

64262

QUAKER OATS LIMITED

1991

ANNUAL REPORT AND FINANCIAL STATEMENTS

THE COMPANY'S REGISTERED NUMBER IS 64262

QUAKER OATS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 JUNE 1991

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30 June 1991.

**PRINCIPAL ACTIVITIES:**

The principal activity of the Company is the processing and sale of grocery products.

The results for the year incorporate the trading activities of the Fisher Price Toys Division up to the time of the demerger of this division on 9th November, 1990 (see note below). The position for the year to 30th June, 1990 has been restated to show the comparable figures for the Company only (see note 1 (a)).

**RESULTS AND BUSINESS REVIEW:**

Turnover decreased by £15,475,000 (9%) mainly as a result of including the Fisher Price Toys Division for approximately 4½ months compared with a full year in 1990.

Grocery Division turnover increased by £12,075,000 (9%) whilst operating profit declined by £2,376,000 (31%). The impact of improved manufacturing margins was more than offset by non-recurring credit items in 1990, a major product recall during 1991 and a lower pension credit.

In July 1990, the Company received £15,000,000 by way of an intercompany loan from its parent company, Quaker Oats Inc. This resulted in a substantial reduction of local bank borrowings.

A taxation credit to profit arises in 1991 due to the availability of group relief surrendered by the Company's former subsidiary, Kiddicraft Ltd., as well as from Fisher Price Limited., the company which acquired the assets of the former Fisher Price Toys Division.

The directors expect the level of activity to increase during the current year.

No dividend on ordinary activities is proposed in respect of the year ended 30 June 1991 (1990:NIL): the dividend shown in the accounts relates to the demerger of the Fisher Price Toys Division (see note 18).

Retained earnings of £22,660,000 will be carried forward.

## DISTRIBUTION OF TOY DIVISION

The Directors of the Company and the Board of its ultimate US parent, the Quaker Oats Company Inc., distributed the UK Fisher Price Toys Division, including Kiddicraft Limited and Fisher Price Toys Limited (formerly Felix Petfoods Limited) to the shareholders of the Quaker Oats Company Inc. as part of an overall exercise to demerge the worldwide operations of Fisher Price from Quaker Oats.

The first stage of this process, being the sale of Quaker Oats Limited shares by Quaker Oats Company Inc. to Fisher Price Limited, a company set up in connection with this demerger, took place on 22nd October 1990.

The second stage, being the transfer by way of a dividend in specie of the assets and liabilities of the Fisher Price Toys Division, together with the shares of Fisher Price Toys Limited and Kiddicraft Limited, to Fisher Price Limited, took place on 9th November 1990.

The final stage of the demerger, which returned the ownership of Quaker Oats Limited to Quaker Oats Inc. and left Fisher Price Limited as a free standing subsidiary of Fisher Price Inc., was completed on 7th June 1991.

The objective of this demerger of toy manufacturing activities is to allow both the grocery and toy manufacturing divisions to become more focused on their own areas of operation, with consequent benefit to the shareholders of the ultimate parent company.

## FIXED ASSETS

Information regarding fixed assets is given in Note 7. The directors are of the opinion that the value of the freehold land exceeds its net book value, but, as there is no intention to dispose of it, consider that the expense of a professional valuation would bring no benefit to the company.

## DIRECTORS

The directors who served during the year were:-

R.S. Thomason	(Chairman)
G. Sewell	(Managing Director)
J. Atkins (U.S.A.)	
M.P. Dobson	
S.C. Fitzpatrick	Resigned 28th June 1991
R.D. Jaquith (U.S.A.)	
G.G. Jewell	
M.S. Krause	Resigned 13th August 1990
R.G. Lagden	
R.F. Savage	Resigned 17th December 1990
G.J. Yapp (U.S.A.)	Resigned 22nd October 1990

Directors retiring by rotation are Mr. R.S. Thomason, and Mr R.G. Lagden who, being eligible, offer themselves for re-election.

one of the directors had any beneficial shareholdings in the Company at any time during the year.

#### CHARITABLE DONATIONS:

The Group made donations to charitable organisations during the year amounting to £2,998 (1990 - £5,434).

#### DISABLED EMPLOYEES:

Applications for employment from registered disabled persons are dealt with on the basis of aptitude and ability for the job concerned.

In the event of employees becoming disabled, continuity of employment and relevant training are arranged whenever possible.

It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be no different from those of any other employee.

#### EMPLOYEE CONSULTATION:

The Company places considerable value on employee involvement and recognises that employees have high expectations of being informed on those issues affecting the Company's performance, the business environment and employees themselves.

To this end, a system of briefing meetings operates throughout the Company. Through this process an open style of management is encouraged, which enables staff at all levels to clarify their understanding of issues and to challenge them where appropriate, thus providing a two-way communication process.

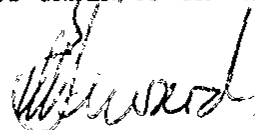
The Company has invested considerably in the training of employees to facilitate this process as well as enhancing skills and encouraging personal development.

Company information is also disseminated through in-house magazines.

#### AUDITORS:

Messrs. Arthur Andersen & Co have indicated that they are willing to continue as auditors and, accordingly, a resolution will be proposed to reappoint them at the Annual General Meeting.

BY ORDER OF THE BOARD,



D.C. Edwards  
Company Secretary

Date: 9th December, 1991

Registered Office:  
Bridge Road,  
Southall,  
Middlesex.

QUAKER OATS LIMITED  
REPORT OF THE AUDITORS

to the Members of Quaker Oats Limited:

We have audited the financial statements on pages 5 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 1991 and of the profit and source and application of funds for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

*(Arthur Andersen & Co.)*  
ARTHUR ANDERSEN & CO.  
Chartered Accountants  
and Registered Auditors  
1 Surrey Street  
London WC2R 2PS.

Date: 9th December, 1991

QUAKER OATS LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 1991

	<u>Notes</u>	<u>1991</u> <u>£'000</u>	<u>RESTATED</u> <u>Note 1 (a)</u> <u>1990</u> <u>£'000</u>
TURNOVER	1 (e) & 2	170,352	185,827
COST OF SALES		<u>(84,351)</u>	<u>(99,079)</u>
GROSS PROFIT		86,001	86,748
SELLING AND DISTRIBUTION COSTS		(48,760)	(49,466)
ADMINISTRATIVE EXPENSES		<u>(31,983)</u>	<u>(26,464)</u>
OPERATING PROFIT		5,258	10,818
INTEREST RECEIVABLE		135	175
INTEREST PAYABLE	3	<u>(3,160)</u>	<u>(3,294)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4 & 5	2,233	7,699
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>1,386</u>	<u>(3,065)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,619	4,634
DIVIDEND	18	<u>(16,380)</u>	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		(12,761)	4,634
RETAINED PROFIT, at beginning of year	14	<u>35,421</u>	<u>30,787</u>
RETAINED PROFIT, at end of year		<u>22,660</u>	<u>35,421</u>

The accompanying notes are an integral part of these financial statements.

QUAKER OATS LIMITED  
BALANCE SHEET  
AS AT 30 JUNE 1991

	<u>Notes</u>	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
<b>FIXED ASSETS:</b>			
Tangible assets	7	37,758	45,144
Intangible assets	9	960	12,989
Investments	8	-	692
		<u>38,718</u>	<u>58,825</u>
<b>CURRENT ASSETS :</b>			
Stocks	10	11,486	23,052
Debtors	11	16,886	30,936
Cash at bank and in hand		4,335	1,184
		<u>32,707</u>	<u>55,172</u>
<b>CREDITORS : amounts falling due within one year</b>	12	(36,739)	(64,016)
<b>NET CURRENT LIABILITIES</b>		<u>(4,032)</u>	<u>(8,844)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		34,686	49,981
<b>PROVISIONS FOR LIABILITIES AND CHARGES : Deferred Taxation</b>	13	(7,416)	(9,950)
		<u>27,270</u>	<u>40,031</u>
<b>TOTAL NET ASSETS</b>		<u>27,270</u>	<u>40,031</u>
<b>CAPITAL AND RESERVES:</b>			
Called-up share capital			
Authorised, issued and fully paid		500	500
500,000 shares of £1 each		4,110	4,110
Revaluation reserve	14	22,660	35,421
Profit and loss account	14	-	-
		<u>27,270</u>	<u>40,031</u>

Approved by the Board on 9th December, 1991

G. SEWELL

*G. Sewell*

Director

The accompanying notes are an integral part of these financial statements.

QUAKER OATS LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30 JUNE 1991

	<u>1991</u> <u>£'000</u>	<u>RESTATED</u> <u>Note 1 (a)</u> <u>1990</u> <u>£'000</u>
<b>SOURCES OF FUNDS :</b>		
Profit for the year	3,619	4,634
Add/(deduct) items not involving funds movement:		
Depreciation	4,059	4,429
Amortisation of goodwill	319	421
Net (Decrease)/Increase in deferred taxation	(1,076)	1,178
Provision for prepaid pension cost	(159)	(2,625)
Net loss on disposal of property, plant and equipment	163	50
Write down of investment in Subsidiary	-	990
Total funds from operations	<u>6,925</u>	<u>9,077</u>
From other sources -		
Proceeds from sale of property, plant and equipment	153	309
Total funds provided	<u>7,078</u>	<u>9,386</u>
<b>APPLICATION OF FUNDS:</b>		
Purchase and transfers of property, plant and equipment	(4,941)	(11,043)
Cash consideration on acquisition of subsidiary	-	(13,952)
Forgiveness of debt on demerger of Fisher Price Toys Division	(4,472)	-
Decrease in net current assets as shown below	<u>(2,335)</u>	<u>(15,609)</u>
<b>DECREASE IN NET CURRENT ASSETS:</b>		
Net liquid funds -		
Cash at bank and in hand	3,157	(396)
Bank overdrafts and loans	13,761	(25,281)
Parent company loan	(15,000)	-
	<u>1,918</u>	<u>(25,677)</u>
Debtors	7,251	4,324
Stocks	(4,601)	5,723
Creditors : due within one year (excluding bank overdrafts and loans)	(6,903)	21
	<u>(2,335)</u>	<u>(15,609)</u>

The accompanying notes are an integral part of these financial statements.



QUAKER OATS LIMITED

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 1991

**SUMMARY OF ACCOUNTING POLICIES:**

A summary of principal accounting policies all of which have been applied consistently throughout the year and the preceding year is set out below.

**a) Basis of accounting**

The accompanying financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in subsidiaries, and in accordance with accounting standards.

No Group financial statements are prepared as the company had no trading subsidiaries at 30th June 1991. Consequently the financial statements for the year ended 30th June 1990 (which did include trading subsidiaries) have been restated to show comparable figures for the Company only.

**b) Translation of foreign currencies**

Purchases transacted in foreign currencies are recorded at the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year end rate. Any resultant gains or losses are reported in the profit and loss account.

**c) Stocks**

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:-

Raw materials -	purchase cost on a first-in, first-out basis, including transport.
Work-in-progress - and finished goods	cost of direct materials and labour on first-in, first-out basis, plus a reasonable allocation of manufacturing overheads based on normal levels of activity.

d) Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation has been provided at rates calculated to write off the cost of the assets less their estimated residual value over the expected useful lives on a straight line basis at the following annual rates -

Buildings	- 2.5%
Plant, Machinery and Vehicles	
Plant and machinery	- 6% to 10%
Office furniture and equipment	- 10%
Computer equipment	- 14% to 33.3%
Motor vehicles	- 25%

e) Turnover

Turnover represents the invoiced value of shipments to customers (less returns and value added tax but before trade discounts) in the normal course of business.

f) Taxation

Corporation tax is provided at the current rate on the profit on ordinary activities before taxation adjusted for expenses not allowable for tax.

Deferred taxation has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. The amount of deferred tax is shown in Note 13.

g) Pension costs

The amount charged to the profit and loss account for the Company's defined contribution scheme is the contributions payable in the year, and for the Company's two defined benefit schemes is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining life of scheme members on a straight line basis.

The difference between amounts charged to the profit and loss account and contributions paid to the pension schemes is shown as a separately identified asset in the balance sheet.

Further information on pension costs is provided in note 15.

### SEGMENTAL INFORMATION:

#### a) Turnover by activity

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
<u>Class of business</u>		
Grocery products	147,753	135,678
Toys	<u>22,599</u>	<u>50,149</u>
	<u>170,352</u>	<u>185,827</u>

b) <u>Turnover by geographical destination</u>	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
United Kingdom	142,760	145,267
Rest of Europe	26,931	40,436
Other	661	124
	<u>170,352</u>	<u>185,827</u>

All turnover originated in the United Kingdom. A major proportion of European sales relates to sales to fellow group undertakings.

#### 3. INTEREST PAYABLE

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
On bank loans and overdrafts, and other loans		
- repayable within five years, not by instalments	3,160	3,294
	<u>3,160</u>	<u>3,294</u>

#### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation has been determined after charging/(crediting):-

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (See note 5)	24,193	25,457
Amortisation of goodwill	319	421
Depreciation	4,059	4,429
Auditors' remuneration	61	53
Hire of equipment	87	101
Management charges from holding company	877	822
Loss/(Gain) on translation of foreign currency balances	214	(366)
Plant write-off costs	-	(55)
Credit arising from pension funds (See note 15)	(159)	(2,625)
EC grant income	-	(231)
Insurance claims received	-	(2,468)
Write down of investment in subsidiary	-	990

## STAFF COSTS

Particulars of employees (including executive directors) are shown below.

Employee costs during the year amounted to:-

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	21,517	22,650
Social security costs	1,861	2,020
Other pension costs	815	787
	<u>24,193</u>	<u>25,457</u>

The average weekly number of employees was 1,244 (1990 : 1,746). The analysis of employees by activity is as follows -

	<u>1991</u>	<u>1990</u>
Manufacturing	1,053	1,336
Selling & Distribution	112	125
Administration	179	285
	<u>1,344</u>	<u>1,746</u>

## Directors' Remuneration

Directors' remuneration was paid in respect of directors of the company as follows :

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Emoluments	470	589
Other emoluments (including pension contributions)	87	73
	<u>557</u>	<u>662</u>

The emoluments of the chairman, who is the highest paid director, (excluding pension contributions) amounted to £124,777 (1990 : £159,753). In 1990, the highest paid director (who was not the chairman) received emoluments totalling £178,913. Other directors received emoluments (excluding pension contributions) in the following ranges:

	<u>1991</u>	<u>1990</u>
£NIL - £ 5,000	5	5
£ 20,001 - £ 25,000	1	-
£ 30,001 - £ 35,000	-	1
£ 35,001 - £ 40,000	-	1
£ 50,001 - £ 55,000	-	1
£ 65,001 - £ 70,000	-	1
£ 70,000 - £ 75,000	1	-
£ 75,001 - £ 80,000	2	-
£ 90,001 - £ 95,000	-	1
£115,001 - £120,000	1	-

# TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax (credit)/charge is based on the profit for the year and comprises -

	<u>1991</u> <u>£'000's</u>	<u>1990</u> <u>£'000's</u>
Corporation tax at 33.75% (1990:35%)	1,098	1,875
Adjustment in respect of prior year charge	72	-
Deferred tax arising on		
- Capital allowances	(252)	421
- Pension Prepayment (note 15)	168	918
- Other timing differences	-	(149)
- Change in corporation tax rate	(472)	-
Group relief surrendered by former Group members	<u>(2,000)</u>	<u>-</u>
(for nil consideration)	<u>(1,386)</u>	<u>3,065</u>

## 7. TANGIBLE FIXED ASSETS:

Tangible fixed assets comprise -

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Land & buildings		
- Freehold	7,599	11,002
Plant, machinery and vehicles	27,972	27,446
Assets in course of construction	<u>2,187</u>	<u>6,696</u>
Net tangible fixed assets	<u>37,758</u>	<u>45,144</u>

Movement on these accounts for the Company during the year ended 30 June 1991 was as follows -

	<u>Total</u> <u>£'000</u>	<u>Freehold</u> <u>Land &amp; Buildings</u> <u>£'000</u>	<u>Plant &amp; Equipment</u> <u>£'000</u>	<u>Assets in Course of Construction</u> <u>£'000</u>
<u>Cost -</u>				
At 1 July 1990	69,740	14,505	48,539	6,696
Additions	4,941	(30)	874	4,097
Disposals	(1,326)	(1)	(1,325)	-
Transfers	-	818	1,788	(8,606)
Demerger of Fisher Price Toys Division	<u>(17,672)</u>	<u>(5,175)</u>	<u>(12,497)</u>	<u>-</u>
At 30 June 1991	<u>55,683</u>	<u>10,117</u>	<u>43,379</u>	<u>2,187</u>
<u>Accumulated depreciation -</u>				
At 1 July 1990	24,596	3,505	21,091	-
Charge	4,059	290	3,769	-
Disposals	(1,010)	(1)	(1,009)	-
Transfers	-	-	-	-
Demerger of Fisher Price Toys Division	<u>(9,720)</u>	<u>(1,276)</u>	<u>(8,444)</u>	<u>-</u>
At 30 June 1991	<u>17,925</u>	<u>2,518</u>	<u>15,407</u>	<u>-</u>
Net book value 30 June 1991	37,758	7,599	27,972	2,187
Net book value 30 June 1990	45,144	11,000	27,448	6,696

## 8. FIXED ASSET INVESTMENTS

The following are included in the net book value of fixed asset investment:

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Investment in Subsidiary undertakings:	<u>£'000</u>	<u>£'000</u>
COST OR VALUATION:		
At 1 July.	692	1,682
Loss for year	-	(990)
Disposals (see note 18)	<u>(692)</u>	<u>-</u>
At 30 June	<u>-</u>	<u>692</u>

## 9. INTANGIBLE FIXED ASSETS

The net book value of purchased goodwill in the balance sheet of the Company at 30th June 1991 is £960,000.

The movement in the year was as follows:

	<u>£'000</u>
<u>Cost</u>	
At 1 July 1990	14,544
Additions	-
Fisher Price Demerger	(12,270)
At 30 June 1991	<u>2,274</u>
<u>Amounts written-off</u>	
At 1 July 1990	1,555
Written-off during year	319
Fisher Price Demerger	(560)
At 30 June 1991	<u>1,314</u>
<u>Net book value</u>	
- 30 June 1991	<u>960</u>
- 1 July 1990	<u>12,989</u>

0. STOCKS:  
Stocks comprise -

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Raw materials	4,613	10,816
Work in progress	-	305
Finished goods	6,873	11,931
	<u>11,486</u>	<u>23,052</u>

Replacement cost is not materially different from carrying cost.

11. DEBTORS: .  
Debtors comprise the following, all falling due within one year:-

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	10,047	14,048
Amounts owed by subsidiaries	-	110
Amounts owed by other group undertakings	904	10,558
Other debtors	1,991	1,767
Prepaid Pension Cost	3,622	3,738
Prepayments	163	715
U.K. corporation tax receivable	63	-
V.A.T.	96	-
	<u>16,886</u>	<u>30,936</u>

12. CREDITORS :

	<u>1991</u>	<u>1990</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due within one year comprise -		
Bank loans and overdrafts	648	34,146
Trade creditors	16,807	16,164
Loan from holding company	15,000	5,812
Due to other group undertakings	477	(3)
Social security and PAYE	612	599
Accruals and deferred income	3,146	5,044
UK corporation tax payable	-	2,254
Other Creditors	49	-
	<u>36,739</u>	<u>64,016</u>

The parent company loan is interest bearing at L.I.B.O.R + 1/8% and has a maturity date of 5th January, 1992.

### 13. DEFERRED TAXATION:

The deferred tax provision, which represents the full potential liability calculated at 33% (1990: 35%), comprises amounts relating to -

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Differences between book and tax depreciation	6,313	8,762
Short-term timing differences	-	(25)
Other timing differences	(91)	(96)
Provision in respect of pension		
Prepayment (note 15)	<u>1,194</u>	<u>1,309</u>
	<u>7,416</u>	<u>9,950</u>

### 14. RESERVES:

The movements on reserves dealt with in the accounts of the Company for the financial year as follows:

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
a) <u>Profit and Loss Account</u>		
At 1 July	35,421	30,787
Profit for the year	3,619	4,634
Fisher Price Demerger (see note 18)	(16,380)	-
At 30 June	<u>22,660</u>	<u>35,421</u>
b) <u>Revaluation Reserve</u>		
At 1 July	4,110	4,110
Movement in year	-	-
At 30 June	<u>4,110</u>	<u>4,110</u>



## 15. PENSION PLANS:

### a) Defined Contribution Scheme

The Company operates a defined contribution scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £329,000 (1990 : £306,000). The assets of the scheme are held separately from those of the Company in independently administered funds.

### b) Defined Benefit Schemes

The Company operates two defined benefit schemes covering substantially all of its employees, the assets of the schemes being held in separate trustee administered funds.

The Company accounts for its defined benefit schemes in line with SSAP 24. Actuarial analyses of the funds' liabilities have been made for accounting purposes at 1 April 1990 on the projected unit credit method. The principal assumptions of the actuary were:

Salary escalation	7.5% per annum
Investment return (1990: 11½%)	10.5%
Discount rate	10.5%
Discretionary Pensioners' Increase	5.0%
Average remaining employee service life	15 years

The impact of decreasing the investment return to 10.5% from 11.5% in 1990, as well as computing the return on a different basis, has had a significant effect for accounting purposes on the level of pension credit in 1991. Furthermore, the 1990 pension credit was effected by a significant prior year credit adjustment relating to 1989.

At the date of the 1 April 1990 valuation, the market value of the assets of the schemes was £33.0m. The market value of those assets represented 140% of the benefits that had accrued to members after allowing for a future increase in earnings.

Given the volatility of investment returns in both the UK and international markets, the trustees and their actuarial advisors consider the surplus prudent to cover all foreseeable obligations of the funds.

The Company has increased employee benefits and reduced its contributions to below the normal rate, which will reduce the surplus mentioned above.

The most recent formal actuarial valuation for funding purposes was performed at 1 April 1990 using an investment return assumption of 9.5%.

In accordance with SSAP 24 the benefit of the surplus assets of the fund, at the time of implementation of the standard, is being recognised over the assumed average remaining service lives of employees. As a result, the cash funding provided by the company of £486,000 (1990 : £481,000) as employer's contributions during the year is offset by a credit of £159,000 (1990 : £2,625,000) representing the amortisation for the current year of the surplus referred to above. At 30th June 1991, after accounting for the Fisher Price demerger, £3,622,000 (1990: £3,738,000) is included in debtors as prepaid pension expense.

16 CAPITAL COMMITMENTS:

(a) Capital commitments at 30 June 1991 were as follows-

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Contracts for capital expenditure	616	427
Capital expenditure authorised by the Board of Directors but not contracted	<u>58</u>	<u>930</u>
	<u>674</u>	<u>1,357</u>

(b) LEASE COMMITMENTS:

The Company has entered into cancellable and non-cancellable operating leases in respect of buildings, plant and machinery, the payments for which extend over a period of up to 8 years. The total annual rental (including interest) for 1991 was £272,000 (1990 : £432,000).

The minimum annual rentals under these leases are as follows:-

	<u>1991</u> <u>£'000</u>	<u>1990</u> <u>£'000</u>
Operating leases expiring:		
- within one year	21	7
- within two to five years	11	54
- after five years	<u>4</u>	<u>7</u>
	<u>36</u>	<u>68</u>

There are no commitments in respect of finance leases entered into before the balance sheet date but due to commence after that date.

17. ULTIMATE HOLDING COMPANY:

The ultimate holding company is The Quaker Oats company, Inc., which is incorporated in the State of New Jersey, U.S.A..

The only group in which the results of Quaker Oats Limited are consolidated is that headed by The Quaker Oats Company, Inc. The consolidated financial statements of this group are available to the public and may be obtained from The Quaker Oats Company, P.O. Box 9001, Chicago, Illinois, 60604-9001, U.S.A.

18. FISHER PRICE TOYS DIVISION DEMERGER:

During the year the Directors of the Company and the Board of its ultimate US parent, the Quaker Oats Company Inc. distributed the UK Fisher Price Division, including Kiddicraft Limited and Fisher Price Toys Limited (formerly Felix Petfoods Limited) to the shareholders of the Quaker Oats Company Inc as part of an overall exercise to demerger the worldwide operations of Fisher Price from Quaker Oats.

The first stage of this process, being the sale of Quaker Oats Limited shares by Quaker Oats Company Inc to Fisher Price Limited, a company set up in connection with this demerger, took place on 22nd October, 1990.

The second stage, being the transfer of the assets and liabilities of the Fisher Price Toys Division, together with the shares of Fisher Price Toys Limited and Kiddicraft Limited, to Fisher Price Limited, took place on 9th November 1990.

The final stage of the demerger, which returned the ownership of Quaker Oats Limited to Quaker Oats Inc. and left Fisher Price Limited as a free standing subsidiary of Fisher Price Inc., was completed on 7th June, 1991.

The objective of this demerger of toy manufacturing activities is to allow both the grocery and toy manufacturing divisions to become more focused on their own areas of operation, with consequent benefit to the share holders of the ultimate parent company.

The transfer of the assets and liabilities of the Fisher Price Toys Division is shown in the Profit and Loss Account as a dividend.

	<u>£'000</u>
Net Assets of Fisher Price Toys Division at the date of their transfer to Fisher Price Limited	11,908
Forgiveness of intercompany indebtedness	<u>4,472</u>
	<u>16,380</u>