

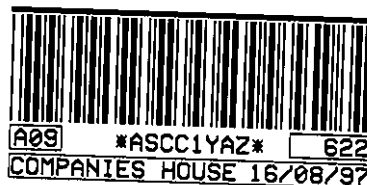
KRAFT JACOBS SUCHARD LIMITED

ANNUAL REPORT

For The Period Ended

14 DECEMBER 1996

Registered No: 203663



Report of the Directors for the period ended 14 December 1996

The Directors present their report and the audited financial statements of the Group for the period 17 December 1995 to 14 December 1996.

Principal activities

The consolidated profit and loss account for the period is set out on page 5.

The principal activity of the Company is the manufacture and distribution of food products to the Retail, Foodservice and Vending beverage market places.

The Company's principal operating subsidiaries in the period have been Suchard Limited, which sells high quality chocolate and confectionery products and Maxpax France SA (incorporated in France) which provides vending beverage services.

Review of the business and future developments

The business performance reflected a continuing successful development of the Group's strong franchises in particular in both coffee and food.

The Group is committed to power brand development in its core businesses, innovation step-up for growth and improved business processes.

The outlook for 1997 is cautiously optimistic; productivity programmes will continue to drive income growth together with the good momentum on our power brands.

On 9 August 1996 the Liverpool factory together with the margarine and spreads business was sold to Unigate (UK) Limited for £67,621,000; the net book value of the assets sold was £11,806,000.

Dividends

An interim dividend of £100,000,000 (1995: £nil) has been paid during the period. The Directors do not propose payment of a final dividend (1995: £Nil). The loss for the period of £16,332,000 (1995: profit as restated of £51,696,000) will be transferred to reserves.

Directors and their interests

The following were Directors of the Company during the period:

R J S Bell
R J D Halliday (deceased 23 April 1997)
G Jardine
J M Keenan (USA)(resigned 28 March 1996)
P C Beloe
B M Carlisle
S T Colman
A von Behr (resigned 4 October 1996)
A M F Anscombe (appointed 1 January 1996)
T P J Dillon (appointed 1 January 1996)

Under the articles of association of the Company, all Directors except the Managing Director will retire at the annual general meeting, and are eligible for re-election.

There are no Directors' interests which fall to be declared under the Companies Acts and Orders made thereunder.

Report of the Directors for the period ended 14 December 1996 Continued**Market value of land and buildings**

The Directors estimate that the market value of land and buildings included in the consolidated accounts at a net book value of £23,776,000 (1995: £24,559,000) is approximately £40,000,000 (1995: £58,000,000).

Tangible fixed assets

Changes in tangible fixed assets are set out in note 13 to the financial statements.

Employment policies and involvement

It is the Group's policy to ensure that no employee or job applicant is treated less favourably than another on the grounds of disability, race, creed, colour, nationality, ethnic or national origins, sex or marital status.

Policies related to training, career development and succession are applied equally to disabled and able bodied employees. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

The Group believes in and supports the development of a working environment which encourages employee involvement in the business. Information about the Group and its business is provided to all employees on matters likely to be of concern to them in team briefings, a company newsletter, an annual report and by other traditional communications. Trade Union representatives and other employee groups regularly receive information about the business.

There are formal agreements with Trade Unions regarding consultation, discussion and negotiation. Joint consultative committees discuss safety and pension matters. Ad hoc consultative working parties consider particular issues.

Donations

During the period, the Group has made donations for charitable purposes amounting to £75,000 (1995: £74,000). No donations were made for political purposes.

Research and development

Research and development activities during 1996 continued to be focused on new product development and improvements to established products and processes.

Statement of the Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 14 December 1996. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors for the period ended 14 December 1996 Continued

Auditors

A resolution to re-appoint Coopers & Lybrand as the Company's auditors will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'C. K. Cash', written over a horizontal line.

C K CASH
Company Secretary

St George's House
Bayshill Road
Cheltenham
Gloucestershire
GL50 3AE

Registered Number: 203663

Report of the Auditors to the Members of Kraft Jacobs Suchard Limited

We have audited the financial statements on pages 5 to 25.

Respective responsibilities of Directors and Auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 14 December 1996 and of the profit, total recognised gains and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors

BRISTOL 25 June 1997

Consolidated profit and loss account for the period ended 14 December 1996

	Notes	52 weeks ended 14 December 1996 £'000	51 weeks ended 16 December 1995 £'000 as restated
Turnover	1 & 2		
Continuing operations		710,793	746,831
Discontinued operations		<u>29,623</u>	<u>50,571</u>
		740,416	797,402
Cost of Sales	3	<u>(491,313)</u>	<u>(547,925)</u>
Gross Profit		249,103	249,477
Distribution costs	3	(28,332)	(28,487)
Administrative expenses	3	<u>(145,204)</u>	<u>(148,646)</u>
Operating profit			
Continuing operations		68,746	64,734
Discontinued operations		<u>6,821</u>	<u>7,610</u>
		75,567	72,344
Profit on disposal of assets	26	54,665	9,130
Interest receivable and similar income	6	3,389	1,635
Interest payable and similar charges	7	<u>(5,956)</u>	<u>(10,593)</u>
Profit on ordinary activities before taxation	8	127,665	72,516
Tax on ordinary activities	9	<u>(43,997)</u>	<u>(20,820)</u>
Profit on ordinary activities after taxation		83,668	51,696
Equity dividends paid		<u>(100,000)</u>	<u>-</u>
(Loss)/retained profit for the period		<u>(16,332)</u>	<u>51,696</u>

There is no difference between the profit on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

Statement of total recognised gains and losses for the period ended 14 December 1996

	<u>Notes</u>	52 weeks ended 14 December 1996 £'000	51 weeks ended 16 December 1995 £'000 as restated
Profit on ordinary activities after taxation		83,668	51,696
Balance sheet translation - Maxpax France SA		(682)	370
Prior year adjustment	11	<u>4,597</u>	<u>-</u>
Total gains and losses recognised since last annual report		<u>87,583</u>	<u>52,066</u>

Consolidated balance sheet at 14 December 1996

	<u>Notes</u>	<u>14 December 1996</u>	<u>16 December 1995</u>
		<u>£'000</u>	<u>£'000</u> as restated
Fixed assets			
Intangible assets	12	104,352	108,888
Tangible assets	13	<u>172,815</u>	<u>174,735</u>
		277,167	283,623
Current assets			
Stocks	16	64,835	71,138
Debtors	17	157,308	179,770
Cash at bank and in hand		<u>19,490</u>	<u>16,951</u>
		241,633	267,859
Creditors: amounts falling due within one year	18	<u>193,851</u>	<u>224,015</u>
Net current assets		<u>47,782</u>	<u>43,844</u>
Total assets less current liabilities		324,949	327,467
Creditors: amounts falling due after one year	18	14,125	13,142
Provisions for liabilities and charges	19	43,610	29,749
Accruals and deferred income	21	<u>-</u>	<u>348</u>
Net assets		<u>267,214</u>	<u>284,228</u>
Capital and reserves			
Called up share capital	22	81	81
Share premium account		23	23
Profit and loss account		357,177	374,191
Difference on consolidation		<u>(90,067)</u>	<u>(90,067)</u>
Equity Shareholders' funds	24	<u>267,214</u>	<u>284,228</u>

The financial statements on pages 5 to 25 were approved by the Board of Directors on 19 June 1997 and signed on its behalf by:


 }
 } Directors

Balance sheet at 14 December 1996

	<u>Notes</u>	<u>14 December 1996</u> £'000	<u>16 December 1995</u> £'000 as restated
Fixed assets			
Intangible assets	12	166,212	202,241
Tangible assets	13	161,624	164,022
Investments	15	<u>6</u>	<u>6</u>
		327,842	366,269
Current assets			
Stocks	16	59,610	63,939
Debtors	17	145,800	173,867
Cash at bank and in hand		<u>18,873</u>	<u>16,605</u>
		224,283	254,411
Creditors: amounts falling due within one year	18	<u>212,760</u>	<u>243,773</u>
Net current assets		<u>11,523</u>	<u>10,638</u>
Total assets less current liabilities		339,365	376,907
Creditors: amounts falling due after one year	18	8,970	7,953
Provisions for liabilities and charges	19	42,775	29,393
Accruals and deferred income	21	<u>-</u>	<u>348</u>
Net assets		<u>287,620</u>	<u>339,213</u>
Capital and reserves			
Called up share capital	22	81	81
Share premium account		1,317	1,317
Profit and loss account	23	<u>286,222</u>	<u>337,815</u>
Equity Shareholders' funds		<u>287,620</u>	<u>339,213</u>

The financial statements on pages 5 to 25 were approved by the Board of Directors on 19 June 1997 and signed on its behalf by:




} Directors

Consolidated cash flow statement for the period ended 14 December 1996

	Notes	52 weeks ended 14 December 1996	51 weeks ended 16 December 1995
		£'000	£'000 as restated
Cash inflow from operating activities	25	127,515	76,403
Returns on investments and servicing of finance			
Interest received		3,273	1,812
Interest paid		<u>(6,388)</u>	<u>(11,137)</u>
		(3,115)	(9,325)
Taxation		(17,711)	(17,941)
Capital expenditure			
Purchase of tangible fixed assets		(20,579)	(32,759)
Sale of intangible assets		17	-
Sale of tangible fixed assets		<u>148</u>	<u>487</u>
		(20,414)	(32,272)
Acquisitions and disposals			
Sale of business assets	26	67,621	20,782
Equity dividends paid		<u>(100,000)</u>	<u>-</u>
Net cash inflow before financing		53,896	37,647
Financing			
Capital element of finance leases		(7,068)	(6,705)
Repayment of intercompany loans		<u>(44,289)</u>	<u>(29,535)</u>
Net cash outflow from financing		<u>(51,357)</u>	<u>(36,240)</u>
Increase in cash		<u>2,539</u>	<u>1,407</u>
Reconciliation of net cash flow to movement in net debt			
		<u>1996</u>	<u>1995</u>
		£'000	£'000
Increase in cash in the period		2,539	1,407
Cash outflow from decrease in debt and lease financing		51,357	35,324
New finance lease		<u>(8,439)</u>	<u>(8,038)</u>
Movement in net debt in period		45,457	28,693
Net funds at 17 December 1995		<u>(85,585)</u>	<u>(114,278)</u>
Net funds at 14 December 1996	25	<u>(40,128)</u>	<u>(85,585)</u>

Notes to the financial statements for the period ended 14 December 1996**1. Accounting Policies**

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the accounting period, are set out below:

Prior year adjustment

With effect from 17 December 1995 the Group has reclassified certain leased assets from operating leases to finance leases. Comparative figures have been amended where necessary for the change. The effects of the change are disclosed in notes 11, 13, 23 and 24.

Changes in presentation of financial information

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard comes into effect for all accounting periods commencing on or after 23 December 1995. Accordingly, the new disclosure requirements are dealt with in note 29.

FRS 1 'Cash flow statements' has been revised in 1996 to change the format for reporting cash flows. The revised standard comes into effect for accounting periods ending on or after 23 March 1997. Early adoption of the revised FRS is encouraged. Accordingly the cash flow statement has been presented under the new format.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 14 December 1996. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Turnover

Turnover comprises the selling value, after deduction of any allowances and taxes, of goods sold in the ordinary course of business.

Depreciation

Fixed assets are stated at cost less depreciation which is provided on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Life</u>
Buildings	25 years to 40 years
Machinery and Equipment	3 years to 20 years
Fork Lift Trucks	5 years to 8 years
Computer Hardware	5 years to 10 years
Research Equipment	5 years to 10 years
Capitalised Leases	the life of the lease

Construction work in progress and freehold land are not depreciated.

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Notes to the financial statements for the period ended 14 December 1996 continued1. Accounting Policies (continued)**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost comprises the direct cost of materials and labour, and a proportion of relevant overheads. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation and where appropriate the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material differences to the extent that it is probable that a liability or asset will crystallise.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at exchange rates in operation when the transaction occurred. Exchange gains and losses on settled transactions are reported in the profit and loss account. Assets and liabilities in foreign currencies have been expressed in sterling at the rates ruling at the end of the period and any gains or losses reported in the profit and loss account. Differences in exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves.

Research and development costs

All research and development costs are expensed as incurred.

Goodwill

Goodwill arises where the purchase consideration exceeds the value of the underlying net tangible assets. Goodwill is being amortised over its estimated useful life (between 7 and 40 years) from the date of acquisition.

Pension costs

The pension cost to be charged to the profit and loss account has been determined by an independent qualified Actuary so as to spread the cost of pensions over employees' working lives. The cost has been calculated using the Projected Unit method of valuation. Independent actuarial valuations are normally carried out every three years.

Leases

Assets held under finance leases are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term.

Notes to the financial statements for the period ended 14 December 1996 continued2. Segmental information

The geographical analysis of turnover, profit on ordinary activities before taxation and net assets has been omitted as in the opinion of the Directors it would be seriously prejudicial to the interests of the Company.

3. Cost of sales, distribution costs and administrative expenses

	Continuing	Discontinued	Total
	£'000	£'000	£'000
1996			
Cost of sales	<u>473.159</u>	<u>18.154</u>	<u>491.313</u>
Distribution costs	<u>27.280</u>	<u>1.052</u>	<u>28.332</u>
Administrative expenses	<u>141.608</u>	<u>3.596</u>	<u>145.204</u>
1995 as restated			
Cost of sales	<u>516.529</u>	<u>31.396</u>	<u>547.925</u>
Distribution costs	<u>26.916</u>	<u>1.571</u>	<u>28.487</u>
Administrative expenses	<u>138.652</u>	<u>9.994</u>	<u>148.646</u>

4. Directors' emoluments

	52 weeks ended 14 December 1996	51 weeks ended 16 December 1995
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	<u>1.692</u>	<u>1.470</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1996	1995
	£'000	£'000
The Chairman and highest paid Director	<u>327</u>	<u>366</u>

Notes to the financial statements for the period ended 14 December 1996 continued4. Director's emoluments (continued)

The number of Directors (including the Chairman and the highest paid Director) who received emoluments (excluding pension contributions) within the following ranges was:

			52 weeks ended 14 December 1996	51 weeks ended 16 December 1995
			Number	Number
£0	to	£5,000	1	1
£75,001	to	£80,000	-	1
£80,001	to	£85,000	-	1
£95,001	to	£100,000	1	1
£100,001	to	£105,000	-	1
£115,001	to	£120,000	-	1
£120,001	to	£125,000	1	1
£130,001	to	£135,000	1	-
£140,001	to	£145,000	1	-
£150,001	to	£155,000	-	1
£155,001	to	£160,000	1	-
£160,001	to	£165,000	2	-
£170,000	to	£175,000	1	-
£185,001	to	£190,000	-	1
£325,001	to	£330,000	1	-
£365,001	to	£370,000	-	1

5. Employee information

The average number of persons (including Directors) employed by the Group during the period was:

	1996	1995
	Number	Number
United Kingdom	3,199	3,779
France	152	152
	<u>3,351</u>	<u>3,931</u>
Production	2,113	2,566
Distribution	174	183
Sales and Marketing	751	854
Administration	313	328
	<u>3,351</u>	<u>3,931</u>

Staff costs for the above persons were:

	1996	1995
	£'000	£'000
Wages and salaries	75,036	85,983
Social security costs	8,340	8,582
Other pension costs	3,659	3,787
	<u>87,035</u>	<u>98,352</u>

Notes to the financial statements for the period ended 14 December 1996 continued6. Interest receivable and similar income

	52 weeks ended 14 December 1996	51 weeks ended 16 December 1995
	£'000	£'000 as restated
On loans to group companies	2,233	1,549
From other sources	<u>1,156</u>	<u>86</u>
	<u>3,389</u>	<u>1,635</u>

7. Interest payable and similar charges

	1996	1995
	£'000	£'000 as restated
On bank loans, overdrafts, and other loans repayable within 5 years, not by instalments	53	293
On loans from group companies repayable within 5 years	2,892	7,271
Finance leases	<u>3,011</u>	<u>3,029</u>
	<u>5,956</u>	<u>10,593</u>

8. Profit on ordinary activities before taxation

	1996	1995
	£'000	£'000 as restated
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of goodwill (note 12)	4,321	3,764
Depreciation on owned assets	14,205	12,541
Depreciation on assets under finance lease	5,092	3,858
Rentals under operating leases:		
Plant and machinery	3,181	3,132
Land and buildings	1,384	2,052
Auditors' remuneration:		
Audit (Company £210,000 (1995: £224,000)	241	258
Non audit services	238	244
Research and development expenditure	3,073	4,421
Rationalisation costs	<u>731</u>	<u>2,980</u>

Notes to the financial statements for the period ended 14 December 1996 continued9. Tax on profit on ordinary activities

	52 weeks ended 14 December 1996	51 weeks ended 16 December 1995
	£'000	£'000
UK corporation tax at 33% (1995: 33%)		
Current	22,433	15,813
Deferred	3,736	8,079
Tax on gain on disposal - deferred	16,986	-
Under/(over) provision in respect of prior years:		
Current	60	(3,301)
Deferred	-	(505)
Foreign tax	782	734
	<u>43,997</u>	<u>20,820</u>

The gain on disposal is detailed in note 26.

10. Kraft Jacobs Suchard Limited profit and loss account

Kraft Jacobs Suchard Limited has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of profit after taxation for the financial year dealt with in the consolidated profit and loss account is £48,407,000 (1995: £42,131,000 as restated).

11. Prior year adjustment

- a) The prior year adjustment made as a result of the reclassification of certain leased assets referred to on page 10 which is reported in the Statement of total recognised gains and losses on page 6 and adjustment to opening reserves in note 23 is analysed as follows:

	1996
	£'000
Prior year adjustment	<u>4,597</u>

- b) The effect of the reclassification of certain leased assets is to reduce the current period's profits before taxation by £71,000.

- c) The effect of the reclassification of certain leased assets on the comparative profit and loss account figures is as follows:

	1995
	£'000
Profit before tax as previously stated	71,204
Prior year adjustment	<u>1,312</u>
Profit before tax as restated	<u>72,516</u>

Notes to the financial statements for the period ended 14 December 1996 continued12. Intangible assets

	Group	Company
	£'000	£'000
Goodwill		
Cost at 17 December 1995	123,085	209,352
Exchange rate adjustment	212	-
Disposals	(27)	(32,475)
Cost at 14 December 1996	123,270	176,877
Amortisation at 17 December 1995	14,197	7,111
Exchange rate adjustment	400	-
Charge for period	4,321	4,364
Disposals	-	(810)
Amortisation at 14 December 1996	18,918	10,665
Net book value at 14 December 1996	104,352	166,212
Net book value at 16 December 1995	108,888	202,241

Notes to the financial statements for the period ended 14 December 1996 continued13a. Tangible Fixed Assets

<u>Group</u>	Freehold land and buildings	Long Leasehold assets	Short Leasehold assets	Plant and machinery	Motor Vehicles	Construction Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 17 December 1995 as previously stated	31,551	3,556	793	176,183	54	13,724	225,861
Prior year adjustment	-	-	-	36,990	-	-	36,990
At 17 December 1995 as restated	31,551	3,556	793	213,173	54	13,724	262,851
Exchange rate adjustment	(402)	-	-	(1,404)	-	-	(1,806)
Additions	548	16	199	17,125	-	11,130	29,018
Disposals	(455)	(3,572)	-	(17,221)	(23)	-	(21,271)
Transfers	1,819	-	-	15,273	-	(17,092)	-
At 14 December 1996	33,061	-	992	226,946	31	7,762	268,792
Depreciation							
At 17 December 1995 as previously stated	9,067	1,896	378	62,710	27	-	74,078
Prior year adjustment	-	-	-	14,038	-	-	14,038
At 17 December 1995 as restated	9,067	1,896	378	76,748	27	-	88,116
Exchange rate adjustment	99	-	-	(818)	-	-	(719)
Charge for period	894	27	121	18,247	8	-	19,297
Relating to disposals	(282)	(1,923)	-	(8,489)	(23)	-	(10,717)
At 14 December 1996	9,778	-	499	85,688	12	-	95,977
Net book value							
At 14 December 1996	23,283	-	493	141,258	19	7,762	172,815
At 16 December 1995 as restated	22,484	1,660	415	136,425	27	13,724	174,735

The net book value of plant and machinery held under finance leases was £24,252,000 (1995: £22,952,000 as restated).

Notes to the financial statements for the period ended 14 December 1996 continued13b. Tangible Fixed Assets

<u>Company</u>	Freehold land and buildings	Long Leasehold assets	Short Leasehold assets	Plant and machinery	Motor Vehicles	Construction Work in Progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 17 December 1995 as previously stated	29,663	3,556	793	178,066	54	13,724	225,856
Prior year adjustment	-	-	-	20,408	-	-	20,408
At 17 December as restated	29,663	3,556	793	198,474	54	13,724	246,264
Additions	269	16	199	13,808	-	11,130	25,422
Disposals	(55)	(3,572)	-	(16,843)	(23)	-	(20,493)
Transfers	1,819	-	-	15,273	-	(17,092)	-
At 14 December 1996	31,696	-	992	210,712	31	7,762	251,193
Depreciation							
At 17 December 1995 as previously restated	8,544	1,896	378	64,604	27	-	75,449
Prior year adjustment	-	-	-	6,793	-	-	6,793
At 17 December as restated	8,544	1,896	378	71,397	27	-	82,242
Charge for period	570	27	121	16,613	8	-	17,339
Relating to disposals	(9)	(1,923)	-	(8,057)	(23)	-	(10,012)
At 14 December 1996	9,105	-	499	79,953	12	-	89,569
Net book value							
At 14 December 1996	22,591	-	493	130,759	19	7,762	161,624
At 16 December 1995 as restated	21,119	1,660	415	127,077	27	13,724	164,022

The net book value of plant and machinery held under finance leases was £15,272,000 (1995:£13,615,000 as restated).

Notes to the financial statements for the period ended 14 December 1996 continued14. Capital commitments

	Group		Company	
	14 December 1996	16 December 1995	14 December 1996	16 December 1995
	£'000	£'000	£'000	£'000
Contracted capital expenditure not provided	<u>2,577</u>	<u>808</u>	<u>2,577</u>	<u>808</u>

15. Fixed asset investmentsCompany

	1996	1995
	£'000	£000
Investments in subsidiary companies, at cost	<u>6</u>	<u>6</u>

The Company owned the following subsidiary companies at 14 December 1996.

Name of undertaking	Description of shares held	Principal Activity	Proportion of nominal value of shares held by:	
			Company	Subsidiaries
			%	%
Kraft Jacobs Suchard (Holdings) Limited	Ordinary £1	Holding Company	100%	-
	Preference £1		100%	-
Kraft Holdings Limited	Ordinary £1	Holding Company	-	100%
Kraft Jacobs Suchard (Middle East & Africa) Limited	Ordinary 10p	Dormant	100%	-
Suchard Limited	Ordinary £1	Confectionery	100%	-
		Importer		
Malaco (UK) Limited	Ordinary £1	Dormant	-	100%
Maxpax France SA	Shares of 1FFr	Vending Beverage Services	100%	-
The Kenco Coffee Company Limited	Ordinary £1	Dormant	100%	-

All the above companies are registered in England and Wales, with the exception of Maxpax France SA which is incorporated in France.

For commercial reasons the following subsidiaries have adopted non coterminous year ends:

Subsidiary	Year end
Kraft Jacobs Suchard (Middle East & Africa) Limited	31 December
Malaco (UK) Limited	31 December
Maxpax France SA	30 November

Notes to the financial statements for the period ended 14 December 1996 continued16. Stocks

	Group		Company	
	14 December 1996	16 December 1995	14 December 1996	16 December 1995
	£000	£'000	£'000	£'000
Raw materials and consumables	22,056	24,201	21,496	23,304
Work in progress	7,140	8,389	6,961	8,001
Finished goods and goods for sale	<u>35,639</u>	<u>38,548</u>	<u>31,153</u>	<u>32,634</u>
	<u>64,835</u>	<u>71,138</u>	<u>59,610</u>	<u>63,939</u>

17. Debtors

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	116,278	121,475	105,569	110,411
Amounts owed by fellow subsidiary companies	26,977	38,251	28,949	45,660
Other debtors	2,567	9,955	2,536	9,918
Prepayments and accrued income	7,888	9,064	6,173	7,878
Corporation tax recoverable	2,573	-	2,573	-
Certificate of tax deposit	<u>1,025</u>	<u>1,025</u>	<u>-</u>	<u>-</u>
	<u>157,308</u>	<u>179,770</u>	<u>145,800</u>	<u>173,867</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
		as restated		as restated
Trade creditors	49,144	44,436	46,979	42,319
Amounts owed to fellow subsidiary companies	68,145	122,625	98,198	152,720
Obligations under finance leases	5,601	5,213	3,363	3,086
Taxation	994	11,165	-	10,633
Advance corporation tax	18,125	-	18,125	-
Other creditors including social security and PAYE	11,964	7,479	11,180	6,863
Accruals	<u>39,878</u>	<u>33,097</u>	<u>34,915</u>	<u>28,152</u>
	<u>193,851</u>	<u>224,015</u>	<u>212,760</u>	<u>243,773</u>

Creditors: amounts falling due after one year

Obligations under finance leases (repayable in two to five years)	<u>14,125</u>	<u>13,142</u>	<u>8,970</u>	<u>7,953</u>
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Notes to the financial statements for the period ended 14 December 1996 continued19. Provisions for liabilities and charges

<u>Group</u>	<u>Rationalisation</u>	<u>Pensions and similar obligations (see note 28)</u>	<u>Deferred Tax (see note 20)</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
At 17 December 1995	11,562	330	17,857	29,749
Profit and loss account	731	3,659	20,905	25,295
Utilised during period	(8,390)	(4,231)	-	(12,621)
Reclassification	319	242	626	1,187
At 14 December 1996	4,222	-	39,388	43,610
<u>Company</u>				
At 17 December 1995	11,206	330	17,857	29,393
Profit and loss account	898	3,659	20,722	25,279
Utilised during period	(8,227)	(4,231)	-	(12,458)
Reclassification	319	242	-	561
At 14 December 1996	4,196	-	38,579	42,775

20. Deferred taxation

The provision for deferred taxation is as follows:

Group and Company

	<u>14 December 1996</u>		<u>16 December 1995</u>	
	<u>Amount unprovided</u>	<u>Provision made</u>	<u>Amount unprovided</u>	<u>Provision made</u>
	£'000	£'000	£'000	£'000
<u>Group</u>				
Accelerated capital allowances	-	23,852	-	22,392
Gains rolled over	-	16,351	-	-
Other timing differences	-	(815)	-	(4,535)
	-	39,388	-	17,857
<u>Company</u>				
Accelerated capital allowances	-	23,852	-	22,392
Gains rolled over	-	16,351	-	-
Other timing differences	-	(1,624)	-	(4,535)
	-	38,579	-	17,857

Notes to the financial statements for the period ended 14 December 1996 continued21. Accruals and deferred incomeGroup and Company

£'000

At 17 December 1995

348

Amortisation in period

(348)

At 14 December 1996

-

Regional development grants of £1,340,000 were received as a contribution from 1975 to 1985 towards the cost of purchasing certain plant and machinery for the factory in Liverpool. Following the disposal of the factory during the period, the grants have been fully amortised.

22. Called up share capitalGroup and Company19961995

£'000

£'000

Authorised

410,000 Ordinary shares of £1 each

410410**Allotted, called up and fully paid**

81,234 (1995:81,234) Ordinary shares of £1 each

818123. Profit and Loss Account**Group****Company**

£'000

£'000

At 17 December 1995 as previously stated

369,594

335,239

Prior year adjustment

4,5972,576

At 17 December 1995 as restated

374,191

337,815

Balance sheet translation - Maxpax France SA

(682)

-

Loss for the period

(16,332)(51,593)

At 14 December 1996

357,177286,222

Notes to the financial statements for the period ended 14 December 1996 continued24. Reconciliation of movements in shareholders' funds

	<u>1996</u>	<u>1995</u>
	£'000	£'000 as restated
(Loss)/retained profit for the period	(16,332)	51,696
Balance sheet translation - Maxpax France SA	<u>(682)</u>	<u>370</u>
New additions to shareholders' funds	(17,014)	52,066
Opening shareholders' funds (originally £279,631,000 before adding prior year adjustments of £4,597,000)	<u>284,228</u>	<u>232,162</u>
Closing shareholders' funds	<u>267,214</u>	<u>284,228</u>

25. Cash flow statementa) Reconciliation of operating profit to net cash inflow from operating activities

	52 weeks ended 14 December <u>1996</u>	51 weeks ended 16 December <u>1995</u>
	£'000	£'000 as restated
Operating profit	75,567	72,344
Depreciation charges	19,297	17,934
Rationalisation provision	(7,340)	(17,134)
Pension provision	(330)	87
Amortisation of goodwill	4,321	3,764
Write-off of goodwill	10	-
Loss on sale of tangible fixed assets	833	99
Grants	(348)	(43)
Decrease in stock	4,069	24,176
Decrease/(increase) in debtors	25,151	(11,404)
Increase/(decrease) in creditors	<u>6,285</u>	<u>(13,420)</u>
Net cash inflow from operating activities	<u>127,515</u>	<u>76,403</u>

b) Net borrowings

	<u>1996</u>	<u>1995</u>
	£'000	£'000 as restated
Net cash - cash at bank and in hand	19,490	16,951
Inter-company loans	(39,892)	(84,181)
Finance leases	<u>(19,726)</u>	<u>(18,355)</u>
	<u>(40,128)</u>	<u>(85,585)</u>

Notes to the financial statements for the period ended 14 December 1996 continued25. Cash flow statement (continued)b) Net borrowingsReconciliation of net debt

	Total net borrowings	Net cash	Inter- company loans	Finance Leases
	£'000	£'000	£'000	£'000
At 16 December 1995	(85,585)	16,951	(84,181)	(18,355)
Cash flow for the year	53,896	2,539	44,289	7,068
Non-cash changes - new finance leases	(8,439)	-	-	(8,439)
At 14 December 1996	(40,128)	19,490	(39,892)	(19,726)

26. Disposal of assets

Analysis of net cash inflow in respect of the sale of the assets of the margarine and spreads business.	52 weeks ended 14 December 1996
	£'000
Cash consideration received	67,621
Net assets disposed of:	
Fixed assets	9,572
Stocks	2,234
	11,806
Costs of disposal	1,150
Profit on disposal	54,665
	67,621

The disposal in 1995 related to the sale of the assets of the Mr Brain's frozen foods and Entenmann's bakery business. Cash consideration of £20,782,000 was received and the profit on disposal was £9,130,000.

27. Guarantees and other financial commitmentsa) Lease commitments

The Group has annual commitments under operating leases as follows:

	<u>1996</u>		<u>1995</u>	
	<u>Plant and Machinery</u>	<u>Buildings</u>	<u>Plant and Machinery</u>	<u>Buildings</u>
	£'000	£'000	£'000 as restated	£'000
Expiring within one year	938	-	966	228
Expiring between two and five years inclusive	2,850	1,063	2,228	338
Expiring in over five years	11	192	11	897
	3,799	1,255	3,205	1,463

Notes to the financial statements for the period ended 14 December 1996 continued27. Guarantees and other financial commitments (continued)b) Guarantees

The following guarantees have been given by the Group:

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
HM Customs & Excise	600	1,100	600	1,100
Bank performance guarantees	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>
	<u>660</u>	<u>1,160</u>	<u>660</u>	<u>1,160</u>

28. Pension arrangements

The Group operates two pension schemes, the Kraft Jacobs Suchard Retirement Plan and the Terry's Suchard Pension Plan. Both schemes are of a defined benefit type. The funds of both schemes are administered by Trustees and are independent of the Company finances.

The total pension cost for the Group was £3,659,000 (1995: £3,787,000). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the schemes was at 30 September 1995. The assumptions which have the most significant effect on the valuation are those relating to the rate of return on investments, rate of increase in dividends and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, dividend increases would be 4.5% per annum and that salary increases would average 6.5% per annum. Pension increases as guaranteed by the rules of each scheme have been included in the calculation.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £168,728,000 and the actuarial value of the assets was sufficient to cover benefits accrued by members.

An amount of £242,000 (1995: £330,000 included in provisions) is included in prepayments, which represents the excess of accumulated payment of contribution to pension funds over pension cost.

29. Related party transactions

The Company undertakes transactions with subsidiaries and fellow subsidiaries which are eliminated on consolidation in the consolidated financial statements of the ultimate parent company. The Company has taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose such transactions.

There is an outstanding balance of £242,000 included in prepayments in relation to pension arrangements as disclosed in note 28.

There were no other transactions during the period, which were material either to the Group or the counterparty, and which are required to be disclosed under the provisions of Financial Reporting Standard No. 8.

29. Ultimate and immediate parent company

The Directors regard the Company's ultimate parent company as Philip Morris Companies Inc., incorporated in the United States of America. Copies of the consolidated financial statements of Philip Morris Companies Inc. are available on application to Kraft Jacobs Suchard Limited, St George's House, Bayshill Road, Cheltenham, Gloucestershire, GL50 3AE.