

DEL MONTE FOODS INTERNATIONAL LIMITED



REPORT & ACCOUNTS · NOVEMBER 1990

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# DEL MONTE FOODS INTERNATIONAL LIMITED

## COMPANY INFORMATION

### DIRECTORS

L R Allen (Chairman and Chief Executive Officer)  
J G Bonnyman (Non-executive)  
P J W Brooks (Vice Chairman)  
Dr R J Carbonell (Non-executive)  
N J Hamway (Non-executive)  
R A Price (Senior Vice President and Chief Financial Officer)  
E Sola (Executive Vice President and Chief Operating Officer)

### SECRETARY

R M H Malthouse

### AUDITORS

Price Waterhouse  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

### REGISTERED OFFICE

Del Monte House  
London Road  
Staines  
Middlesex  
TW18 4JD

Registered in England No 2455416

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# DEL MONTE FOODS INTERNATIONAL LIMITED

## **DIRECTORS' REPORT**

The Directors are pleased to submit their first report and the Group accounts of Del Monte Foods International Limited for the period 27 December 1989 to 30 November 1990.

### **ACQUISITION OF DEL MONTE FOODS EUROPE**

Del Monte Foods International Limited was incorporated on 27 December 1989 as Précis (975) Limited. On 3 July 1990 it changed its name to Del Monte Foods International Limited. On 12 April 1990, purchase contracts were signed for the acquisition of the group of companies, formerly known collectively as Del Monte Foods Europe, for an aggregate purchase price of US \$336.6 million, equivalent to US\$ 375 million debt free. The transaction was completed on 9 May 1990, so that for practical purposes the period covered by this report represents the seven months ended 30 November 1990.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Group processes canned pineapple and deciduous fruit, fruit beverages and tomato products and markets them under the "Del Monte" name throughout Europe, Africa and the Middle East. The Group also produces and markets other food products, principally in Italy.

The level of business and the period end financial position were satisfactory and the Directors expect that the level of activity will continue to grow for the foreseeable future.

### **PROFITS AND DIVIDENDS**

The Group profit on ordinary activities after taxation net of minority interests was £7 million, which has been transferred direct to reserves. The Directors have not declared any dividends during the period and none are proposed.

## DIRECTORS AND THEIR INTERESTS

The Directors in office at 30 November 1990 are listed below, together with their beneficial interests in the shares of the Company, at this date.

	Date of Appointment	"A" Ordinary Shares	"B" Ordinary Shares
L R Allen	21 March 1990	215,576	—
J G Bonnyman	11 May 1990	—	10,915
P J W Brooks	21 March 1990	137,185	—
Dr R J Carbonell	11 May 1990	—	—
N J Hamway	11 May 1990	—	8,100
R A Price	21 March 1990	97,989	—
P H W Rix	11 May 1990	—	13,049
E Sola	21 March 1990	137,185	—

Mr P H W Rix resigned on 12 March 1991.

Dr R J Carbonell had applied, during the period, for 33,186 "B" Ordinary Shares and 280,088 First Redeemable Cumulative Preference Shares under the terms of the Convertible Loan Stock (No.1). As at 16 April 1991, the syndication of this stock had not been completed and accordingly no shares had been allotted. None of the Directors held shares at 27 December 1989, the date of incorporation.

The Executive Directors of the Company were granted options over Company shares on 21 October 1990 as follows:-

	"C" Ordinary Shares	"D" Ordinary Shares
L R Allen	64,422	64,422
P J W Brooks	40,047	40,047
R A Price	29,600	29,600
E Sola	—	80,093

At 30 November 1990 there were options outstanding over 577,632 ordinary shares of 1 p (a combination of "C" and "D" shares) under the Del Monte Foods International Limited 1990 Executive Share Option Schemes granted on 21 October 1990 to Directors and employees. These options are exercisable at an average price of 60p per share. Under the terms of the Option Scheme options are normally exercisable in whole or in part between the third and tenth anniversaries of the date of their grant.

## **FIXED ASSETS**

Freehold and long leasehold properties are shown at cost less depreciation to date. 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 7 of the accounts.

## **CHARITABLE AND POLITICAL CONTRIBUTIONS**

Donations made by the Group for charitable purposes in the UK amounted to £2,795. No donations were made for political purposes.

## **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.

## **POST BALANCE SHEET EVENTS**

On 24 January 1991, Del Monte Foods Europe Limited, a direct subsidiary of the Company, acquired a 34.9% interest in Mindanao Enterprises Limited, a British Virgin Islands company.

On 31 January 1991, contracts were exchanged for Sapco Holdings Limited, a direct subsidiary of the Company, to sell its shareholding in a subsidiary, "SAPCO". This company earned profit before taxation of £3.5 million in the period 9 May 1990 to 30 November 1990.

These transactions are detailed more fully in note 25 of the accounts.

## **AUDITORS**

Price Waterhouse were appointed auditors by the Directors for the period ended 30 November 1990 and have indicated their willingness to continue in office. A resolution concerning their re-appointment will be proposed at the Annual General Meeting.



By Order of the Board  
R M H Malthouse  
Secretary

16 April 1991

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# 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 27 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 30 November 1990 and of the profit and source and application of funds of the Group for the period from the date of incorporation to 30 November 1990 and have been properly prepared in accordance with the Companies Act 1985.

  
**Price Waterhouse**   
CHARTERED ACCOUNTANTS

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

16 April 1991

# DEL MONTE FOODS INTERNATIONAL LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

For the period 27 December 1989 to 30 November 1990.

	Note	£'000
<b>TURNOVER</b>	2	158,232
Cost of sales		<u>(111,454)</u>
<b>GROSS PROFIT</b>		46,778
Distribution costs		(6,722)
Administration expenses		(8,102)
Other operating expenses		<u>(8,106)</u>
<b>OPERATING PROFIT</b>	3	23,848
Interest receivable		938
Interest payable	4	<u>(13,408)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		11,378
Taxation	5	<u>(4,372)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		7,006
Minority interests		<u>(18)</u>
<b>PROFIT FOR THE PERIOD</b>	19	<u><u>6,988</u></u>

Movements on reserves are shown in Note 19 of the accounts.



# DEL MONTE FOODS INTERNATIONAL LIMITED

## GROUP AND COMPANY BALANCE SHEETS

As at 30 November 1990

	Note	GROUP £'000	COMPANY £'000
<b>FIXED ASSETS</b>			
Intangible assets	6	74,200	—
Tangible assets	7	59,684	—
Investments	8	—	159,520
		<hr/>	<hr/>
		133,884	159,520
<b>CURRENT ASSETS</b>			
Stocks	9	51,457	—
Debtors	10	51,253	1,027
Cash at bank and in hand		17,074	45
		<hr/>	<hr/>
		119,784	1,072
<b>CREDITORS</b> — amounts falling due within one year	11	(82,145)	(20,467)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		37,639	(19,395)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		171,523	140,125
		<hr/>	<hr/>
<b>CREDITORS</b> — amounts falling due after more than one year	12	(117,637)	(90,155)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	(7,245)	(2,243)
		<hr/>	<hr/>
		46,641	47,727
		<hr/>	<hr/>
<b>LOAN CAPITAL</b>			
Loan stock	17	14,994	14,994
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	41,755	41,755
Goodwill reserve	19	(33,652)	—
Translation reserve	19	(6,698)	—
Profit and loss account	19	7,017	(9,022)
		<hr/>	<hr/>
		23,416	47,727
<b>MINORITY INTERESTS</b>		23,225	—
		<hr/>	<hr/>
		46,641	47,727
		<hr/>	<hr/>

Approved by the Board

L R Allen  
R A Price

16 April 1991

# DEL MONTE FOODS INTERNATIONAL LIMITED

## GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the period 27 December 1989 to 30 November 1990

£'000

### SOURCE OF FUNDS

Profit before taxation less minority interests 11,360

### ADJUSTMENTS FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS

Exchange gain on long-term loans	(1,157)	
Depreciation	2,281	
Profit on disposal of fixed assets	(15)	
Minority interests	18	1,127

### TOTAL GENERATED FROM OPERATIONS

12,487

### FUNDS FROM OTHER SOURCES

Share capital raised	45,393	
Loan stock raised	14,994	
Long-term loans raised	103,301	
Funds from disposals of fixed assets	145	163,833

### APPLICATIONS OF FUNDS

<i>Purchase of subsidiaries :</i>		
Total assets acquired	129,830	
Goodwill acquired	37,290	
Fixed asset additions	1,599	
Tax paid	2,723	
Repayment of long-term loan	7,423	
Decrease in long-term loan	1,748	
Decrease in provisions	2,626	
Exchange loss on working capital	2,957	(186,196)
		(9,876)

### INCREASE/(DECREASE) IN WORKING CAPITAL

Decrease in stock	(12,362)	
Decrease in debtors	(1,841)	
Increase in creditors	(9,371)	(23,574)

### INCREASE/(DECREASE) IN NET LIQUID FUNDS

Increase in cash	13,937	
Decrease in short-term borrowing	(239)	13,698
		(9,876)

Details of assets acquired are included in note 20.

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### Accounting basis

The accounts of the Group are prepared under the historical cost convention.

#### Basis of consolidation

The Group accounts include the accounts of the Company and its subsidiaries including SAPCO, contracts for the sale of which were exchanged on 31 January 1991. The results and net assets of the subsidiaries have been accounted for under the acquisition method from the date of acquisition.

#### 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"), have similar income rights to shareholders of the Company. The Directors have not declared a dividend and accordingly, no minority interests have been deducted from the Group profit and loss account in respect of these shareholders. 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. The minority interests of certain other shareholders are deducted from the profit and loss account and balance sheet.

#### Foreign currencies

Assets and liabilities 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 year. Currency gains and losses on the funds borrowed to acquire the business are considered a partial hedge of the Group's net investment in overseas companies and as such are taken directly to reserves.

#### Turnover

Turnover represents the gross sales value of Group companies to external customers excluding value added taxes.

#### 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 12 years
* Motor vehicles	4 years
* Office furniture	10 years
* Computer hardware	3 to 5 years

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 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 finance charge element of rentals payable is charged to profit and loss account.

Payments under operating leases are charged to profit and loss account.

### Goodwill

Goodwill arising on the acquisition of subsidiaries is the difference between the fair value of the consideration given and the fair value of net assets acquired and is written off directly against reserves.

### Brands

Brands acquired 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.

### Deferred taxation

Provision is made for deferred taxation where it is probable that a tax liability will become payable within the foreseeable future.

### Pensions

The cost of the Group's defined benefit pension schemes are 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.

## 2. TURNOVER

The geographical analysis of group turnover is shown below :-

	£'000
United Kingdom	44,642
Europe	109,685
Other	3,905
	<hr/>
	158,232
	<hr/>

The analysis of turnover is based on the location of third party customers.

### 3. OPERATING PROFIT

Group profit on ordinary activities before taxation is stated after charging/(crediting) :-

	£'000
Exchange gain	(2,823)
Depreciation — owned assets	2,227
— leased assets	54
Hire of plant and machinery	386
Other operating lease rentals	1,392
Auditors' remuneration	188
Profit on sale of tangible assets	(15)

### 4. INTEREST PAYABLE

Interest payable on bank loans, overdrafts and other loans:	£'000
Repayable within 5 years	3,640
Repayable after more than 5 years	9,768
	<hr/>
	13,408
	<hr/>

### 5. TAXATION

	£'000
Overseas taxation	4,245
Deferred taxation	127
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	4,372
	<hr/>

### 6. INTANGIBLE ASSETS

	£'000
Brands	74,200
	<hr/>

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 recognised and that the end of useful economic lives of the brands cannot be foreseen.

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 7. GROUP TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Leasehold Property Short Term £'000	Long Term £'000	Assets in the course of con- struction £'000	Plant and machinery £'000	Fixtures fittings and equipment £'000	Total £'000
<b>COST</b>							
At 27 December 1989	—	—	—	—	—	—	—
Acquired 9 May 1990	18,551	20,208	1	1,761	33,742	9,113	83,376
Additions	253	—	—	769	451	126	1,599
Disposals	—	—	—	(5)	(142)	(588)	(735)
Reclassifications	131	10	—	(1,073)	583	349	—
Exchange adjustments	(1,433)	(3,483)	—	(56)	(3,466)	(982)	(9,420)
As 30 November 1990	<u>17,502</u>	<u>16,735</u>	<u>1</u>	<u>1396</u>	<u>31,168</u>	<u>8,018</u>	<u>74,820</u>
<b>DEPRECIATION</b>							
At 27 December 1989	—	—	—	—	—	—	—
Acquired 9 May 1990	(1,633)	(873)	—	—	(7,897)	(4,767)	(15,170)
Charge for the period	(166)	(51)	—	—	(1,363)	(701)	(2,281)
Disposals	—	—	—	—	51	554	605
Exchange adjustments	134	152	—	—	905	519	1,710
At 30 November 1990	<u>(1,665)</u>	<u>(772)</u>	<u>—</u>	<u>—</u>	<u>(8,304)</u>	<u>(4,395)</u>	<u>(15,136)</u>
<b>NET BOOK VALUE</b>							
At 30 November 1990	<u>15,837</u>	<u>15,963</u>	<u>1</u>	<u>1396</u>	<u>22,864</u>	<u>3,623</u>	<u>59,684</u>
At 27 December 1989	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Included in the net book value of plant and machinery at 30 November 1990 was £260,000 held by the Group under finance leases.

## 8. FIXED ASSETS – INVESTMENTS

	<b>Company</b> £'000
Investments in subsidiary undertakings at cost	167,120
Foreign exchange adjustment	(3,962)
Expenses written off against share premium	(3,638)
	<hr/>
At 30 November 1990	159,520 <hr/>

Details of the Group's subsidiary undertakings are shown in note 26.

## 9. STOCKS

	<b>Group</b> £'000	<b>Company</b> £'000
Raw materials	9,545	–
Finished goods and goods for resale	41,912	–
	<hr/>	<hr/>
	51,457	–
	<hr/>	<hr/>

The Directors are of the opinion that the replacement cost at 30 November 1990 was not significantly different from the balance sheet value.

## 10. DEBTORS

	<b>Group</b> £'000	<b>Company</b> £'000
Trade debtors	37,251	–
Amounts owed by group undertakings	–	1,027
Other debtors	9,953	–
Prepayments and accrued income	3,978	–
Prepaid pension contributions	71	–
	<hr/>	<hr/>
	51,253	1,027
	<hr/>	<hr/>

Included in trade debtors is an amount of £4,049,000 receivable after more than one year. The majority of this represents promissory notes received and expected to be received in respect of export incentives.

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £'000	Company £'000
Bank loans and overdrafts	29,466	8,354
Trade creditors	28,155	–
Bills of exchange payable	61	–
Amounts owed to group undertakings	–	10,396
Other creditors	1,785	38
Taxation and social security	6,507	–
Accruals and deferred income	16,147	1,679
Finance lease obligations	24	–
	<u>82,145</u>	<u>20,467</u>

### 12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £'000	Company £'000
Bank loans and overdrafts	117,623	90,155
Finance lease obligations	14	–
	<u>117,637</u>	<u>90,155</u>

### 13. BANK LOANS AND OVERDRAFTS

	Group £'000	Company £'000
Repayable by instalments:-		
Within one year	29,466	8,354
Between one and two years	2,518	801
Between two and five years	17,839	5,678
In five years or more	97,266	83,676
	<u>147,089</u>	<u>98,509</u>

To finance part of the cost of acquiring the subsidiaries and to provide working capital facilities, the Company entered into a Syndicated Medium Term Loan Agreement with a group of banks, for which the lead manager was Charterhouse Bank Limited. In addition, the Company issued D-Mark 131.2 million of Floating Rate Subordinated Notes due 2001. The Company has entered into interest rate swap agreements in respect of £120 million of its debt.



### 13. BANK LOANS AND OVERDRAFTS (continued)

Included in the total bank loans and overdrafts for the Group at 30 November 1990 are the following amounts:-

	£'000
Senior debt	82,360
Subordinated notes	44,741
Other current loans	19,968
	<hr/>
	147,089
	<hr/>

The senior debt includes amounts which are payable on demand, by yearly instalments to 1997 and an amount which is repayable in full in 1997. This latter amount has an option to extend the repayment term to 2000. The interest charged on the senior debt has varied between 10.7% and 17% pa.

The subordinated debt has carried interest at a rate of 12.5% pa and matures in 2001.

Securities given for bank loans and overdrafts are detailed in note 22.

### 14. LEASE OBLIGATIONS

	Group £'000	Company £'000
<b>FINANCE LEASES DUE :</b>		
Within one year	24	—
Between one and five years	14	—
	<hr/>	<hr/>
	38	—
	<hr/>	<hr/>

### OPERATING LEASES ON LAND AND BUILDINGS

	Group £'000	Company £'000
Annual commitments on leases which expire:		
Within one year	8	—
Between one and five years	—	—
Beyond five years	1,086	—
	<hr/>	<hr/>
	1,094	—
	<hr/>	<hr/>

### OTHER OPERATING LEASES

	Group £'000	Company £'000
Annual commitments on leases which expire:		
Within one year	515	—
Between one and five years	1,711	—
Beyond five years	4	—
	<hr/>	<hr/>
	2,230	—
	<hr/>	<hr/>

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Group</b>	<b>Company</b>
	£'000	£'000
Reorganisation and acquisition provisions	6,663	2,243
Deferred taxation	582	-
	<u>7,245</u>	<u>2,243</u>

The movements in Group provisions are detailed below:

	<b>Reorganisation and acquisition provisions</b>
	£'000
Provisions acquired	4,571
Provided on acquisition	2,475
Amounts utilised	(232)
Foreign exchange differences	(151)
	<u>6,663</u>
At 30 November 1990	

	<b>Deferred tax</b>
	£'000
Provisions acquired	455
Transfer to profit and loss account	127
	<u>582</u>
At 30 November 1990	

The movements in Company provisions are detailed below:

<b>COMPANY</b>	£'000
Provided on acquisition	2,475
Amounts utilised	(232)
	<u>2,243</u>
At 30 November 1990	

## 16. DEFERRED TAXATION

The full potential liability in the Group accounts is £1,097,000 analysed below:-

	Provided		Unprovided	
	Group £'000	Company £'000	Group £'000	Company £'000
Accelerated capital allowances	481	—	1,273	—
Other timing differences	101	—	(295)	—
Losses available for offset	—	—	(463)	—
	<u>582</u>	<u>—</u>	<u>515</u>	<u>—</u>

In the event that Group tangible assets were to be disposed of, the potential additional tax on such disposals would be approximately £1,229,000.

## 17. LOAN STOCK – GROUP AND COMPANY

	1990 £'000
Convertible Subordinated Unsecured Loan Stock ("CSULS")	<u>14,994</u>

On 9 May 1990 the Company created two Convertible Subordinated Unsecured Loan Stocks, CSULS No 1 and No 2. The CSULS each had a redemption or conversion period of nine months from date of issue.

Under the terms of CSULS No 1, amounting to £16,309,387, Charterhouse Bank Limited and its subsidiaries ("Charterhouse") were to procure subscriptions from external investors for Units of Stock (1 "B" Ordinary Share and 8.44 First RCPS). It is anticipated that all the stock will, in due course, be allotted to investors rather than redeemed by the Company.

The date for redemption or conversion of CSULS No 2, amounting to £2,126,367 was, with the consent of Charterhouse, extended to May 1991. CSULS No 2 was created to facilitate the acquisition by employees of shares in the Company on terms similar to those offered to institutional investors (1 "D" Ordinary Share and 8.44 First RCPS). As at 30 November 1990, £1,203,676 of this stock had been redeemed by the purchase of shares by employees.

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 18. CALLED UP SHARE CAPITAL – GROUP AND COMPANY

Authorised share capital as at 30 November 1990:-

Number of shares		£'000
588,100	"A" Ordinary Shares of 1p each	6
10,669,886	"B" Ordinary Shares of 1p each	107
831,332	"C" Ordinary Shares of 1p each	8
841,549	"D" Ordinary Shares of 1p each	8
2,082,151	"E" Ordinary Shares of 1p each	20
59,824,913	First Redeemable Cumulative Preference Shares of £1 each (redeemable 30 November 2000)	59,825
36,861,903	Second Redeemable Cumulative Preference Shares of £1 each (redeemable 30 November 2000)	36,862
		<hr/>
		96,836
		<hr/>

Issued and fully paid up share capital as at 30 November 1990:-

Number of shares		Nominal Value £'000	Share Premium £'000
587,935	"A" Ordinary Shares of 1p each	5	724
3,910,584	"B" Ordinary Shares of 1p each	40	2,324
225,000	"C" Ordinary Shares of 1p each	2	116
133,150	"D" Ordinary Shares of 1p each	1	78
672,050	"E" Ordinary Shares of 1p each	7	396
41,700,219	First Redeemable Cumulative Preference Shares of £1 each	41,700	–
		<hr/>	<hr/>
		41,755	3,638
		<hr/>	<hr/>

Acquisition expenses of £3,638,000 were written off against the share premium account as shown in note 19.

At the date of incorporation, 27 December 1989, the authorised share capital of the Company was £100 divided into 100 shares of £1 each and two shares were issued fully paid to the subscribers to the Memorandum of Association. On 21 March 1990, the authorised share capital was increased to £1,500 by the creation of 1,400 new Ordinary Shares of £1 each. 1,498 Ordinary Shares were allotted on this date for £1,498 payable in cash.

On 5 May 1990, the existing issued Ordinary Shares of £1 each were sub-divided and re-classified as 150,000 "A" Ordinary Shares of 1p each.

# **18. CALLED UP SHARE CAPITAL – GROUP AND COMPANY (continued)**

On 9 May 1990, the authorised share capital of the Company was increased to £96,836,946, by the creation of the following shares:-

438,100	"A" Ordinary Shares of 1p each
11,130,115	"B" Ordinary Shares of 1p each
606,332	"C" Ordinary Shares of 1p each
606,332	"D" Ordinary Shares of 1p each
2,082,139	"E" Ordinary Shares of 1p each
59,824,913	First Redeemable Cumulative Preference Shares of £1 each
36,861,903	Second Redeemable Cumulative Preference Shares of £1 each

At 9 May 1990, the following shares were issued :-

Number of shares		Nominal Value £'000	Share Premium £'000
437,935	"A" Ordinary Shares of 1p each	5	724
4,135,584	"B" Ordinary Shares of 1p each	42	2,440
672,050	"E" Ordinary Shares of 1p each	7	396
40,576,433	First Redeemable Cumulative Preference Shares of £1 each	40,576	—

The proceeds from this issue were used, in part, to fund the acquisition of the group of companies, formerly known as Del Monte Foods Europe.

On 28 September 1990 the following share reclassifications were made:-

225,000 issued "B" Ordinary Shares of 1p each reclassified as 225,000 "C" Ordinary Shares of 1p each

235,217 unissued "B" Ordinary Shares of 1p each reclassified as 235,217 "D" Ordinary Shares of 1p each

12 unissued "B" Ordinary Shares of 1p each reclassified as 12 "E" Ordinary Shares of 1p each

On 23 October 1990 the following shares were issued :-

Number of shares		Nominal Value £'000	Share Premium £'000
133,150	"D" Ordinary Shares of 1p each	1	78
1,123,786	First Redeemable Cumulative Preference Shares of £1 each	1,124	—

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

The RCPS carry the right to receive a fixed cumulative and a conditional non-cumulative preferential dividend. 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 Ordinary Shares.

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 19. RESERVES

GROUP	Share Premium account £'000	Goodwill reserve £'000	Trans- lation account £'000	Profit and loss reserve £'000
At 27 December 1989	—	—	—	—
Translation adjustments	—	—	(6,698)	—
Retained profit for the year	—	—	—	6,988
Premium arising on shares issued — note 18	3,638	—	—	—
Goodwill on acquisition written off	—	(37,290)	—	—
Minority interest in DMFE	—	—	—	29
Expenses written off against share premium	(3,638)	3,638	—	—
	<u>—</u>	<u>(33,652)</u>	<u>(6,698)</u>	<u>7,017</u>

The cumulative goodwill written off on acquisitions to 30 November 1990 was £33,652,000.

### COMPANY

At 27 December 1989	—	—	—	—
Premium arising on shares issued — note 18	3,638	—	—	—
Retained loss for the year	—	—	—	(9,022)
Expenses written off against share premium	(3,638)	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,022)</u>

Del Monte Foods International Limited has not presented its own profit and loss account as permitted by section 230(1) of the Companies Act 1985.

## 20. ACQUISITIONS DURING THE YEAR

On 9 May 1990 the acquisition of the Group of companies known as Del Monte Foods Europe was completed. The following tables set out the effect of the acquisition on the consolidated financial statements of the Group:-

### (a) SUMMARY

	Del Monte Foods Europe Limited £'000	SAPCO Holdings Limited £'000	Total £'000
<b>CONSIDERATION</b>			
Purchase price			
Cash consideration	141,911	12,151	154,062
Expenses of acquisition	12,023	1,030	13,058
	<u>153,939</u>	<u>13,181</u>	<u>167,120</u>
<b>FAIR VALUE OF ASSETS ACQUIRED</b>			
Intangible assets	74,200	—	74,200
Tangible assets	65,924	2,283	68,207
Stocks	52,572	11,247	63,819
Debtors	46,300	6,794	53,094
Creditors	(38,407)	(3,673)	(42,080)
Net borrowing	(52,731)	(4,397)	(57,128)
Provisions	(7,046)	—	(7,046)
Minority interests	(23,236)	—	(23,236)
<b>TOTAL ASSETS ACQUIRED</b>	<u>117,576</u>	<u>12,254</u>	<u>129,830</u>
<b>PURCHASED GOODWILL</b>	<u>36,363</u>	<u>927</u>	<u>37,290</u>

### (b) FAIR VALUE OF ASSETS ACQUIRED – DEL MONTE FOODS EUROPE LIMITED

	Assets acquired	Revalu- ations	Pro- visions	Fair value
Intangible assets	—	74,200(i)	—	74,200
Tangible assets	47,037	18,887(ii)	—	65,924
Stocks	52,572	—	—	52,572
Debtors	46,300	—	—	46,300
Creditors	(38,407)	—	—	(38,407)
Net borrowing	(52,731)	—	—	(52,731)
Provisions	(4,571)	—	(2,475)	(7,046)
Minority interests	(23,236)	—	—	(23,236)
<b>TOTAL ASSETS ACQUIRED</b>	<u>26,964</u>	<u>93,087</u>	<u>(2,475)</u>	<u>117,576</u>

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### (b) FAIR VALUE OF ASSETS ACQUIRED – (continued) SAPCO HOLDINGS LIMITED

	Assets acquired £'000	Revalu- ation	Fair value £'000
Tangible assets	2,283	—	2,283
Stocks	11,247	—	11,247
Debtors	6,794	—	6,794
Creditors	(3,673)	—	(3,673)
Net borrowing	(4,397)	—	(4,397)
<b>TOTAL ASSETS ACQUIRED</b>	<b>12,254</b>	<b>—</b>	<b>12,254</b>

(i) Fair value of brands acquired

(ii) Increase in the value of freehold and leasehold properties over book value.

Del Monte Foods Europe Limited was incorporated on 12 January 1990 and SAPCO Holdings Limited on 8 February 1990. Neither company had profits or losses in the period from their dates of incorporation to 9 May 1990.

## 21. PENSIONS

The Group operates a number of pension plans throughout the world. All major 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, generally by trusts, on the advice of independent qualified actuaries.

The total pension charge to the profit and loss account for the period amounted to £225,000 of which £89,000 relates to the main UK schemes which cover 26% of the Group's employees. A prepayment of £71,000 is included in debtors, representing the difference between the contributions to the schemes and the amount charged in the accounts.

### UK schemes

During the period, 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.

Pending the first actuarial valuation of the Del Monte Foods International UK Pension Plan as at 1 January 1991, a valuation of the assets and liabilities of the UK plans was performed as at 9 May 1990 for the purpose of calculating the pension expense under Statement Of Standard Accounting Practice 24. 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 estimated transfer value of the assets to the new scheme at the date of the actuarial valuation was £4,260,000.



## 21. PENSIONS (continued)

The actuarial value of the assets of the UK schemes on this basis was sufficient to cover 124% of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration. The Company and the scheme's actuary are considering actions to be taken to utilise the surplus in the UK schemes. In the meantime, contributions have continued to be paid at the rate previously used for each scheme.

### Overseas schemes

The main overseas schemes are in Del Monte Kenya Limited and SAPCO. The latest actuarial valuations were carried out as at 1 January 1990 and 1 February 1990, using the aggregate and accrual funding methods, respectively. The principal actuarial assumptions adopted in those valuations 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 schemes was sufficient to cover 90% and 120% of the benefits which had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the assets of these schemes at the valuation date was £1,891,000.

## 22. SECURITY FOR GROUP BORROWINGS

The Group's borrowings under the Syndicated Medium Term Loan Agreement are secured by a fixed and floating charge on the UK assets of the business. The Subordinated Notes are similarly secured by a fixed and floating charge on these assets. Subsequent to the year end, security over certain of the Group's Italian assets was granted. Del Monte Foods International Limited has guaranteed the liabilities to the syndicate of all its subsidiary companies.

## 23. STAFF COSTS AND EMPLOYEES

STAFF COSTS	£'000
Wages and salaries	15,590
Social security costs	3,751
Other pension costs	225
	<hr/>
	19,566
	<hr/>

### EMPLOYEES

The average number of employees during the period was :-

Manufacturing	3,927
Transportation	642
Selling/Marketing	145
Administration	888
	<hr/>
Total	5,602
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The geographical split of employees was as follows:

UK	271
Europe	1,192
Other	4,139
	<hr/>
Total	5,602
	<hr/>

# DEL MONTE FOODS INTERNATIONAL LIMITED

## Notes to the Accounts

### 24. DIRECTORS' EMOLUMENTS

Aggregate emoluments	£'000
Remuneration for service	437
Chairman's and highest paid Director's emoluments	147

The emoluments of other Directors fell into the ranges:-

	Number
£0 – £5,000	4
£60,001 – £65,000	1
£85,001 – £90,000	2

### 25. POST BALANCE SHEET EVENTS

On 24 January 1991, Del Monte Foods Europe Limited, acquired a 34.9% interest in Mindanao Enterprises Limited ("Mindanao"), a British Virgin Islands company, at a cost of US \$3.49 million. This followed the acquisition by Mindanao of Central American Resources Inc., a Panamanian company which owns all the shares in Del Monte Philippines Inc. The funds for the investment were met by an equity subscription, financed by Charterhouse Buy-Out Syndication (No.2) Limited.

On 31 January 1991, contracts were exchanged for SAPCO Holdings Limited, to sell its shareholding in SAPCO for US \$36 million. A long term contract to supply fruit to Group companies has been agreed.

## 26. GROUP UNDERTAKINGS

Details of Group undertakings are as follows :-

	Activity	Country of Incorporation	Principal Country of Operation	Proportion of Nominal Value of Ordinary Shares Held	Shares Held by
<b>Group undertakings</b>					
Del Monte Foods Europe Ltd	Holding	England	United Kingdom	99.9%	Parent
SAPCO Holdings Ltd	Holding	England	United Kingdom	100%	Parent
DMFE Holdings Ltd	Holding	England	United Kingdom	100%	Group
Del Monte Foods Northern Europe Ltd	Holding	England	United Kingdom	100%	Group
South African Preserving Company (Pty) Ltd ("SAPCO")*	Trading	South Africa	South Africa	100%	Group
Del Monte Foods (UK) Ltd	Trading	England	United Kingdom	100%	Group
Del Monte International Inc.	Trading	Panama	United Kingdom	100%	Group
Del Monte Kenya Holdings Inc.	Holding	Panama	United Kingdom	100%	Group
Del Monte Kenya Ltd	Trading	Kenya	Kenya	95.6%	Group
Del Monte Foods Sud Europa Srl	Trading	Italy	Italy	100%	Group
Del Monte Deutschland GmbH	Trading	Germany	Germany	100%	Group
Hellenic Foods Industries S.A.	Trading	Greece	Greece	100%	Group
Del Monte Brands N.E. S.A.	Trading	Belgium	Belgium	100%	Group
Del Monte Foods Northern Continental Europe Ltd	Holding	England	United Kingdom	100%	Group
Del Monte Food Trustees (Europe) Ltd	Trustee	England	United Kingdom	100%	Group
Del Monte Foods Pensions (UK) Ltd	Pensions Fund Management/Trustee	England	United Kingdom	100%	Group

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

\* Disposed of subsequent to the year end.