# notes to consolidated financial statements

The Company received payment of €49.6 million (equivalent to $55.4 million). Of the $55.4 million received, $5.4 million represented interest earned on the settlement amount from the date of acquisition in accordance with the terms of the original purchase agreement. The interest income was included in "Other income, net" in the consolidated statement of income for the year ended November 30, 2003. The remaining $50.0 million of the settlement amount was recorded as a reduction to goodwill related to the acquisition.

### 3. DISCONTINUED OPERATIONS

Following a review in 2002, the packaging business and the U.K. Jenks brokerage operation were determined to be non-core to the Company. On August 12, 2003, the Company completed the sale of substantially all the operating assets of its packaging segment (Packaging) to the Kerr Group, Inc. Packaging manufactured certain products used for packaging the Company's spices and seasonings as well as packaging products used by manufacturers in the vitamin, drug and personal care industries. Under the terms of the sale agreement, Packaging was sold for $132.5 million in cash and possible additional future payments over five years contingent on the buyer meeting certain performance objectives. At the end of the first year of such possible contingent payment periods, no additional payment was due from the buyer for that year. The proceeds were used to pay off a substantial portion of the commercial paper borrowing related to the Zatarain's acquisition. The final purchase price is also subject to other contingencies related to the performance of certain customer contracts which could result in a decrease in the sale price. The Company recorded a net gain on the sale of Packaging of $11.6 million (net of income taxes of $7.9 million). Included in this gain was a net pension and postretirement curtailment gain of $3.3 million and the write-off of goodwill of $0.7 million. The contingent consideration, if any, associated with the sale of Packaging will be recognized in the future as an adjustment to the gain based on the performance criteria established. The Company also entered into a multi-year, market priced, agreement with the acquirer to purchase certain packaging products.

On July 1, 2003, the Company sold the assets of Jenks Sales Brokers (Jenks), a division of the Company's wholly-owned U.K. subsidiary, to Jenks' senior management for $5.8 million in cash. Jenks provided sales and distribution services for consumer product companies, including the Company, and was previously reported as a part of the Company's consumer segment. The Company recorded a net loss on the sale of Jenks of $2.6 million (net of an income tax benefit of $0.6 million) in 2003. Included in this loss is a write-off of goodwill of $0.4 million.

The operations of Packaging and Jenks were reported as "Income from discontinued operations, net" in the consolidated statement of income in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Interest expense was allocated to discontinued operations based on the ratio of the net assets of the discontinued operations to the total net assets of the Company. The cash flows of Packaging and Jenks were reported as "Net cash (used in)/provided by discontinued operations" in the consolidated statement of cash flows. The disclosures in the notes to consolidated financial statements exclude discontinued operations.

Summary operating results for the discontinued businesses were as follows:

| *(millions)* | 2003 | 2002 |
|---|---|---|
| Net sales – Packaging | $120.3 | $170.6 |
| Net sales – Jenks | 59.6 | 104.5 |
| Net sales – discontinued operations | $179.9 | $275.1 |
| Pre-tax income – Packaging | $ 12.4 | $ 21.7 |
| Interest expense allocation | (2.5) | (4.0) |
| Income taxes | (3.9) | (6.9) |
| Net income – Packaging | 6.0 | 10.8 |
| Pre-tax (loss) – Jenks | (1.8) | (6.6) |
| Interest expense allocation | (.1) | (.2) |
| Income taxes | .6 | 2.0 |
| Net (loss) – Jenks | (1.3) | (4.8) |
| Net income – discontinued operations | $ 4.7 | $ 6.0 |

The following table presents summarized cash flow information of the discontinued operations for the years ended November 30, 2003, and 2002:

| *(millions)* | 2003 | 2002 |
|---|---|---|
| Operating activities | $ 3.7 | $ 18.4 |
| Investing activities | (5.2) | (10.3) |
| Financing activities | (3.1) | – |
| Net cash (used in)/provided by discontinued operations | $ (4.6) | $ 8.1 |

### 4. SPECIAL CHARGES

During the fourth quarter of 2001, the Company adopted a plan to further streamline its operations. This plan included the consolidation of several distribution and manufacturing locations, the reduction of administrative and manufacturing positions, and the reorganization of several joint ventures. The estimated cost of the total plan is approximately $32.6 million ($25.6 million after-tax). Total cash expenditures in connection with these costs approximate $16.7 million, which are funded through internally generated funds. The remaining $15.9 million of costs associated with the plan consist of write-offs of assets. The total cost of the plan includes $1.8 million of costs related to Packaging and Jenks that have been classified as income from discontinued operations in the consolidated statement of income. Annualized cash savings are expected to be approximately $8.0 million ($5.3 million after-tax), most of which have been realized to date. Savings