

REPORT AND ACCOUNTS

DEL MONTE FOODS INTERNATIONAL LIMITED

27 NOVEMBER 1992

(Registered Number 2455416)



DEL MONTE FOODS INTERNATIONAL LIMITED
COMPANY INFORMATION

DIRECTORS

W G Boustred
P S Danowa
J Fraggie
N J Hamway
J Imerman
S Imerman
V S Imerman
D H B Johnston
H R Levin
N F Oppenheimer
D Rankin
R S Robertson
E Sola
A J Trahar

(alternate director: M L S de Sousa Oliveira)

(alternate director: C T Elphick)
(alternate director: N J Diemont)

SECRETARY

T J Hunt

REGISTERED OFFICE

Del Monte House
London Road
Staines
Middlesex
TW18 4JD
Telephone: 0784 447400

DEL MONTE FOODS INTERNATIONAL LIMITED

DIRECTORS' REPORT

The Directors are pleased to submit their report and the audited Group accounts of Del Monte Foods International Limited for the 52 weeks ended 27 November 1992.

PRINCIPAL ACTIVITIES

The Group processes pineapple, deciduous fruit, fruit beverages and tomato products which are marketed under the "Del Monte" name throughout Europe, parts of Africa and the Middle East. The Group also produces and markets other processed food products.

PROFITS AND DIVIDENDS

The Group's loss for the period before dividends was £15,765,000 (1991: £16,270,000 profit) which has been transferred direct to reserves. Dividends of £865,000 (1991: nil) were paid to holders of preference shares during the period from reserves brought forward. The directors are not proposing any dividends to ordinary shareholders for the period to 27 November 1992.

PURCHASE OF THE COMPANY BY DEL MONTE INTERNATIONALE S.A.

On 31 December 1992, the entire issued share capital of the Company, together with the minority interest in Del Monte Foods Europe Limited, was purchased by Del Monte Internationale S.A., whose ultimate parent company is Del Monte Royal Holdings Limited, a company incorporated in the Republic of South Africa.

Further details of this transaction are given in note 21 to the accounts.

On 31 December 1992, as part of the purchase of the company, the group borrowings were fully repaid and replaced with new facilities as detailed in note 17.

POST BALANCE SHEET EVENT

Subsequent to the year end the value of the Kenyan shilling deteriorated significantly. No adjustments have been made to reflect this in the accounts to 27 November 1992 as the deterioration principally took place after the year end. Further details are included in note 34.

DEL MONTE FOODS INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The directors in office during the period and up to 28 July 1993 were as follows:

| | |
|-------------------------|---|
| L R Allen | (resigned 31 December 1992) |
| J G Bonnyman | (resigned 30 June 1992) |
| W G Boustred | (appointed 31 December 1992) |
| P J W Brooks | (resigned 30 June 1992) |
| R J Carbonell | (resigned 22 February 1993) |
| P S Danowa | (appointed 11 March 1993) |
| M L S de Sousa Oliveira | (alternate to W G Boustred) (appointed 31 December 1992) |
| N J Diemont | (alternate to D Rankin) (appointed 31 December 1992) |
| C T Elphick | (alternate to N F Oppenheimer) (appointed 31 December 1992) |
| J Fragis | (appointed 31 December 1992) |
| N J Hamway | |
| J Imerman | (appointed 31 December 1992) |
| S Imerman | (appointed 31 December 1992) |
| V S Imerman | (appointed 31 December 1992) |
| D H B Johnston | (appointed 31 December 1992) |
| H R Levin | (appointed 31 December 1992) |
| N F Oppenheimer | (appointed 31 December 1992) |
| R A Price | (resigned 31 January 1993) |
| D Rankin | (appointed 31 December 1992) |
| R S Robertson | (appointed 31 December 1992) |
| E Sola | |
| A J Trahar | (appointed 31 December 1992) |

The Directors in office at 27 November 1992 had the following beneficial interests in the shares of the Company at that date and at 29 November 1991.

| | 27 November 1992 | | 29 November 1991 | |
|---------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | "A" Ordinary Shares | "B" Ordinary Shares | "A" Ordinary Shares | "B" Ordinary Shares |
| L R Allen | 215,576 | - | 215,576 | - |
| R J Carbonell | - | 33,186 | - | 33,186 |
| N J Hamway | - | 8,156 | - | 8,156 |
| R A Price | 97,989 | - | 97,989 | - |
| E Sola | 137,185 | - | 137,185 | - |

R J Carbonell held 280,088 First Redeemable Cumulative Preference Shares throughout the period.

The undermentioned Director had an interest in the shares of Del Monte Foods Europe Limited by virtue of an interest in Northern and Midland Nominees Limited and the latter company's holding in Cannes Limited Liability Company, a shareholder of Del Monte Foods Europe Limited.

| | "B" Ordinary Shares | Redeemable Cumulative Preference Shares |
|------------|------------------------|---|
| N J Hamway | 37 | 1,244 |

DEL MONTE FOODS INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

The following Directors of the Company had outstanding options over Company shares as indicated below:

| | 27 November 1992 | | 29 November 1991 | |
|-----------|---------------------|---------------------|---------------------|---------------------|
| | "C" Ordinary Shares | "D" Ordinary Shares | "C" Ordinary Shares | "D" Ordinary Shares |
| L R Allen | 64,422 | 64,422 | 64,422 | 64,422 |
| R A Price | 29,600 | 29,600 | 29,600 | 29,600 |
| E Sola | - | 80,093 | - | 80,093 |

The exercise price for Directors of the "C" Ordinary Shares was 115p per share (1991:115p) and the "D" Ordinary Shares was 5p per share (1991:5p) except for options over "D" Ordinary Shares of E Sola which were exercisable at 60p per share (1991:60p).

The options over "C" and "D" Ordinary Shares were linked together so that an option over "D" Ordinary Shares could only be exercised if the grantee also exercised or had previously exercised an option over at least the same number of "C" Ordinary Shares.

All of the options held by Directors were cancelled on 31 December 1992, as part of the purchase of the shares of the Company.

At 27 November 1992 there were options outstanding over 632,831 (1991:618,931) Ordinary Shares of 1p (a combination of "C" and "D" shares) under the Del Monte Foods International Limited 1990 Executive Share Option Schemes granted to Directors, and employees. Under the terms of the Option Schemes, Directors and employees options were normally exercisable in whole or in part between the third and tenth anniversaries of the date of grant.

At 27 November 1992 there were no other interests of Directors in shares of Group companies.

Directors' liability insurance has been taken out by the Company under Section 310(3) of the Companies Act 1985 (as amended by the Companies Act 1989) for its Directors and certain other senior managers.

FIXED ASSETS

Freehold and long leasehold properties are shown at cost less depreciation. In the opinion of the Directors there were no material differences between the book and market values of fixed assets. Changes in tangible fixed assets during the period are set out in note 11 of the accounts.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations made by the Group for charitable purposes in the UK amounted to £23,000 (1991: £18,000). No political donations were made.

DEL MONTE FOODS INTERNATIONAL LIMITED

DIRECTORS' REPORT (continued)

EMPLOYMENT POLICIES

It is the policy of the Group that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The Directors are committed to maintaining and developing communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own company and of the Group as a whole. Consultation and involvement policies vary from country to country according to local customs, legal considerations and the size of the business.

AUDITORS

Price Waterhouse who have been auditors of the Company for the past three years, will not be seeking re-appointment at the Annual General Meeting. They have stated that there are no matters connected with their ceasing to hold office which should be brought to the attention of members or creditors.

The Board intends to nominate Pannell Kerr Forster for appointment as auditors of the Company.

By Order of the Board

7711+

T J Hunt
Secretary

28 July 1993

DEL MONTE FOODS INTERNATIONAL LIMITED

AUDITORS' REPORT TO THE MEMBERS OF DEL MONTE FOODS INTERNATIONAL LIMITED

We have audited the financial statements on pages 8 to 34 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 and of the Group at 27 November 1992 and of the loss and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

28 July 1993

DEL MONTE FOODS INTERNATIONAL LIMITED

GROUP PROFIT AND LOSS ACCOUNT
52 weeks ended 27 November 1992

| | | 52 weeks ended 27 November 1992 | Restated 52 weeks ended 29 November 1991 |
|---|------|---------------------------------------|---|
| | Note | £'000 | £'000 |
| TURNOVER | 1, 2 | 251,545 | 252,048 |
| Cost of sales | | <u>(154,582)</u> | <u>(152,617)</u> |
| GROSS PROFIT | | 96,963 | 99,431 |
| Selling and marketing expenses | | (36,308) | (31,419) |
| Distribution costs | | (19,643) | (17,781) |
| Administrative expenses | | (17,159) | (15,555) |
| Other operating expense | | (1,171) | (599) |
| Income from interests in associated undertakings | | 4,289 | 2,578 |
| OPERATING PROFIT | 3 | 26,971 | 36,655 |
| Exceptional items | 4 | (5,513) | 5,523 |
| PROFIT AFTER EXCEPTIONAL ITEMS | | <u>21,458</u> | <u>42,178</u> |
| Interest receivable | | 1,091 | 2,477 |
| Interest payable | 5 | (22,149) | (20,853) |
| Exchange losses | 5 | (10,868) | - |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | (10,468) | 23,802 |
| Taxation | 8 | (4,739) | (7,395) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>(15,207)</u> | <u>16,407</u> |
| Minority interests | 23 | (558) | (137) |
| (LOSS)/PROFIT FOR PERIOD BEFORE DIVIDENDS | | <u>(15,765)</u> | <u>16,270</u> |
| Dividends paid | 9 | (865) | - |
| (DEFICIT)/RETAINED PROFIT FOR PERIOD | | <u>(16,630)</u> ===== | <u>16,270</u> ===== |

Movements on reserves are disclosed in note 22.

The notes on pages 12 to 34 form an integral part of these accounts.

DEL MONTE FOODS INTERNATIONAL LIMITED

GROUP BALANCE SHEET
As at 27 November 1992

| | Note | 1992 £'000 | 1991 £'000 |
|---|------|------------------|-----------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 77,818 | 75,583 |
| Tangible assets | 11 | 60,691 | 56,346 |
| Investments | 12 | 11,946 | 6,361 |
| | | <u>150,455</u> | <u>138,290</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 75,347 | 58,844 |
| Debtors | 14 | 47,616 | 53,765 |
| Cash at bank and in hand | | 8,958 | 9,047 |
| | | <u>131,921</u> | <u>121,656</u> |
| CREDITORS - amounts falling due within one year | 15 | <u>(109,135)</u> | <u>(83,418)</u> |
| NET CURRENT ASSETS | | <u>22,786</u> | <u>38,238</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>173,241</u> | <u>176,528</u> |
| CREDITORS - amounts falling due after more than one year | 16 | <u>(108,895)</u> | <u>(99,115)</u> |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | <u>(9,270)</u> | <u>(5,627)</u> |
| | | <u>55,076</u> | <u>71,786</u> |
| | | ===== | ===== |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 20 | 57,752 | 57,752 |
| Share premium account | 22 | 1,117 | 1,117 |
| Goodwill reserve | 22 | (24,467) | (23,949) |
| Cumulative retranslation reserve | 22 | (9,701) | (10,239) |
| Profit and loss account | 22 | 11,115 | 26,767 |
| | | <u>35,816</u> | <u>51,448</u> |
| MINORITY INTERESTS | 23 | <u>19,260</u> | <u>20,338</u> |
| | | <u>55,076</u> | <u>71,786</u> |
| | | ===== | ===== |

Approved by the Board on 28 July 1993 and signed on its behalf


P. S. Danowa

The notes on pages 12 to 34 form an integral part of these accounts.

DEL MONTE FOODS INTERNATIONAL LIMITED

COMPANY BALANCE SHEET
As at 27 November 1992

| | Note | 1992 £'000 | 1991 £'000 |
|---|------|----------------|----------------|
| FIXED ASSETS | | | |
| Investments | 12 | <u>144,550</u> | <u>142,937</u> |
| CURRENT ASSETS | | | |
| Debtors | 14 | 6,850 | 5,686 |
| Cash at bank and in hand | | - | 112 |
| | | <u>6,850</u> | <u>5,798</u> |
| CREDITORS - amounts falling due within one year | 15 | <u>(9,349)</u> | <u>(8,324)</u> |
| NET CURRENT LIABILITIES | | <u>(2,499)</u> | <u>(2,526)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 142,051 | 140,411 |
| CREDITORS - amounts falling due after more than one year | 16 | (81,123) | (72,912) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | <u>(1,779)</u> | <u>(613)</u> |
| | | 59,149 | 66,886 |
| | | ===== | ===== |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 20 | 57,752 | 57,752 |
| Share premium account | 22 | 1,117 | 1,117 |
| Cumulative retranslation reserve | 22 | (7,650) | (5,937) |
| Profit and loss account | 22 | 7,930 | 13,954 |
| | | <u>59,149</u> | <u>66,886</u> |
| | | ===== | ===== |

Approved by the Board on 28 July 1993 and signed on its behalf



P S Danowa

The notes on pages 12 to 34 form an integral part of these accounts.

DEL MONTE FOODS INTERNATIONAL LIMITED

GROUP CASH FLOW STATEMENT

52 weeks ended 27 November 1992

| | 52 weeks ended 27 November 1992 £'000 | 52 weeks ended 29 November 1991 £'000 |
|--|--|--|
| NET CASH INFLOW FROM OPERATING ACTIVITIES (note 27) | 30,460 | 32,669 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| Interest received | 1,074 | 2,267 |
| Interest paid | (20,161) | (20,837) |
| Dividends paid to minority shareholders in subsidiary undertakings | (562) | (78) |
| Preference dividends paid | (865) | - |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | (20,514) | (18,648) |
| TAXATION | | |
| Advance corporation tax paid | (397) | - |
| Overseas company taxes paid | (4,924) | (3,943) |
| Overseas withholding taxes paid | (845) | (735) |
| TAX PAID | (6,166) | (4,678) |
| INVESTING ACTIVITIES | | |
| Purchase of subsidiaries | - | (15) |
| Purchase of associated undertaking | - | (2,120) |
| Disposal of subsidiary | - | 16,112 |
| Purchase of tangible fixed assets | (9,105) | (5,204) |
| Disposal of tangible fixed assets | 314 | 134 |
| NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES | (8,791) | 8,907 |
| NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING | (5,011) | 18,250 |
| FINANCING (note 30) | ===== | ===== |
| Share capital raised | - | (2,120) |
| Loan stock raised | - | - |
| Long-term debt raised | - | - |
| Repayment of long-term debt | 2,763 | 19,753 |
| NET CASH OUTFLOW FROM FINANCING | 2,763 | 17,633 |
| (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (note 28) | (7,774) | 617 |
| | (5,011) | 18,250 |
| | ===== | ===== |

The comparative figures have been restated for a change in interpretation of cash and cash equivalents as defined in Financial Reporting Standard 1. Borrowings repayable within one year but with an initial maturity of more than three months have been included in financing.

The notes on pages 12 to 34 form an integral part of these accounts.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these accounts.

Accounting basis

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Basis of consolidation

The Group accounts consolidate the accounts of Del Monte Food International Limited and all its subsidiaries and equity account the results of associated undertakings up to 27 November 1992.

Companies in which the Group has an investment comprising an interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings.

The Group accounting policies conform with UK accounting standards and, when necessary, adjustments are made in the accounts of overseas subsidiaries and associated undertakings in order to present the Group accounts on a consistent basis.

The results of businesses acquired or sold are included in the profit and loss account from the date of acquisition or to the date of disposal.

Goodwill

Fair values are ascribed to tangible assets and liabilities of subsidiary undertakings at dates of acquisition and any surplus or deficiency between such values and the purchase consideration is dealt with through reserves. Subsequent adjustments are also dealt with through reserves. When a business is sold or discontinued any goodwill dealt with through reserves at the time the business was purchased is included in the calculation of profit or loss on disposal or closure.

Holding company's profit and loss account

As the Company's results are included in the Group's profit and loss account and disclosed in note 22, a separate profit and loss account is not presented, as permitted by S230(1) of the Companies Act 1985.

Minority interests

Under the terms of the Group structure, the minority shareholders, principally the US investors, in an intermediate holding company, Del Monte Foods Europe Limited ("DMFE"), had similar income rights to shareholders of the Company. The interest of these shareholders in the Group balance sheet is calculated by reference to their rights on a distribution of assets. Movements in such minority interests in the Group balance sheet are dealt with through reserves. Minority interests have been deducted from the Group profit and loss account in respect only of preference dividends paid during the period. The minority interests of certain other shareholders are deducted from the profit and loss account and balance sheet.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Assets and liabilities denominated in foreign currencies are expressed in sterling at the rate of exchange ruling at the period end. Transactions during the period are recorded at rates of exchange in effect at the time of those transactions. Currency gains and losses on trading items are taken to profit and loss account. The results for the year of overseas companies are expressed in sterling at the average rate of exchange prevailing during the period. To the extent that they are denominated in foreign currencies the Group's investment in net assets (including brands and purchased goodwill) of its subsidiaries and associated undertakings are retranslated to year end exchange rates. The resultant gains or losses are taken to the cumulative retranslation reserve.

In retranslating the net assets of overseas operations the directors give consideration to the impact of local inflation rates. None of the territories in which the group operates would be regarded as hyper-inflationary, as defined by Urgent Issues Task Force consensus pronouncement 9, during the period to 27 November 1992. However, subsequent to the year end, Kenya experienced high rates of inflation, further details of which are given in note 34.

Foreign currency borrowings are used partly to hedge the foreign exchange exposure on investments including, for the Group, brands and goodwill.

Profits/losses arising on the retranslation of foreign currency borrowings have been offset against the foreign exchange differences arising on investments, within the cumulative retranslation reserve, to the extent that they are matched by gains on retranslation of those investments. The remaining losses have been taken to the profit and loss account, as required by Statement of Standard Accounting Practice no. 20.

Turnover

Turnover represents the gross sales value of Group companies to external customers excluding value added taxes and is net of volume related trade discounts.

Fixed assets and depreciation

Fixed assets are stated at cost less depreciation, except in the case of freehold land which is not depreciated. Depreciation is provided on a straight line basis at an annual rate over the expected economic lives of the assets. Within the following asset classifications, the expected economic lives are approximately:-

| | |
|---------------------------------|-----------------|
| * Freehold buildings | 45 years |
| * Long term leasehold property | 45 years |
| * Short term leasehold property | length of lease |
| * Plant and equipment | 8 to 15 years |
| * Motor vehicles | 4 years |
| * Office furniture | 10 years |
| * Computer hardware | 3 to 5 years |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases are treated as if they had been purchased outright at the present value of the outstanding rentals payable, less finance charges, over the primary period of the leases. The corresponding obligations under these leases are shown as creditors. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Government grants

Government grants received as a contribution towards specific expenditure on fixed assets are treated as deferred income and credited to the profit and loss account over the expected economic life of the related assets on a basis consistent with the depreciation policy.

Brands

Acquired brands are included in the Group balance sheet as an intangible asset. Acquired brands are recognised where brand earnings are separately identifiable and where the brand achieves premium earnings. No amortisation is provided except where the useful economic life of the acquired brands can be foreseen. The useful economic life and carrying value are subject to annual review and any provision for permanent impairment would be charged against the profit for the period in which it arose.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes appropriate production overheads and distribution costs. Costs incurred in cultivating crops are deferred and matched against revenue in the period of sale.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided on the liability method on all timing differences only to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

Irrecoverable withholding tax is provided for when it is management's intention to remit overseas dividends and management charges.

Pensions

The cost of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Pension cost is assessed in accordance with the advice of qualified actuaries. Actuarial surpluses and deficits are spread over the average remaining service lives of employees.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

2. SEGMENTAL ANALYSIS

The Group's business consists of the growing, processing and distribution of food and beverage products. The Directors are of the opinion that this forms one class of business.

| | Total £'000 | United Kingdom £'000 | Italy £'000 | Rest of Europe £'000 | Rest of World £'000 |
|---|-------------------|----------------------------|------------------|----------------------------|---------------------------|
| 1992 Group turnover | | | | | |
| By geographical destination: | | | | | |
| Sales to third parties | 251,545 ===== | 73,745 ===== | 97,583 ===== | 76,455 ===== | 3,762 ===== |
| By geographical origin: | | | | | |
| Total sales | 407,782 | 208,824 | 127,045 | 47,037 | 24,876 |
| Intercompany sales | (156,237) | (104,070) | (13,371) | (15,182) | (23,614) |
| Sales to third parties | 251,545 ===== | 104,754 ===== | 113,674 ===== | 31,855 ===== | 1,262 ===== |
| 1991 Group turnover | | | | | |
| By geographical destination: | | | | | |
| Sales to third parties | 252,048 ===== | 73,919 ===== | 85,339 ===== | 89,551 ===== | 3,239 ===== |
| By geographical origin: | | | | | |
| Total sales | 407,411 | 203,028 | 123,245 | 53,081 | 28,057 |
| Intercompany sales | (155,363) | (97,966) | (15,814) | (16,265) | (25,318) |
| Sales to third parties | 252,048 ===== | 105,062 ===== | 107,431 ===== | 36,816 ===== | 2,739 ===== |
| 1992 Group profit before tax | | | | | |
| Segment profit by origin | 25,018 | 10,167 | 6,508 | 1,339 | 7,004 |
| Share of associated undertakings profit before tax | 4,289 | - | - | - | 4,289 |
| | 29,307 ===== | 10,167 ===== | 6,508 ===== | 1,339 ===== | 11,293 ===== |
| Central costs | (7,849) | | | | |
| Operating profit | 21,458 | | | | |
| Net interest | (31,926) | | | | |
| Group loss before taxation | (10,468) ===== | | | | |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

2. SEGMENTAL ANALYSIS (continued)

| | Total £'000 | United Kingdom £'000 | Italy £'000 | Rest of Europe £'000 | Rest of World £'000 |
|---|----------------|----------------------------|----------------|----------------------------|---------------------------|
| 1991 Group profit before tax (restated) | | | | | |
| Segment profit by origin | 40,104 | 13,972 | 12,075 | 2,976 | 11,081 |
| Share of associated undertakings profit before tax | 2,578 | - | - | - | 2,578 |
| | <u>42,682</u> | <u>13,972</u> | <u>12,075</u> | <u>2,976</u> | <u>13,659</u> |
| | | ===== | ===== | ===== | ===== |
| Profit on disposal of subsidiary | 5,523 | | | | |
| Central costs | (6,027) | | | | |
| | <u>42,178</u> | | | | |
| Operating profit | | | | | |
| Net interest | (18,376) | | | | |
| | <u>23,802</u> | | | | |
| | ===== | | | | |
| 1992 Group net assets | | | | | |
| Segment net assets | 98,088 | 2,929 | 49,021 | 12,805 | 33,333 |
| Group share of the net assets of associated undertakings | 11,946 | - | - | - | 11,946 |
| | <u>110,034</u> | <u>2,929</u> | <u>49,021</u> | <u>12,805</u> | <u>45,279</u> |
| | | ===== | ===== | ===== | ===== |
| Unallocated net assets: | | | | | |
| Brand valuation | 77,818 | | | | |
| Less: bank loans and overdrafts net of cash holdings | (132,776) | | | | |
| | <u>55,076</u> | | | | |
| | ===== | | | | |
| Total Group net assets | | | | | |
| 1991 Group net assets | | | | | |
| Segment net assets | 102,354 | 22,028 | 44,046 | 7,530 | 28,750 |
| Group share of the net assets of associated undertakings | 6,361 | - | - | - | 6,361 |
| | <u>108,715</u> | <u>22,028</u> | <u>44,046</u> | <u>7,530</u> | <u>35,111</u> |
| | | ===== | ===== | ===== | ===== |
| Unallocated net assets: | | | | | |
| Brand valuation | 75,583 | | | | |
| Less: bank loans and overdrafts net of cash holdings | (112,512) | | | | |
| | <u>71,786</u> | | | | |
| | ===== | | | | |
| Total Group net assets | | | | | |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting) :-

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|---|------------------------------|------------------------------|
| Depreciation - owned assets | 3,945 | 3,985 |
| - leased assets | 23 | 65 |
| Auditors' remuneration - audit work | 212 | 210 |
| Loss on sale of tangible assets | 39 | 60 |
| Operating lease rentals - plant and machinery | 243 | 351 |
| - other | 1,123 | 1,203 |
| Exchange (gain)/loss | (85) | 941 |
| | ===== | ===== |

Fees paid to the Company's auditors for non-audit work in the United Kingdom were £1,408,000 in the period to 27 November 1992.

4. EXCEPTIONAL ITEMS

| | 27 November 1992 £'000 | Restated 29 November 1991 £'000 |
|----------------------------------|------------------------------|--|
| Profit on disposal of subsidiary | - | 5,523 |
| Professional costs (note 21) | (1,380) | - |
| Restructuring costs (note 21) | (4,133) | - |
| | ===== | ===== |
| | (5,513) | 5,523 |

The profit on disposal of a subsidiary in 1991 has been restated in accordance with Urgent Issues Task Force consensus pronouncement 3 in order to include the attributable amount of purchased goodwill previously eliminated against reserves. The amount of purchased goodwill was £927,000.

5. INTEREST PAYABLE AND EXCHANGE LOSSES

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|--|------------------------------|------------------------------|
| INTEREST PAYABLE | | |
| Interest payable on bank loans, overdrafts and other loans: | | |
| Repayable within 5 years | 15,545 | 7,319 |
| Repayable after 5 years or more | 6,267 | 13,508 |
| Other charges | 337 | 26 |
| | ===== | ===== |
| | 22,149 | 20,853 |
| EXCHANGE LOSSES | | |
| Exchange losses on long term foreign currency borrowings (see below) | 10,868 | - |
| | ===== | ===== |

On 13 and 16 September respectively, the Italian lire and pound sterling were devalued and left the European Exchange Rate Mechanism (ERM). This caused a substantial exchange loss on the Group's long term foreign currency borrowings. As permitted by Statement of Standard Accounting practice no. 20, losses on retranslation of the Group's long term debt have been offset, within the cumulative translation reserve, against gains arising on the Group's investment in net assets denominated in foreign currencies. To the extent that such losses exceed corresponding gains on investments, they have been taken to the profit and loss account.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

6. STAFF COSTS AND EMPLOYEES

STAFF COSTS (Including Directors)

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|-----------------------|------------------------------|------------------------------|
| Wages and salaries | 23,257 | 21,214 |
| Social security costs | 8,213 | 6,911 |
| Other pension costs | 777 | 801 |

32,247
=====

28,926
=====

EMPLOYEES

| | 27 November 1992 Number | 29 November 1991 Number |
|------------------------------|-------------------------------|-------------------------------|
| Average number of employees: | | |
| Manufacturing | 3,902 | 3,855 |
| Transportation | 577 | 589 |
| Selling/Marketing | 154 | 159 |
| Administration | 568 | 572 |

Total

5,201
=====

5,175
=====

Geographical split of employees:

| | 27 November 1992 Number | 29 November 1991 Number |
|----------------|-------------------------------|-------------------------------|
| UK | 276 | 264 |
| Rest of Europe | 1,025 | 994 |
| Other | 3,900 | 3,917 |

Total

5,201
=====

5,175
=====

7. DIRECTORS' EMOLUMENTS

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|--|------------------------------|------------------------------|
| Aggregate emoluments: | | |
| Remuneration for service (including pension contributions) | 1,328 | 808 |
| Payment for restrictive undertaking | 1,050 | - |
| Compensation for loss of office payable by the Company | 342 | - |

2,720
=====

808
=====

Emoluments of Chairman and highest paid director (excluding pension contributions)

455
=====

269
=====

The emoluments of Directors (excluding pension contributions) fell into the ranges:

| | 27 November 1992 Number | 29 November 1991 Number |
|---------------------|-------------------------------|-------------------------------|
| £ 0 - £ 5,000 | 3 | 3 |
| £110,001 - £115,000 | - | 1 |
| £160,001 - £165,000 | 1 | - |
| £170,001 - £175,000 | - | 1 |
| £190,001 - £195,001 | 1 | - |
| £205,001 - £210,000 | - | 1 |
| £385,001 - £390,000 | 1 | - |
| £450,001 - £455,000 | 1 | - |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

8. TAXATION

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|---|------------------------------|------------------------------|
| Current Year | | |
| Overseas taxation | 2,378 | 4,197 |
| Tax attributable to the results of associated undertakings | 1,138 | 917 |
| Overseas withholding tax not recoverable | 1,150 | 2,112 |
| ACT written off | 397 | - |
| | <u>5,063</u> | <u>7,226</u> |
| Adjustments relating to earlier years | (324) | 169 |
| | <u>4,739</u> ===== | <u>7,395</u> ===== |

The overseas withholding tax not recoverable relates to certain dividends and management charges receivable from overseas subsidiaries.

9. DIVIDENDS PAID

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|---|------------------------------|------------------------------|
| First redeemable cumulative preference shares | 865 ===== | - ===== |

10. INTANGIBLE ASSETS

| | £'000 |
|---------------------|------------------------|
| At 29 November 1991 | 75,583 |
| Exchange adjustment | 2,235 |
| At 27 November 1992 | <u>77,818</u> ===== |

This amount represents the cost of brands acquired on the purchase of the subsidiaries. The Directors have reviewed the amount at which brands are stated and are of the opinion that there has been no impairment in the value of brands and that the end of their useful economic lives cannot be foreseen.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

11. GROUP TANGIBLE FIXED ASSETS

| | Freehold land and buildings | Short term leasehold property | Assets in the course of construction | Plant and machinery | Fixtures fittings and equipment | Total |
|-----------------------|-----------------------------------|-------------------------------------|--|------------------------|---------------------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| COST | | | | | | |
| At 23 November 1991 | 17,456 | 15,181 | 1,851 | 30,224 | 8,314 | 73,026 |
| Additions | 864 | 59 | 2,092 | 5,373 | 717 | 9,105 |
| Disposals | - | (119) | - | (261) | (352) | (732) |
| Reclassifications | 725 | 691 | (3,358) | 891 | 1,051 | - |
| Exchange adjustments | 400 | (986) | (39) | 172 | (160) | (613) |
| At 27 November 1992 | <u>19,445</u> | <u>14,826</u> | <u>546</u> | <u>36,399</u> | <u>9,570</u> | <u>80,786</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| DEPRECIATION | | | | | | |
| At 29 November 1991 | (1,679) | (1,282) | - | (9,611) | (4,108) | (16,680) |
| Charge for the period | (265) | (389) | - | (2,331) | (983) | (3,968) |
| Disposals | - | 9 | - | 113 | 257 | 379 |
| Reclassification | 3 | (3) | - | (2) | 2 | - |
| Exchange adjustments | (37) | 69 | - | 34 | 108 | 174 |
| At 27 November 1992 | <u>(1,978)</u> | <u>(1,596)</u> | <u>-</u> | <u>(11,797)</u> | <u>(4,724)</u> | <u>(20,095)</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| NET BOOK VALUE | | | | | | |
| At 27 November 1992 | 17,467 | 13,230 | 546 | 24,602 | 4,846 | 60,691 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| At 29 November 1991 | 15,777 | 13,899 | 1,851 | 20,613 | 4,206 | 56,346 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

11. GROUP TANGIBLE FIXED ASSETS (continued)

Included in the net book value of plant and machinery at 27 November 1992 was £126,000 (1991 £148,000) held by the Group under finance leases.

12. FIXED ASSETS - INVESTMENTS

| | |
|--|---------------|
| GROUP | £'000 |
| Associated undertakings: | |
| At 29 November 1991 | 6,361 |
| Share of profit after tax for the year | 3,151 |
| Exchange adjustment | 2,434 |
| At 27 November 1992 | <u>11,946</u> |
| | ===== |

The results of the associated undertaking have been equity accounted for since the date of acquisition.

COMPANY

| | |
|---------------------|--|
| | Shares in group companies £'000 |
| At 29 November 1991 | 142,937 |
| Exchange adjustment | 1,613 |
| At 27 November 1992 | <u>144,550</u> |
| | ===== |

Details of the Group's subsidiary and associated undertakings are shown in note 33.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

13. STOCKS

| | 1992 £'000 | 1991 £'000 |
|---------------------------|---------------|---------------|
| Deferred crop expenditure | 10,113 | 8,184 |
| Raw materials | 6,553 | 5,662 |
| Work in progress | 2,417 | 2,210 |
| Finished goods | 56,264 | 42,788 |
| | <u>75,347</u> | <u>58,844</u> |
| | ===== | ===== |

The Directors are of the opinion that the replacement cost of stocks at 27 November 1992 was not significantly different from the balance sheet value.

14. DEBTORS

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 1992 £'000 | 1991 £'000 | 1992 £'000 | 1991 £'000 |
| Trade debtors | 34,918 | 42,324 | - | - |
| Amounts owed by group undertakings | - | - | 6,823 | 5,686 |
| Other debtors | 9,971 | 9,518 | 7 | - |
| Prepayments and accrued income | 2,727 | 1,923 | 20 | - |
| | <u>47,616</u> | <u>53,765</u> | <u>6,850</u> | <u>5,686</u> |
| | ===== | ===== | ===== | ===== |

Included in the above balances are the following amounts receivable after more than one year:

| | Group | |
|---------------|---------------|---------------|
| | 1992 £'000 | 1991 £'000 |
| Trade debtors | - | 503 |
| Other debtors | 143 | - |
| | <u>143</u> | <u>503</u> |
| | ===== | ===== |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|----------------|---------------|---------------|---------------|
| | 1992 £'000 | 1991 £'000 | 1992 £'000 | 1991 £'000 |
| Bank loans and overdrafts | 32,868 | 22,513 | 7,449 | 5,310 |
| - (note 17) | | | | |
| Trade creditors | 45,210 | 32,995 | - | - |
| Amounts owed to group undertakings | - | - | 800 | 2,454 |
| Amounts owed to associated undertakings | - | 2,568 | - | - |
| Other creditors | 1,740 | 1,340 | 4 | - |
| Taxation and social security | 7,242 | 7,314 | - | - |
| Accruals and deferred income | 21,598 | 16,294 | 1,096 | 560 |
| Accrued pension contributions | 477 | 394 | - | - |
| | <u>109,135</u> | <u>83,418</u> | <u>9,349</u> | <u>8,324</u> |
| | ===== | ===== | ===== | ===== |

16. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|----------------------|----------------|---------------|---------------|---------------|
| | 1992 £'000 | 1991 £'000 | 1992 £'000 | 1991 £'000 |
| Bank loans (note 17) | 108,867 | 99,046 | 81,123 | 72,912 |
| Accruals | 28 | 69 | - | - |
| | <u>108,895</u> | <u>99,115</u> | <u>81,123</u> | <u>72,912</u> |
| | ===== | ===== | ===== | ===== |

17. BANK LOANS AND OVERDRAFTS

Repayable by instalments:-

| | Group | | Company | |
|----------------------------|----------------|----------------|---------------|---------------|
| | 1992 £'000 | 1991 £'000 | 1992 £'000 | 1991 £'000 |
| Within one year | 32,868 | 22,513 | 7,449 | 5,310 |
| Between one and two years | 6,297 | 3,852 | 2,015 | 1,238 |
| Between two and five years | 48,634 | 25,893 | 25,172 | 8,324 |
| In five years or more | 53,936 | 69,301 | 53,936 | 63,350 |
| | <u>141,735</u> | <u>121,559</u> | <u>88,572</u> | <u>78,222</u> |
| | ===== | ===== | ===== | ===== |

Bank loans and overdrafts repayable in five years or more comprise Deutschmark 131,200,000 of Floating Rate Subordinated Notes due 2001, on which interest rate swaps have fixed the effective interest rate to May 1993 at 12½%; the 1991 comparatives also include drawings under the Group's multi-currency Syndicated Medium Term Loan Facility where repayment is due in 1997 and on which interest is payable at variable rates. The interest rate charged varied between 10.75% and 12.6% during the period.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

17. BANK LOANS AND OVERDRAFTS (continued)

The Group's borrowings under its Syndicated Medium Term Loan Agreement are secured by a fixed and floating charge on the UK assets of the business, including pledges of the shareholdings in the overseas subsidiaries of the Group, and by security over certain of the Group's Italian assets. The Subordinated Notes due 2001 have a secondary charge over all these assets. Del Monte Foods International Limited has guaranteed the liabilities of all its subsidiary companies to the Syndicate.

On 31. December 1992, as part of the sale of the Company, the Floating Rate Subordinated Notes due 2001 and borrowings under the Group's multi-currency Syndicated Medium Term Loan Facility were fully repaid with borrowings, as shown below, drawn under a new Unsecured Medium Term Facility on which interest is payable at variable rates:

| | Within one year £'000 | Between one and two years £'000 | Between two and five years £'000 | Greater than five years £'000 | Total £'000 |
|---|-----------------------------|--|---|--|-------------------------|
| Sterling bank revolving credit agreement | 72,000 | - | - | - | 72,000 |
| Sterling bank term agreement repayable in five equal annual instalments commencing 30 November 1993 | - | 5,000 | 15,000 | 5,000 | 25,000 |
| Total drawings under Unsecured Medium Term Facility | 72,000 | 5,000 | 15,000 | 5,000 | 97,000 |
| Additional bank loan agreement repayable on 11 January 1994 | - | 15,000 | - | - | 15,000 |
| - denominated in sterling | - | 30,800 | - | - | 30,800 |
| - denominated in lire | - | - | - | - | - |
| | <u>72,000</u> ===== | <u>50,800</u> ===== | <u>15,000</u> ===== | <u>5,000</u> ===== | <u>142,800</u> ===== |

The additional bank loan has been matched by a cash deposit supplied to the bank by Del Monte Internationale S.A. following its acquisition of Del Monte Foods International Limited.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

18. PROVISIONS FOR LIABILITIES AND CHARGES

| GROUP | Total £'000 | Restructuring provisions £'000 | Acquisition provisions £'000 | Other provisions £'000 |
|-------------------------|----------------|--------------------------------------|------------------------------------|------------------------------|
| At 29 November 1991 | 5,627 | - | 613 | 5,014 |
| Additions during period | 4,849 | 3,530 | - | 1,319 |
| Amounts utilised | (1,325) | - | (613) | (712) |
| Exchange adjustment | 119 | - | - | 119 |
| At 27 November 1992 | <u>9,270</u> | <u>3,530</u> | <u>-</u> | <u>5,740</u> |

Other provisions relate to employee severance schemes as dictated by local legal requirements of overseas subsidiaries. Restructuring provisions relate to costs to be incurred as a consequence of the sale of the Company (see note 21).

The movements in Company provisions are detailed below:

| COMPANY | Total £'000 | Restructuring provisions £'000 | Acquisition provisions £'000 |
|---------------------|----------------|--------------------------------------|------------------------------------|
| At 29 November 1991 | 613 | - | 613 |
| Additions | 1,779 | 1,779 | - |
| Amounts utilised | (613) | - | (613) |
| At 27 November 1992 | <u>1,779</u> | <u>1,779</u> | <u>-</u> |

19. DEFERRED TAXATION

There is no provision for deferred taxation (1991: Enil). The full potential asset which has not been recognised in the Group accounts of £233,000 (1991: liability of £1,994,000) is analysed below:-

| | <u>Unprovided</u> | |
|--------------------------------|-------------------|---------------|
| | 1992 £'000 | 1991 £'000 |
| Accelerated capital allowances | 3,475 | 3,509 |
| Other timing differences | (3,244) | (1,763) |
| Losses available for offset | (3,863) | (2,821) |
| Deferred crop expenditure | 3,399 | 3,069 |
| | <u>(233)</u> | <u>1,994</u> |

The provided deferred tax in the Company at 27 November 1992 was Enil (29 November 1991: Enil). The unprovided deferred tax in the Company at 27 November 1992 was an asset of £903,000 (1991: asset of £364,000).

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

20. CALLED UP SHARE CAPITAL - GROUP AND COMPANY

Authorised share capital:

| | | 1992 | 1991 |
|------------------|---|---------------|---------------|
| Number of shares | | £'000 | £'000 |
| 588,100 | "A" Ordinary Shares of 1p each | 6 | 6 |
| 10,669,886 | "B" Ordinary Shares of 1p each | 107 | 107 |
| 831,332 | "C" Ordinary Shares of 1p each | 8 | 8 |
| 841,549 | "D" Ordinary Shares of 1p each | 8 | 8 |
| 2,082,151 | "E" Ordinary Shares of 1p each | 21 | 21 |
| 59,824,913 | First Redeemable Cumulative Preference Shares of £1 each (redeemable 30 November 2000) | 59,825 | 59,825 |
| 36,861,903 | Second Redeemable Cumulative Preference Shares of £1 each (redeemable 30 November 2000) | 36,862 | 36,862 |
| | | <u>96,837</u> | <u>96,837</u> |
| | | ===== | ===== |

Issued and fully paid share capital:

| | | 1992 | Share | | | 1991 | Share |
|--|------------|---------------|--------------|--|------------|---------------|--------------|
| | | Nominal | premium | | | Nominal | premium |
| Shares | number | value | £'000 | Shares | number | value | £'000 |
| | | £'000 | £'000 | | | £'000 | £'000 |
| "A" Ordinary Shares of 1p | 587,935 | 5 | - | "A" Ordinary Shares of 1p | 587,935 | 5 | - |
| "B" Ordinary Shares of 1p | 5,781,222 | 58 | 1,104 | "B" Ordinary Shares of 1p | 5,781,222 | 58 | 1,104 |
| "C" Ordinary Shares of 1p | 225,000 | 2 | - | "C" Ordinary Shares of 1p | 225,000 | 2 | - |
| "D" Ordinary Shares of 1p | 155,631 | 2 | 13 | "D" Ordinary Shares of 1p | 155,631 | 2 | 13 |
| "E" Ordinary Shares of 1p | 672,050 | 7 | - | "E" Ordinary Shares of 1p | 672,050 | 7 | - |
| First Redeemable Cumulative Preference Shares of £1 each | 57,678,067 | 57,678 | - | First Redeemable Cumulative Preference Shares of £1 each | 57,678,067 | 57,678 | - |
| | | <u>57,752</u> | <u>1,117</u> | | | <u>57,752</u> | <u>1,117</u> |
| | | ===== | ===== | | | ===== | ===== |

First and Second Redeemable Cumulative Preference Shares ("RCPS")

The RCPS carry the right to receive a fixed cumulative preferential dividend at 4% per annum ("Basic Preference Dividend") and a conditional non-cumulative preferential dividend. The First Redeemable Cumulative Preference Shares also have a right to receive an "S A Dividend" (see note 22). The Basic Preference Dividend is payable half yearly, the first such payment was made on 31 May 1992 in respect of the half year which commenced on 1 December 1991. No provision has been made in these accounts for the Basic Preference Dividend payable on 30 November 1992 (see note 22).

The RCPS are redeemable for cash at par on 30 November 2000, or earlier at the Company's option and in any event immediately prior to a listing on a recognised stock exchange. RCPS are non-voting, unless a resolution is proposed affecting their rights or unless the dividends are in arrears or redemption has not been made on the due dates. RCPS are "stapled" to the Ordinary Shares.

The RCPS were sold, as part of the sale of the Company to Del Monte Internationale S.A. (see note 21).

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

21. PURCHASE OF SHARE CAPITAL OF COMPANY

On 16 October 1992, the shareholders of the Company entered into an agreement for the sale of the entire share capital of the Company.

The sale to Del Monte Internationale S.A. ("DMI S.A."), a company incorporated in Luxembourg, was completed on 31 December 1992. The ultimate parent company is now Del Monte Royal Holdings Limited, a company incorporated in the Republic of South Africa.

The effect of this transaction on the results for the 52 weeks ended 27 November 1992 is as follows:

Restructuring provisions

The financial statements include provisions for restructuring costs necessary as a consequence of the sale of the Company (note 18).

Professional costs

The Group incurred legal and other professional costs of £1,380,000 in relation to the sale of the Company.

Restructuring costs and costs incurred in respect of the sale of the Company have been included as exceptional items (note 4).

Financing

Changes in financing as a result of the sale of the Company are detailed in note 17.

Preference dividends and "SA dividends"

Following the sale of the Company, the new holders of the Redeemable Cumulative Preference Shares have notified the Company of their intention not to require payment of the above dividends from the Company (further details are included in note 22). Accordingly, no provisions in respect of these dividends have been made in these accounts.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

22. RESERVES

| GROUP | Share premium account £'000 | Goodwill reserve £'000 | Cumulative translation reserve £'000 | Profit and loss reserve £'000 |
|----------------------------------|--------------------------------------|------------------------------|---|---|
| At 29 November 1991 | 1,117 | (23,949) | (10,239) | 26,767 |
| Retained deficit for the period | - | - | - | (16,630) |
| Retranslation adjustments | - | (518) | 538 | - |
| Minority interest DMFE (note 23) | - | - | - | 978 |
| At 27 November 1992 | <u>1,117</u> | <u>(24,467)</u> | <u>(9,701)</u> | <u>11,115</u> |
| COMPANY | | | | |
| At 29 November 1991 | 1,117 | | (5,937) | 13,954 |
| Loss for the period | - | | - | (6,024) |
| Retranslations | | | | |
| - investments (note 12) | - | | 1,613 | - |
| - long-term debt | - | | (3,326) | - |
| At 27 November 1992 | <u>1,117</u> | | <u>(7,650)</u> | <u>7,930</u> |

Included in the movement in the Group's retranslation reserve is an amount of £3,623,000 comprising a portion of the exchange loss on foreign currency borrowings used partly to hedge the foreign exchange exposure on the Group's investments.

The cumulative goodwill written off on acquisitions in the Group to 27 November 1992 was £24,467,000 (1991: £23,949,000).

As a result of the sale of South African Preserving Company (Pty) Limited in 1991, a special "SA Dividend" of £8,249,000 is payable to the holders of the First Redeemable Cumulative Preference Shares. Until payment of this Dividend is made, interest accrues from 31st May 1992 at 8% per annum, compounded with rests on 30th November and 31st May thereafter. The SA Dividend is payable in priority to all other dividends. Under the Company's Articles of Association, this Dividend became payable on 31st December 1992 after the terms of the buy-out financing agreements were satisfied upon acquisition of the company by Del Monte Internationale S.A. ("DMI S.A."). DMI S.A. has indicated that it will not call for payment of this Dividend and consequently no provision for either the Dividend or accrued interest thereon is included in these accounts.

In addition to the SA Dividend, the preference shareholders are entitled to Fixed Cumulative Preference Dividends amounting to £857,000 payable at 30 November 1992. DMI S.A. has advised that it will not require payment of this Dividend at present, and as a result, no provision has been made in these accounts. The amount of the Dividend payable is compounded at 4% per annum and any amount payable in respect of an overdue dividend shall be increased accordingly.

Provision has been made for the taxation consequence in respect of the remittance of overseas earnings, to the extent that management intend to remit funds. In the event of remitting all retained earnings there will be further taxation and other costs.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

23. MINORITY INTERESTS

| | Total £'000 | DMFE £'000 | Other £'000 |
|--------------------------------------|----------------|---------------|----------------|
| At 29 November 1991 | 20,338 | 18,723 | 1,615 |
| Profit and loss account | 558 | 324 | 234 |
| Retained earnings - (notes 1 and 22) | (978) | (978) | - |
| Other reserves | (5) | - | (5) |
| Dividends paid by subsidiary company | (562) | (324) | (238) |
| Retranslation adjustment | (91) | - | (91) |
| At 27 November 1992 | 19,260 | 17,745 | 1,515 |
| | ===== | ===== | ===== |

24. PENSIONS

The Group operates two main pension plans. Both plans are of the defined benefit type and are funded to cover future pension liabilities after allowing for expected future earnings and pension increases. These plans are administered independently of the Group, by trusts, on the advice of independent qualified actuaries.

The total pension charge to the profit and loss account for the period amounted to £777,000 (1991: £801,000) of which £637,000 (1991: £268,000) relates to the main UK scheme. A prepayment of £191,000 (1991: £25,000) is included in debtors, and £477,000 (1991: £394,000) is included in creditors representing the difference between the contributions to the schemes and the amount charged in the accounts.

UK scheme

Until 31 December 1990, UK group companies participated in pension schemes formerly operated by subsidiaries of RJR Nabisco Inc., a former parent of the Del Monte Foods Europe group of companies. These schemes were closed on 31 December 1990 and members were transferred to a new scheme, the Del Monte Foods International UK Pension Plan, which was established on 1 January 1991.

The first actuarial valuation of the Del Monte Foods International U.K. Pension Plan was at 6 April 1991. The valuation was based on a reasonable estimate of the transfer value as at that date and was carried out by independent actuaries, using the projected unit method. The principal actuarial assumptions were that the long term annual rate of return on investments would be 2% in excess of the annual increases in pensionable earnings and 4.5% in excess of annual increases to pensions. The value of the assets to the new scheme at the date of the actuarial valuation was £6,060,000.

The actuarial value of the assets of the UK scheme on this basis was sufficient to cover 122% of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration.

Overseas scheme

The main overseas scheme is in Del Monte Kenya Limited ("DMKL"). The latest actuarial valuation was carried out as at 1 January 1990 using the aggregate method. The principal actuarial assumptions adopted in this valuation were that annual investment returns would be approximately 2% in excess of annual increases in pensionable earnings.

The actuarial value of the assets of the scheme was sufficient to cover 90% of the benefits which had accrued to members, after allowing for expected future increases in pensionable remuneration. A provisional valuation of the DMKL scheme is £793,000.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

25. LEASE OBLIGATIONS

| | 1992 £'000 | Group 1991 £'000 |
|--|---------------|------------------------|
| OPERATING LEASES ON LAND AND BUILDINGS | | |
| Annual commitments on leases which expire: | | |
| Within one year | 20 | 24 |
| Between two and five years | 169 | 2 |
| Beyond five years | 182 | 1,040 |
| | <u>371</u> | <u>1,066</u> |
| | ===== | ===== |

OTHER OPERATING LEASES

| | | |
|--|------------|------------|
| Annual commitments on leases which expire: | | |
| Within one year | 597 | 343 |
| Between two and five years | 223 | 649 |
| Beyond five years | 5 | 4 |
| | <u>825</u> | <u>996</u> |
| | ===== | ===== |

26. CAPITAL COMMITMENTS

| | 1992 £'000 | Group 1991 £'000 |
|---|---------------|------------------------|
| Contracted for, but not provided in these accounts | 703 | 445 |
| | ===== | ===== |
| Authorised by the Directors, but not contracted for | 1,027 | 619 |
| | ===== | ===== |

27. RECONCILIATION OF PROFIT AFTER EXCEPTIONAL ITEMS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 27 November 1992 £'000 | Restated 29 November 1991 £'000 |
|--|------------------------------|--|
| Profit after exceptional items | 21,458 | 42,178 |
| Depreciation charges | 3,968 | 4,050 |
| Loss on sale of tangible fixed assets | 40 | 60 |
| Income from interest in associated undertaking | (4,289) | (2,578) |
| Profit on disposal of subsidiary | - | (5,523) |
| Increase in stocks | (14,658) | (4,052) |
| Decrease/(increase) in debtors | 7,342 | (9,210) |
| Increase in creditors | 13,075 | 7,744 |
| Increase in provisions | 3,524 | - |
| | <u>30,460</u> | <u>32,669</u> |
| | ===== | ===== |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

28. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

| | 27 November 1992 £'000 | 29 November 1991 £'000 |
|---|------------------------------|------------------------------|
| Opening balance | (10,898) | (10,713) |
| Net cash (outflow)/inflow before adjustments for the effect of foreign exchange rate changes | (7,774) | 617 |
| Effect of foreign exchange rate changes | (706) | (802) |
| Closing balance | (19,378) | (10,898) |

29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

| | 30 November 1990 £'000 | Change in period £'000 | 29 November 1991 £'000 | Change in period £'000 | 27 November 1992 £'000 |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|
| Cash at bank and in hand | 17,074 | (8,027) | 9,047 | (89) | 8,958 |
| Bank loans and overdrafts | (29,466) | 6,953 | (22,513) | (10,355) | (32,868) |
| | (12,392) | (1,074) | (13,466) | (10,444) | (23,910) |
| Add: borrowings with an initial maturity of more than three months included above | 1,679 | 889 | 2,568 | 1,964 | 4,532 |
| | (10,713) | (185) | (10,898) | (8,480) | (19,378) |

30. ANALYSIS OF CHANGES IN FINANCING

| | Share capital (including premium) 1992 £'000 | 1991 £'000 | Long-term debt and loan capital 1992 £'000 | 1991 £'000 |
|--|---|---------------|---|---------------|
| Opening balance | 58,869 | 41,755 | 101,614 | 134,296 |
| Share issue for cash consideration | - | 2,120 | - | - |
| Loan stock redeemed by share issue for non cash consideration | - | 14,994 | - | (14,924) |
| Long-term debt repaid | - | - | (2,763) | (19,753) |
| Effect of foreign currency exchange rates on long-term debt | - | - | 14,548 | 2,065 |
| Closing balance | 58,869 | 58,869 | 113,399 | 101,614 |

31. PURCHASE OF SUBSIDIARY UNDERTAKING

| | 1992 £'000 | 1991 £'000 |
|---------------------|---------------|---------------|
| Net Assets Acquired | - | 10 |
| Debtors | - | 5 |
| Goodwill | - | - |
| Satisfied By | - | - |
| Cash consideration | - | 15 |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

32. SALE OF SUBSIDIARY UNDERTAKING

| | 1992 £'000 | 1991 £'000 |
|--|---------------|---------------|
| Net assets disposed of | | |
| Tangible fixed assets | - | 2,145 |
| Stocks | - | 3,132 |
| Debtors | - | 6,161 |
| Cash | - | 2,715 |
| Creditors, loans, and provisions | - | (2,426) |
| Profits on disposal (note 4) | - | 5,523 |
| Purchased goodwill (note 4) | - | 927 |
| | <hr/> | <hr/> |
| | - | 18,177 |
| | ===== | ===== |
| Satisfied by | | |
| Proceeds on disposal (net of disposal costs) | - | 18,177 |
| Cash at bank and in hand of subsidiary disposed of | - | (2,715) |
| Bank overdraft of subsidiary disposed of | - | 650 |
| | <hr/> | <hr/> |
| Net cash inflow on disposal of subsidiary | - | 16,112 |
| | ===== | ===== |

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

33. GROUP UNDERTAKINGS

Details of Group undertakings are as follows:

| Group undertakings | Activity | Country of Incorporation | Principal Country of Operation | Proportion of Nominal Value of Ordinary Shares Held Within the Group |
|---|----------------------------------|--------------------------|--------------------------------|--|
| Del Monte Foods Europe Ltd** | Holding | England | United Kingdom | 99.9% |
| SAPCO Holdings Ltd** | Holding | England | United Kingdom | 100% |
| DMFE Holdings Ltd | Holding | England | United Kingdom | 100% |
| Del Monte Foods Northern Europe Ltd | Holding | England | United Kingdom | 100% |
| Del Monte Foods (UK) Ltd | Trading | England | United Kingdom | 100% |
| DMF Italia Holdings Srl | Holding | Italy | Italy | 100% |
| Del Monte International, Inc. | Trading | Panama | United Kingdom | 100% |
| Del Monte Kenya Holdings Inc. | Holding | Panama | United Kingdom | 100% |
| Del Monte Kenya Ltd | Trading | Kenya | Kenya | 95.6% |
| Del Monte Foods Sud Europa SpA* | Trading | Italy | Italy | 100% |
| Del Monte Deutschland GmbH | Trading | Germany | Germany | 100% |
| Hellenic Food Industries S.A. | Trading | Greece | Greece | 100% |
| Del Monte Brands N.E. S.A. | Trading | Belgium | Belgium | 100% |
| Del Monte Foods Northern Continental Europe Ltd | Trading | England | United Kingdom | 100% |
| Del Monte Foods Trustees (Europe) Ltd** | Trustee | England | United Kingdom | 100% |
| Del Monte Foods Pensions (UK) Ltd | Pensions Fund Management/Trustee | England | United Kingdom | 100% |
| Mindanao Enterprises Ltd | Trading | British Virgin Islands | Philippines | 34.9% |

The year end of Mindanao Enterprises Limited is 30 June 1992 which is not coterminous with that of Del Monte Foods International Limited. The accounting period has been determined by the majority shareholder Mike Mac IHC Inc, a subsidiary of Del Monte Corporation, U.S.A., an unrelated corporation.

The results of Mindanao Enterprises Limited included in these accounts are based on audited accounts for the period from acquisition to 30 June 1992 and management accounts for the period post 30 June 1992 to 27 November 1992.

All the trading companies are involved in the marketing and/or processing of food.

* The status of Del Monte Foods Sud Europa was changed from "Srl" (private company) to "SpA" (public company) on 1 February 1992.

**Shares directly held by Del Monte Foods International Limited.

DEL MONTE FOODS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

34. POST BALANCE SHEET EVENT

Subsequent to the year end Kenyan inflation rates increased significantly. During the seven months to 30 June 1993 the value of the Kenyan shilling fell by approximately 44%. The impact of these higher levels of inflation cannot at present be fully determined. However, as the above currency movements occurred after 27 November 1992, no accounting changes are considered necessary in these accounts.