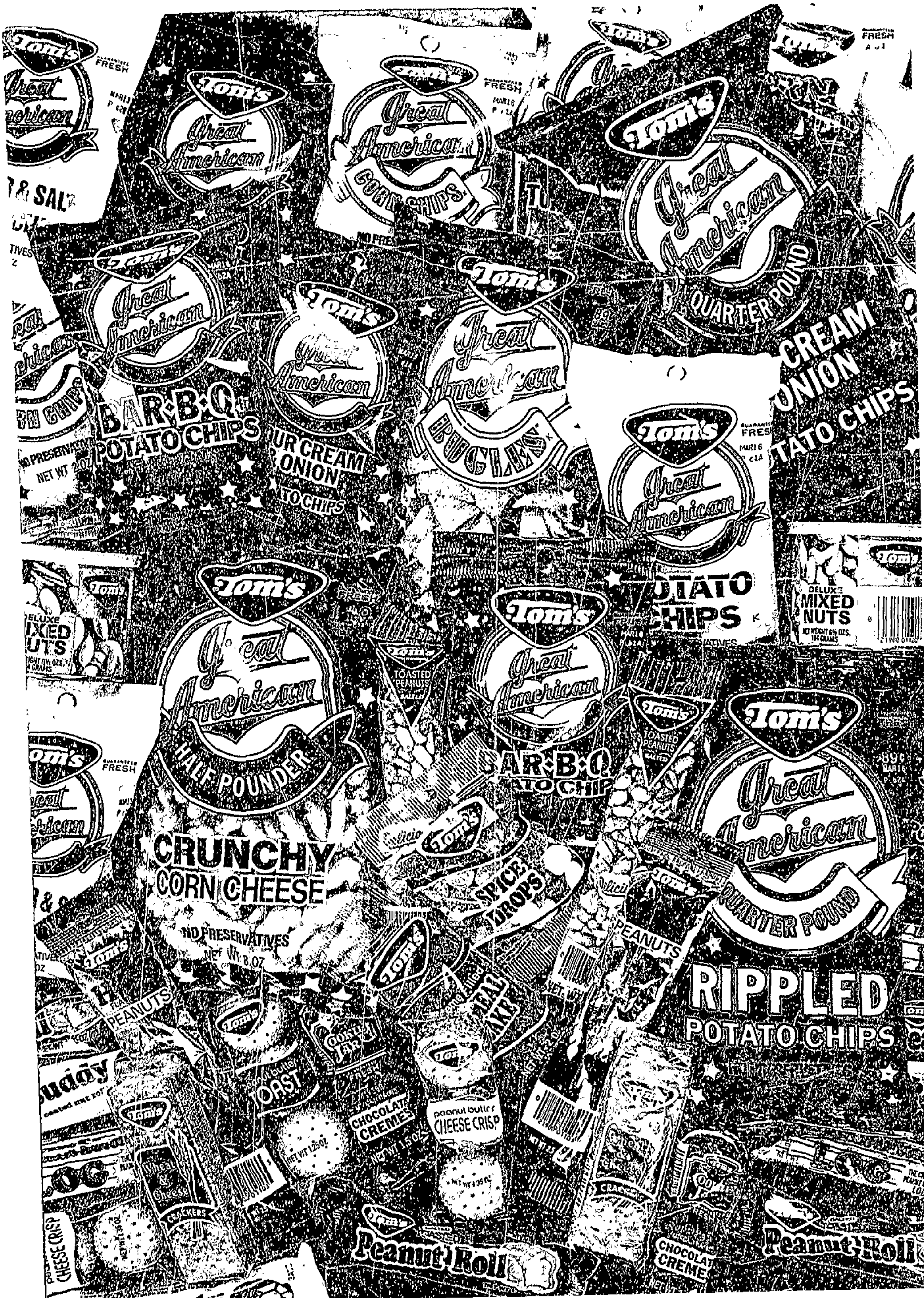
By order of the board

N J Nightingale *secretary*

23 March 1984

Notes

1 This notice is being sent to all members but only holders of ordinary shares, 6 per cent first and 7 per cent second preference shares are entitled to attend and vote at the meeting.
2 Forms of proxy to be valid must reach the registered office of the company not less than 48 hours before the time appointed for the meeting.
3 In accordance with the requirements of the Council of The Stock Exchange there will be available for inspection by members at the company's registered office during usual business hours from the date of this notice until the conclusion of the annual general meeting:
(i) particulars of transactions of each director and of his family interests in the share capital of the company and its subsidiaries; and
(ii) copies or particulars of contracts of service (unless expiring or determinable by the company without payment of compensation within one year) of directors with the company or with any of its subsidiaries.


Tom's
Great American
CORN CHIPS
QUARTER POUND
BAR-B-Q POTATO CHIPS
BUGLES
CREAM ONION TATO CHIPS
GUARANTEED FRESH
HALF POUNDER
CRUNCHY CORN CHEESE
NO PRESERVATIVES
NET WT 8 OZ
DELUXE MIXED NUTS
TOASTED PEANUTS
SPICE DROPS
RIPPLED POTATO CHIPS
CHOCOLATE CREME
peanut butter CHEESE CRISP
Peanut Roll