

**GENERAL FOODS LIMITED
AND ITS SUBSIDIARIES**

ACCOUNTS

For The Period Ended

18 DECEMBER 1993

Registered No: 203663



GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Report of the Directors for the period ended 18 December 1993

The Directors present their report and the audited financial statements of the Group for the period ended 18 December 1993.

Principal activity and subsidiaries

The principal activity of the Company continues to be the manufacture and distribution of food products to the Retail, Foodservice and Vending beverage market place, which it conducts through its agent Kraft Jacobs Suchard Limited (formerly Kraft General Foods Limited).

The Company's principal operating subsidiaries in the period have been Terry's Suchard Limited, a manufacturer of high quality chocolate and confectionery products, the Kenco Coffee Company Limited, a processor and packer of coffee products, and Maxpax France SA (incorporated in France) which provides vending beverage services. Coffee Hag (UK) Limited and Maxpax (UK) Limited have not traded in the period.

Review of the business

The business performance reflected a continuing successful development of the Group's strong franchises in all its business sectors, offset by the initial costs of the acquisition of the assets of Terry's Suchard Limited and the subsequent reorganisation costs.

Acquisition

As at 26th April 1993 the Company acquired certain UK business assets of the Terry's Group Limited for a cash consideration of £156,855,000. The net book value of assets acquired was £60 million. The acquisition was financed through a combination of its own cash resources and intercompany borrowings. Details of the acquisition are set out in note 14.

Post balance sheet event

As at 29 April 1994 the Company acquired certain business assets of Lyons Tetley Limited for a cash consideration of £15,472,000. The acquisition was financed through the Company's own cash resources and intercompany borrowings.

Results and dividend

Profit growth on ordinary activities has been enhanced by benefits from brand investment and reduced product costs through production efficiencies and market opportunities offset by the reorganisation costs and interest charges associated with the Terry's acquisition.

Profit after tax amounted to £7,589,000 (1992: £32,989,000) the reduction in which reflects the impact of the acquisition.

The Directors do not propose payment of a dividend (1992: £Nil).

The retained profit of £7,589,000 (1992: £32,989,000) for the period has been transferred to reserves.

Future developments

The Group has successfully continued to support its strong brands and in 1994 should benefit from the addition of the core Terry's Suchard Limited brands.

The Group is continuing to pursue a policy of constant monitoring of production and review of opportunities for efficiencies in selling, marketing and administration.

The outlook for 1994 continues to be uncertain. Income growth will be strongly influenced by the expected rise in commodity costs and weakness of sterling against the major currencies causing product costs to rise.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Report of the Directors for the period ended 18 December 1993 Continued

Directors and their interests

The following were Directors of the Company during the period:

R J S Bell
S D Gray
R J D Halliday
G Jardine
J M Keenan (USA)
P A Smith

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.

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 £17,336,000 (1992: £10,888,000) is approximately £40,164,000 (1992: £31,983,000), the movement in which reflects the fair value of land and buildings purchased as part of the Terry's acquisition.

Tangible fixed assets

Changes in tangible fixed assets are set out in note 11 to the financial statements.

Employment policies and involvement

The Group adopts a policy of non-discrimination in the employment of disabled persons. 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 tasks identified as appropriate to their aptitudes and abilities.

The Group promotes 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 meetings, a company newspaper, an annual employee report and by other traditional communications. Trade union representatives and other employee groups regularly receive information about the business.

There are formal agreements with five trade unions permitting negotiation, discussion and consultation. Joint consultative committees discuss safety and pension matters. The field sales force's views are sought and taken into consideration through a sales consultative committee. Ad hoc consultative working parties consider particular issues.

The Group actively promotes an employee suggestion scheme and general manager's award programme. Both are open to all employees.

Insurance of Directors

Philip Morris Companies Inc., the group's ultimate holding company, maintains insurance for Directors in respect of their duties as Directors of General Foods Limited.

Donations

During the period, the group has made donations for charitable purposes amounting to £27,000 (1992: £13,000). No donations were made for political purposes.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES**Report of the Directors for the period ended 18 December 1993 Continued****Taxation status**

In the opinion of the Directors, the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988, as amended.

Research and development

Research and development activities during 1993 continued to be focused on new product development and improvements to established products and processes.

Statement of the Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year. In preparing these financial statements, the Directors are required to:

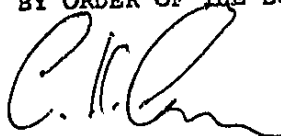
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for maintaining sufficient internal controls to safeguard the assets of the Company and to prevent or detect fraud or any other irregularities.

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



C. K. CASH
Company Secretary

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

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Report of the Auditors to the Members of General Foods Limited

We have audited the financial statements on pages 5 to 21.

Respective responsibilities of Directors and Auditors

As described on page 3 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.

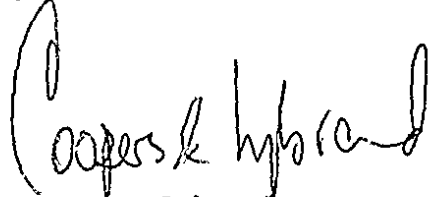
Basis of opinion

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 Company's state of affairs at 18 December 1993 and of its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors

BRISTOL

21 October 1994

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Consolidated profit and loss account for the period ended 18 December 1993

	<u>Notes</u>	<u>1993</u> £'000	<u>1992</u> £'000
Turnover	1 & 2	370,543	259,695
Cost of sales		(227,283)	(173,845)
Gross profit		143,260	85,850
Distribution costs		(29,188)	(23,178)
Administrative expenses	3	(91,054)	(15,761)
Operating profit		23,018	46,911
Interest payable and similar charges	4	(8,250)	(1,570)
Interest receivable and similar income	5	2,145	3,085
Profit on ordinary activities before taxation	3	16,913	48,426
Tax on ordinary activities	8	(9,324)	(15,437)
Retained profit for the period	22	7,589	32,989

The statement of the movement on reserves is shown in note 22.

Turnover and operating profits are derived from continuing activities.

There are no recognised gains or losses in addition to the profit for the period.

There is no difference between the reported profit on ordinary activities and the profits calculated on a historical basis.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Consolidated balance sheet as at 18 December 1993

	<u>Notes</u>	<u>1993</u> £'000	<u>1992</u> £'000
Fixed assets			
Intangible assets	15	113,847	5,245
Tangible assets	11(a)	100,890	62,895
		<u>214,737</u>	<u>68,140</u>
Current assets			
Stocks	16	49,609	31,020
Debtors: amounts falling due within one year	17	99,539	78,742
Cash at bank and in hand		<u>1,080</u>	<u>5,133</u>
		150,228	114,895
Creditors: amounts falling due within one year	18	<u>217,967</u>	<u>58,529</u>
Net current (liabilities)/assets		(67,739)	56,366
Total assets less current liabilities		146,998	124,506
Creditors: amounts falling due after one year	19	3,550	596
Provisions for liabilities and charges	20	<u>16,052</u>	<u>2,626</u>
Net assets		<u>127,396</u>	<u>121,284</u>
Capital and reserves			
Called up share capital	21	75	75
Share premium account	22	23	1,317
Other reserves	22	445	628
Profit and loss account	22	126,853	119,264
Shareholders' funds		<u>127,396</u>	<u>121,284</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors on 19 October 1994 and signed on its behalf by:

R.S. Bell
[Signature]

}
}
} Directors

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Balance sheet as at 18 December 1993

	<u>Notes</u>	<u>1993</u> £'000	<u>1992</u> £'000
Fixed assets			
Tangible assets	11(b)	62,767	59,467
Investments in group companies	13	9,292	4,423
		<u>72,059</u>	<u>63,890</u>
Current assets			
Stocks	16	30,628	29,279
Debtors: amounts falling due after one year	17	150,917	-
Debtors: amounts falling due within one year	17	71,251	77,387
Cash at bank and in hand		593	5,133
		<u>253,389</u>	<u>111,799</u>
Creditors: amounts falling due within one year	18	192,441	66,299
Net current assets		<u>60,948</u>	<u>45,500</u>
Total assets less current liabilities		133,007	109,390
Provisions for liabilities and charges	20	2,268	2,581
Net assets		<u>130,739</u>	<u>106,809</u>
Capital and reserves			
Called up share capital	21	75	75
Share premium account	22	1,317	1,317
Profit and loss account	22	129,347	105,417
Shareholders' funds		<u>130,739</u>	<u>106,809</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors on 19 October 1994 and signed on its behalf by:

John Bell
John Bell

Directors

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Consolidated cash flow statement for the period ended 18 December 1993

	Notes Page 9	1993 £'000	1992 £'000
Operating activities			
Net cash inflow from operating activities	1	44,650	30,888
Returns on investments and servicing of finance:			
Interest received		2,145	3,088
Interest paid		<u>(8,280)</u>	<u>(1,570)</u>
Net cash (outflows)/inflows from returns on investments and servicing of finance		(6,105)	1,518
Taxation			
UK corporation tax paid		(21,929)	(18,577)
Investing activities			
Intra group transfers		(617)	(774)
Translation on acquiring intangibles		85	(296)
Purchase of tangible fixed assets		(17,297)	(9,162)
Sale of tangible fixed assets		1,444	637
Purchase of business assets (see notes 14 & 15)		<u>(161,607)</u>	<u>(633)</u>
Net cash outflow from investing activity		<u>(177,992)</u>	<u>(10,228)</u>
Net cash (outflow)/inflow before financing		161,275	6,598
Financing			
New loans		154,521	-
Repayment of loans		<u>-</u>	<u>(1,689)</u>
Net cash inflow/(outflow) from financing		<u>154,521</u>	<u>(1,689)</u>
(Decrease)/increase in cash and cash equivalents	3	<u>(6,754)</u>	<u>4,906</u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the consolidated cash flow statement for the period ended 18 December 19931. Reconciliation of operating profit to net cash inflow from operating activities

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Operating profit	23,018	46,911
Add:		
Depreciation charges	8,941	6,935
Rationalisation provision	26,964	-
Pension provision	(313)	111
Amortisation of goodwill	3,167	1,105
Balance sheet translation	(183)	505
Loss on sale of tangible fixed assets	523	860
(Increase) in stock	255	(3,814)
(Increase)/decrease in debtors	(39,632)	1,719
Increase/(decrease) in creditors	35,739	(23,447)
Net cash inflow from operating activities	<u>58,479</u>	<u>30,885</u>
Net cash outflows in respect of reorganisation costs	<u>(13,829)</u>	<u>-</u>
Net cash inflow from operating activities	<u><u>44,650</u></u>	<u><u>30,885</u></u>

2. Analysis of changes in cash and cash equivalents during the period

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Balance at 15 December 1992	4,798	(108)
Net cash (outflow)/inflow	<u>(6,754)</u>	<u>4,906</u>
Balance at 18 December 1993	<u><u>(1,956)</u></u>	<u><u>4,798</u></u>

3. Analysis of balances of cash and cash equivalents as shown in the balance sheet

	<u>1993</u>	<u>1992</u>	<u>Change in year</u>
	£'000	£'000	£'000
Cash at bank and in hand	1,080	5,133	(4,053)
Bank overdrafts	<u>(3,036)</u>	<u>(335)</u>	<u>(2,701)</u>
	<u><u>(1,956)</u></u>	<u><u>4,798</u></u>	<u><u>(6,754)</u></u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993

1. Accounting Policies

The accounts have been prepared to cover the period 15 December 1992 to 18 December 1993.

The accounts have been prepared under the historical cost convention and 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:

(a) Basis of consolidation

The accounts represent a consolidation of the statements of General Foods Limited, its operating subsidiaries, Terry's Suchard Limited, The Kenco Coffee Company Limited and Maxpax France SA (incorporated in France) together with Maxpax (UK) Limited and Coffee Hag (UK) Limited, which have not traded in the period. Inter-group sales and profits are eliminated fully on consolidation. Transactions incurred on behalf of the Company by its agent Kraft Jacobs Suchard Limited are recorded in these accounts (see note 23(b)).

(b) Turnover

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

(c) 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 15 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 is not depreciated.

(d) Stocks

Stocks 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.

(e) 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.

(f) 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 accounts.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued

(g) Research and development costs

All research and development costs are expensed as incurred.

(h) 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.

(i) 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.

(j) Leases

General Foods Limited enters into operating and finance 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. Further information on charges in the period and future commitments is given in note 23(a).

2. Segment 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. Profit on ordinary activities before taxation

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of goodwill (Note 15)	3,167	1,105
Depreciation (Note 11a)	8,941	6,935
Directors' emoluments (Note 7)	797	737
Hire of equipment and vehicles	3,056	1,015
Auditors' remuneration:		
Audit	129	67
Non audit services	107	94
Research and development expenditure	2,460	5,301
Re-organisation costs	<u>26,964</u>	<u>-</u>

Re-organisation costs of £26,964,000 are included within administration expenses. They represent the restructuring costs associated with the acquisition of the Terry's Suchard assets and trade (see note 20 for an analysis of the re-organisation provision) together with costs incurred on the re-organisation of the Kenco business.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued4. Interest payable and similar charges

	<u>1993</u>	<u>1992</u>
	£'000	£'000
On bank loans and overdrafts repayable within 5 years, not by instalments	4,044	446
On loans from group companies repayable within 5 years	4,206	1,124
	<u>8,250</u>	<u>1,570</u>

5. Interest receivable and similar income

	<u>1993</u>	<u>1992</u>
	£'000	£'000
On loans to group companies	1,854	2,139
From other sources	291	946
	<u>2,145</u>	<u>3,085</u>

6. Employee information

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

	<u>1993</u> Number	<u>1992</u> Number
United Kingdom	3,201	1,375
France	146	226
	<u>3,347</u>	<u>1,601</u>

Staff costs for the above persons were:

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Wages and salaries	45,515	29,959
Social security costs	3,850	2,238
Other pension costs	2,406	1,615
	<u>51,771</u>	<u>33,812</u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued7. Directors' emoluments

The emoluments of the Chairman and highest paid Director were £188,081 (1992: £274,167) excluding pension contributions.

The number of directors (including the Chairman and highest paid Director) who received emoluments in the following ranges was:

	<u>1993</u>	<u>1992</u>
£ 0 - £ 5,000	1	2
£ 90,001 - £ 95,000	-	2
£100,001 - £105,000	1	1
£110,001 - £115,000	-	1
£120,001 - £125,000	2	-
£140,001 - £145,000	1	-
£185,001 - £190,000	1	-
£270,001 - £275,000	-	1

8. Taxation on profit on ordinary activities

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Tax on profit ordinary activities		
UK corporation tax at 33% (1992: 33%)		
Current	9,505	15,139
Deferred	(28)	45
Under/(over) provision in respect of prior years:		
Current	(717)	4
Deferred	3	-
Foreign tax	561	249
	<u>9,324</u>	<u>15,437</u>

9. Potential deferred taxation

The potential amount of deferred taxation not provided where no actual liability is expected to arise in the foreseeable future is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£,000	£,000	£,000	£,000
Accelerated capital allowances	11,433	10,094	11,433	10,094
Other timing differences	(1,279)	(994)	(1,279)	(994)
	<u>10,154</u>	<u>9,100</u>	<u>10,154</u>	<u>9,100</u>

10. General Foods Limited profit and loss account

General Foods 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 £23,930,000 (1992: £29,078,000).

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued11. Tangible Fixed Assets(a) Group

	<u>Freehold land and buildings</u>	<u>Plant and Machinery</u>	<u>Construction work in progress</u>	<u>Total</u>
	£,000	£,000	£,000	£,000
Cost				
At 15 December 1992	17,375	85,797	8,180	111,352
Additions on acquisition	8,181	20,186	2,572	30,939
Additions	110	4,582	12,655	17,347
Disposals	(1,207)	(4,199)	-	(5,406)
Transfers	33	13,730	(13,060)	703
Reclassification	(36)	512	(476)	-
At 18 December 1993	<u>24,456</u>	<u>120,608</u>	<u>9,871</u>	<u>154,935</u>
Depreciation				
At 15 December 1992	6,487	41,970	-	48,457
Charge for period	717	7,933	291	8,941
Related to disposals	(88)	(3,351)	-	(3,439)
Transfers	-	86	-	86
Reclassification	4	3	(7)	0
At 18 December 1993	<u>7,120</u>	<u>46,641</u>	<u>284</u>	<u>54,045</u>
Net book value				
At 18 December 1993	<u>17,336</u>	<u>73,967</u>	<u>9,587</u>	<u>100,890</u>
At 14 December 1992	<u>10,888</u>	<u>43,827</u>	<u>8,180</u>	<u>62,895</u>

Plant and machinery includes £Nil (1992: £128,000) of fully depreciated assets held under finance leases.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued11. Tangible fixed assets(b) Company

	<u>Freehold land and buildings</u>	<u>Plant and Machinery</u>	<u>Construction work in progress</u>	<u>Total</u>
	£,000	£,000	£,000	£,000
Cost				
At December 1992	15,631	80,498	8,180	104,309
Additions	-	-	9,489	9,489
Disposals	(111)	(3,441)	-	(3,552)
Transfers	33	13,116	(13,057)	92
At 18 December 1993	<u>15,553</u>	<u>90,173</u>	<u>4,612</u>	<u>110,338</u>
Depreciation				
At 15 December 1992	6,087	38,755	-	44,842
Charge for period	371	5,148	-	5,519
Related to disposals	(87)	(2,968)	-	(3,055)
Transfers	-	265	-	265
At 18 December 1993	<u>6,371</u>	<u>41,200</u>	<u>-</u>	<u>47,571</u>
Net book value				
At 18 December 1993	<u>9,182</u>	<u>48,973</u>	<u>4,612</u>	<u>62,767</u>
At 14 December 1992	<u>9,544</u>	<u>41,743</u>	<u>8,180</u>	<u>59,467</u>

Plant and machinery includes £Nil (1992: £128,000) of fully depreciated assets held under finance leases.

12. Capital commitments

	<u>Group</u>		<u>Company</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£,000	£,000	£,000	£,000
Contracted capital expenditure not provided	<u>54</u>	<u>366</u>	<u>54</u>	<u>366</u>
Authorised by the Directors but not contracted	<u>34,673</u>	<u>5,199</u>	<u>34,673</u>	<u>5,199</u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued13. Fixed asset investments

<u>Company</u>	<u>Cost</u>	<u>Provision</u>	<u>Net Book Value</u>
	£'000	£'000	£'000
<u>Interests in group undertakings</u>			
At 15 December 1992	5,733	(1,310)	4,423
Additions	5,000	-	5,000
Goodwill amortisation	-	(131)	(131)
At 18 December 1993	<u>10,733</u>	<u>(1,441)</u>	<u>9,292</u>

Interests in group undertakings

The investments in group undertakings comprise 100% of the equity of the following companies:

<u>Name of Undertaking</u>	<u>Country of Incorporation</u>	<u>Description of Shares Held</u>
Terry's Suchard Limited	England & Wales	Ordinary £1 shares
The Kenco Coffee Company Limited	England & Wales	Ordinary £1 shares
Maxpax France SA (formerly SICMA SA)	France	FFr shares
Coffee Hag (UK) Limited	England & Wales	Ordinary £1 shares
Maxpax (UK) Limited	England & Wales	Ordinary £1 Shares

Coffee Hag (UK) Limited and Maxpax (UK) Limited did not trade during the period. The Companies which did trade operated principally in their country of incorporation.

On 2 March 1993 the Company acquired the whole of the share capital of Terry's Suchard Limited. (see Note 14).

General Foods (Pension Trustees) Limited and Alfred Bird and Sons (Pension Trustees) Limited were disclosed as non trading subsidiaries in the 1992 financial statements. Both these companies had been liquidated on 9 July 1991.

In July 1993 SICMA SA acquired Sodeco SA and in August 1993 it acquired Sedia SA. On 30 September 1993 SICMA SA merged with Maxpax SA (formerly a fully owned subsidiary of SICMA SA) with retroactive effect from 1 October 1992. It then changed its name to Maxpax France SA. On 1 April 1994 Maxpax France SA absorbed Sodeco SA and Sedia SA, with retroactive effect from 1 October 1993.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 15 December 1993 Continued14. Acquisition

On 2 March the Company acquired the whole of the share capital of Terry's Suchard Limited. On 26 April 1993 Terry's Suchard Limited acquired the fixed assets and stock of Terry's Group Limited for a consideration of £156,855,000. The consideration was satisfied by the issue of 5,000,000 ordinary shares of £1 each, and a loan from General Foods Limited. Terry's Suchard Limited has used acquisition accounting to account for the purchase.

The assets and liabilities of Terry's Group Limited acquired are set out below:

	<u>Fair Value</u>
	2000's
Tangible Fixed Assets	30,939
Current Assets	
Stock	18,814
Debtors	-
Total Assets	<u>49,753</u>
Liabilities	
Creditors	-
Net Assets	<u>49,753</u>
Goodwill	<u>107,102</u>
	<u>156,855</u>
Satisfied By	
Intercompany loan	<u>156,855</u>
	<u>156,855</u>

15. Intangible assets

<u>Group</u>	<u>1993</u>	<u>1992</u>
	£'000	£'000
Goodwill at cost as at 15 December 1992	9,477	8,326
Accumulated amortisation as at 15 December 1992	<u>(4,232)</u>	<u>(2,905)</u>
Net book value as at 15 December 1992	5,245	5,421
Additions	111,854	633
Amortisation for the period	<u>(3,167)</u>	<u>(1,108)</u>
Balance sheet translation to Sigma	(85)	296
	<u>118,647</u>	<u>8,243</u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued15. Intangible assetsGroup continued

The additions to goodwill in the period are represented by the following:

	<u>£,000</u>
On acquisition of the net assets of Terry's Suchard Limited	107,102
On the reorganisation of the Maxpax France SA group	4,403
On the acquisition of customer listings	349
	<u>111,854</u>

16. Stocks

	<u>Group</u>		<u>Company</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
Raw materials and consumables	19,358	12,673	7,568	11,992
Work in progress	5,620	2,640	3,646	2,606
Finished goods and goods for sale	24,631	15,707	19,414	14,681
	<u>49,609</u>	<u>31,020</u>	<u>30,628</u>	<u>29,279</u>

17. Debtors

	<u>Group</u>		<u>Company</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
Amounts falling due after more than one year				
Amount owed by subsidiary undertaking	-	-	150,917	-

	<u>Group</u>		<u>Company</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>	<u>£,000</u>
Amounts falling due within one year				
Trade debtors	75,427	38,813	28,649	34,017
Amounts owed by group undertakings:				
Subsidiary undertakings	-	2,085	21,006	4,317
Fellow subsidiary undertakings	15,676	31,536	12,245	32,376
Other debtors	4,616	2,999	6,519	3,806
Prepayments and accrued income	3,820	3,309	2,822	2,871
	<u>98,760</u>	<u>78,742</u>	<u>71,251</u>	<u>77,387</u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued18. Creditors: Amounts falling due within one year

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£,000	£,000	£,000	£,000
Trade creditors	41,414	23,682	24,343	22,082
Short term loans	3,036	335	2,160	-
Amounts owed to group undertakings:				
Subsidiary undertakings	-	-	13,067	11,107
Fellow subsidiary undertakings	134,724	777	132,578	1,330
Taxation	7,912	21,350	5,109	19,774
Other creditors including social security and PAYE	6,776	3,586	2,365	4,137
Accruals	24,105	8,799	12,819	7,869
	<u>217,967</u>	<u>58,529</u>	<u>192,441</u>	<u>66,299</u>

The Directors have received confirmation that the intercompany indebtedness will not be called upon prior to other creditors of the business.

19. Creditors: Amounts falling due after more than one year

	Group		Company	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£,000	£,000	£,000	£,000
Bank loans	2,550	596	-	-
Servicing liability	1,000	-	-	-
	<u>3,550</u>	<u>596</u>	<u>-</u>	<u>-</u>

20. Provisions for liabilities and charges

Please see page 19a.

21. Called up share capital

	<u>1993</u>	<u>1992</u>
	£'000	£'000
Authorised		
410,000 Ordinary shares of £1 each	<u>410</u>	<u>410</u>
Allotted, called up and fully paid		
75,084 Ordinary shares of £1 each	<u>75</u>	<u>75</u>

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued20. Provisions for liabilities and chargesGroup

	<u>Rationalisation</u>	<u>Pensions and similar obligations (see note)</u>	<u>Deferred Tax (see below)</u>	<u>Stock Obsolescence</u>	<u>Other Provision</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000
At 15 December 1992	-	2,581	45	-	-	2,626
Profit and loss account	26,267	(313)	(25)	400	1,689	28,018
Expenditure during period	(13,651)	-	-	-	(941)	(14,592)
At 18 December 1993	<u>12,616</u>	<u>2,268</u>	<u>20</u>	<u>400</u>	<u>748</u>	<u>16,052</u>

Company

At 15 December 1992	-	2,581	-	-	-	2,581
Profit and loss account	-	(313)	-	-	-	(313)
At 18 December 1993	<u>-</u>	<u>2,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,268</u>

Deferred taxation

Provision is made for deferred taxation where the liability is expected to arise in the foreseeable future.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued22. Reserves

<u>Group</u>	<u>Share Premium Account</u>	<u>Profit & Loss Account</u>	<u>Other Reserves</u>
	£'000	£'000	£'000
At 15 December 1992	1,317	119,264	628
Balance sheet translation Maxpax France SA	-	-	(183)
Arising on Maxpax France SA reorganisati/on	(1,294)	-	-
Retained profit for the period	-	7,589	-
At 18 December 1993	<u>23</u>	<u>126,853</u>	<u>445</u>

Other reserves arise on consolidation of Coffee Hag (UK) Limited and from balance sheet translation and are not distributable.

<u>Company</u>	<u>Share Premium Account</u>	<u>Profit & Loss Account</u>
	£'000	£'000
At 15 December 1992	1,317	105,417
Retained profit for the period	-	23,930
At 18 December 1993	<u>1,317</u>	<u>129,347</u>

23. Guarantees and other financial commitmentsa. Lease commitments

The Group has annual commitments under operating leases as follows:

	1993		1992	
	<u>Plant & Machinery</u>	<u>Buildings</u>	<u>Plant & Machinery</u>	<u>Buildings</u>
	£'000	£'000	£'000	£'000
Expiring within one year	1,172	330	299	2
Expiring between two and five years inclusive	1,914	-	999	59
Expiring in over five years	2,486	-	1	440
	<u>5,572</u>	<u>330</u>	<u>1,294</u>	<u>501</u>

b. Agency agreement

The company acts in accordance with an agency agreement between itself and Kraft Jacobs Suchard Limited (formerly Kraft General Foods Limited), the agency company, by which the agency company is indemnified by the Company against any liability incurred by it whilst acting within the scope of its appointment under the agency agreement.

GENERAL FOODS LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements - 18 December 1993 Continued23. Guarantees and other financial commitments continuedc. Guarantees

The company has given guarantees of £200,000 (1992: £300,000) to HM Customs & Excise.

24. Pension arrangements

The Company is a participating employer in the Kraft General Foods Retirement Benefits Plan which is a non-contributory defined benefit pension plan providing benefits based on final pensionable salary and is open to all of its eligible employees. In addition members may pay Additional Voluntary Contributions to purchase extra benefits on a money purchase principle although certain members of the Plan do receive minimum guarantees on this benefit. The Plan funds are administered by Trustees and are independent of the Company finances.

The pension cost to be charged to the Profit and Loss Account for the period ended 18 December 1993 has been determined by an independent qualified Actuary. A full actuarial valuation was carried out as at 5 April 1993 and the cost has been calculated using the Projected Unit method of valuation. The most significant assumptions used were that investment returns would be 9.0% per annum and salary increases would average 6.5% per annum. Assets were valued by discounting expected future income with allowance for future dividend growth of 4.5% per annum.

The pension charge for the period was £1,304,000 (1992: £1,615,000) and Company contributions were at the level agreed by the Actuary. An amount of £2,268,000 (1992: £2,581,000) is included in provisions which represents the excess of accumulated pension cost over the payment of contributions to the pension fund.

The market value of the Scheme's assets as at the valuation date was £110,668,000 and the actuarial value of these assets represented 101% of the benefits accrued to members. There is a continuing commitment on behalf of the Company to fully fund all pension liabilities.

25. Post balance sheet event

As at 29 April 1994 the Company acquired certain business assets of Lyons Tetley Limited for a cash consideration of £15,472,000. The acquisition was financed through a combination of the Company's own cash reserves and intercompany borrowings.

26. Ultimate and immediate parent company

The Directors regard the Company's ultimate and immediate 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.