

472217

GRANDMET FOODS (UK) LIMITED

[Registered Number 472217]

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 1997



GRANDMET FOODS (UK) LIMITED

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GRANDMET FOODS (UK) LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 30 September 1997.

Activities

The company's primary activity is as parent undertaking of the majority of Grand Metropolitan PLC's UK food sector. The directors foresee no material change in the nature of the company's activities.

In September 1996 Grand Metropolitan PLC announced its intention to dispose of Brossard UK, a division of Express Foods Group (International) Limited, a subsidiary undertaking of GrandMet Foods (UK) Limited. On 30 December 1996, the assets and trade of this business were transferred to the company from Express Foods Group (International) Limited. The assets and trade of this business were subsequently disposed of on 28 June 1997 to a non-group company.

Financial

The loss for the financial year after taxation was £5,909,000 (1996 - loss of £47,785,000). After deducting the dividend of £1,449,000 (1996 - £2,415,000) proposed on the 5.75% fixed rate non-redeemable preference shares, a loss of £7,358,000 (1996 - loss of £50,200,000) was transferred from reserves.

A summary of changes to the company's fixed tangible assets and investments during the period is given in notes 13 and 14 on pages 14 and 15 of the financial statements.

Directors

The directors who served during the year were as follows:

Mr I R McMahon	-	resigned 31 October 1996
Mr M R Jamieson	-	appointed 31 October 1996
Mr J M Summerlin	-	
Mr J Grinbergs	-	resigned 28 February 1997

GRANDMET FOODS (UK) LIMITED**DIRECTORS' REPORT (cont.)****Directors' Interests**

The directors who held office at the end of the financial year had the following beneficial interests in the shares of the ultimate holding company, Grand Metropolitan PLC:

Ordinary Shares of 25p Each

	At end of year	At beginning of year (or date of appointment if later)
Mr J M Summerlin	634	620
Mr M R Jamieson	-	-

Restricted Share Plan Award

Mr J M Summerlin	4,820	-
Mr M Jamieson	4,630	-

Options

	At Start of Year (or date of appointment if later)	Granted During Year	Exercised During Year	At End of Year
Mr J M Summerlin	95,493	-	-	95,493
Mr M R Jamieson	45,000	-	-	45,000

As potential beneficiaries of the Grand Metropolitan PLC Number 1 Employee Share Trust Mr J M Summerlin and Mr M R Jamieson each had an interest at 30 September 1997, in 251,818 shares held by the trustees, Mourant & Co Trustees Limited, and 33,256,768 shares which were the subject of call options purchased by the trustees from SBC Warburg Dillon Read and National Westminster Bank PLC.

The directors held the above options under Grand Metropolitan PLC executive share option schemes and for savings related share option schemes, at prices between 318p and 471p per share exercisable by 2006.

Other than the above, no directors had any interests, beneficial or non-beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company or any subsidiary.

GRANDMET FOODS (UK) LIMITED

DIRECTORS' REPORT (cont.)

Research and Development

Research and development activity focused on added value products and process improvement activities.

Insurance

During the year the company maintained liability insurance for the officers and the company.

Supplier Payment Policies

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the relevant terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

Employees

The company fully recognises the importance of keeping its employees informed of the performance of the business and of future developments which may affect them. It also recognises the need to provide a channel of communication whereby employees can be assured that matters which concern them are given full consideration by the chairman and managing director. It therefore operates a procedure, which has been established for many years, whereby the senior management meet representatives of all employees on a regular basis to discuss matters of this nature.

The company also recognises its responsibilities for encouraging the involvement of all employees in the company's financial performance. Towards this end, the company operates profit sharing schemes.

The company recognises its responsibilities towards disabled members of society and operates the following policies:

- Employment applications from disabled persons are given full and fair consideration having regard to their aptitudes and abilities.
- Arrangements are made to retain the services of employees who become disabled, if necessary by means of a job transfer with appropriate re-training.
- Disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

GRANDMET FOODS (UK) LIMITED

DIRECTORS' REPORT (cont.)

Auditor

A resolution is to be proposed at the annual general meeting for the reappointment of KPMG Audit Plc as auditor of the company.

By order of the Board



Mr R J Gardner

Secretary

Harman House

1 George Street

Uxbridge

Middlesex

UB8 1QQ

20 May 1988

GRANDMET FOODS (UK) LIMITED

Directors' Responsibilities in respect of the preparation of Financial Statements

The following statement, which should be read in conjunction with the report of the auditor set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 7 to 19, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed and that it is appropriate to use a going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, have requested the auditor to take whatever steps and undertake whatever inspections it considers to be appropriate for the purpose of enabling it to give an audit report.



J M Summerlin
Director

20 May 1998

GRANDMET FOODS (UK) LIMITED

REPORT OF THE AUDITOR, KPMG AUDIT PLC
TO THE MEMBERS OF GRANDMET FOODS (UK) LIMITED

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditor

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th September 1997 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London 20 May 1998

GRANDMET FOODS (UK) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 30 September 1997**

	Notes	1997 £000's	1996 £000's
Turnover	2	14,905	-
Changes in stocks of finished goods and work in progress		283	-
Raw materials and consumables		(7,318)	-
Other external charges	3	(2,648)	-
Staff costs	4	(4,554)	-
Depreciation and amortisation		<u>(447)</u>	<u>-</u>
Operating Profit		221	-
Loss on disposal of discontinued operations	6	<u>(4,305)</u>	<u>-</u>
Loss on ordinary activities before interest		(4,084)	-
Dividends receivable		-	113
Other interest receivable and similar income	7	2,122	1,534
Interest payable and similar charges	8	(4,895)	(19,292)
Write Down on Investments	9	<u>-</u>	<u>(36,000)</u>
Loss on ordinary activities before taxation		(6,857)	(53,645)
Tax Credit on Loss on ordinary activities	10	<u>948</u>	<u>5,860</u>
Loss on ordinary activities after taxation and loss for the financial year		(5,909)	(47,785)
Preference Dividend	11	<u>(1,449)</u>	<u>(2,415)</u>
Retained loss for the financial year transferred from reserves	18	<u>(7,358)</u>	<u>(50,200)</u>

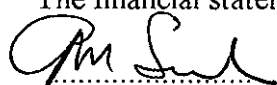
The loss on ordinary activities before interest derives entirely from discontinued operations.

There are no recognised gains and losses other than the loss for the financial year.

GRANDMET FOODS (UK) LIMITED**BALANCE SHEET****As at 30 September 1997**

	Notes	1997		1996	
		£000's	£000's	£000's	£000's
Fixed Assets					
Intangible assets	12	50		50	
Investments	14	328,976		328,976	
			329,026		329,026
Current Assets					
Debtors	15	48,608		38,066	
Creditors - amounts falling due within one year	16	<u>(331,271)</u>		<u>(313,371)</u>	
Net Current Liabilities			<u>(282,663)</u>		<u>(275,305)</u>
Total Assets Less Current Liabilities			<u>46,363</u>		<u>53,721</u>
Capital and Reserves					
Called up share capital	17		43,000		43,000
Share premium account	18		105		105
Other reserves	18		1,900		1,900
Profit and loss account	18		<u>1,358</u>		<u>8,716</u>
Equity	18	4,363		11,721	
Non-equity	18	<u>42,000</u>		<u>42,000</u>	
Total Equity and Non-equity Shareholders' Funds			<u>46,363</u>		<u>53,721</u>

The financial statements on pages 7 to 19 were approved by the Board of Directors on 20 Mar 1998 and signed on its behalf by:


J M Summerlin

GRANDMET FOODS (UK) LIMITED

NOTES (Forming part of the financial statements)

1. Accounting Policies

Basis of preparation

The financial statements of the company are prepared under the historical cost convention and comply with UK accounting standards. The bases used are consistent with those used in the previous period. The company has not presented group financial statements by virtue of S.228 of the Companies Act 1985.

The company is exempt from the requirement of Financial Reporting Standard No.1 (revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary of Grand Metropolitan PLC and its cash flow is included within the cash flow statement of that company.

There is no material difference between the company's profit and loss account and the historical cost profits and losses. Accordingly, no note of the historical profits and losses for the year has been presented.

Turnover

Turnover excludes VAT but includes subsidies receivable.

Fixed assets and depreciation

Fixed assets are stated at cost. Profit or loss on sale of assets is the difference between the disposal proceeds and the net book value.

No depreciation is provided on freehold land. Freehold buildings are depreciated over 40 years. Other fixed assets are depreciated to residual values over their estimated useful lives within the following ranges:

Plant and machinery	2 to 20 years
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The company disposed of all its fixed assets during the year.

Leases

Operating lease payments are taken to the profit and loss account on a straight line basis over the life of the lease.

GRANDMET FOODS (UK) LIMITED

NOTES (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction or if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities in foreign currencies are retranslated into sterling at the financial year end exchange rate.

All exchange gains and losses are taken to the profit and loss account.

Research and development expenditure

Research and development expenditure is written off in the year in which it is incurred.

Investments

Investments are valued individually at the lower of cost and net realisable value. All investments are unlisted and net realisable value is estimated by the directors.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes, where appropriate, production and other direct overhead expenses.

The company disposed of all its stock during the year.

Pensions and other post employment benefits

The majority of company employees are members of group pension schemes operated by Grand Metropolitan PLC. Contributions by this company are based on pension costs across the Grand Metropolitan group as a whole. The schemes are of the defined benefit type funded by payments to trustee administered funds. The costs of providing pensions and other post employment benefits are charged against profits on a systematic basis, with pension surpluses and deficits allocated on a straight line basis over the expected remaining service lives of current employees.

Differences between the amounts charged in the profit and loss account and payments made to the plans are treated as assets or liabilities in the balance sheet. Particulars of the valuations of the group plans are contained in the financial statements of Grand Metropolitan PLC.

Exceptional Items

Exceptional items are those that need to be separately disclosed by virtue of their size or incidence. Such items are included within the profit and loss caption to which they relate but are separately disclosed either in the notes or on the face of the profit and loss account.

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****2. Analysis of turnover and loss before taxation**

The turnover and loss before taxation are attributable to the processing, manufacture and distribution of food products, all of which are carried out in the United Kingdom. Sales are almost entirely within the UK market. Turnover in other markets is not significant and therefore has not been disclosed in these accounts.

3. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:	1997 £000's	1996 £000's
Depreciation and other amounts written off tangible fixed assets	447	-
Hire of Plant and Machinery	83	-
Hire of Other Assets - Operating Leases	24	-
Research and Development	46	-

Auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

4. Staff numbers and costs

	1997 805	1996 —
Average number of employees		

All of the above employees were engaged in the manufacture, marketing and distribution of food products.

The average staff numbers shown reflects the level of staff during the period in which the company traded.

The aggregate payroll costs of these persons were as follows:	1997 £000's	1996 £000's
Wages and salaries	4,240	-
Social security costs	314	—
	<u>4,554</u>	<u>—</u>

The pension plans are part of those operated by the ultimate parent undertaking. The plans generally are of the defined benefit type, funded by payments to trustee administered funds or insurance companies, details of which are given in the ultimate parent undertaking's accounts. As a result of an actuarial valuation of the pension funds, a surplus over future liabilities has been identified, allowing the company to suspend its contributions and accounting charge for the period.

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****5. Directors Emoluments**

No director has been paid any remuneration during the period, or previous period, for his services as a director of GrandMet Foods (UK) Limited.

The directors were remunerated for their services either as directors or senior executives of Pillsbury UK Limited and Grand Metropolitan PLC and, where appropriate, emoluments are disclosed in the financial statements of those companies.

6. Discontinued Operations

	1997 £000's	1996 £000's
Loss on disposal of discontinued operations	<u>4,305</u>	<u>-</u>

The loss on disposal of discontinued operations arises from the disposal of the assets and trades of Brossard. This business was purchased from Express Foods Group (International) Limited on 30 December 1996 and was subsequently sold to a non group company on 28 June 1997.

7. Interest receivable and similar income

	1997 £000's	1996 £000's
Interest receivable from group undertakings	<u>2,122</u>	<u>1,534</u>

8. Interest payable and similar charges

	1997 £000's	1996 £000's
Interest payable to group undertakings	<u>4,895</u>	<u>19,292</u>

9. Write Down on Investments

This represents the provision required to reduce the value of the investment in East Walls (1997) Limited (formerly C. Shippam Limited), to current net realisable value.

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****10. Tax on loss on ordinary activities**

	1997 £000's	1996 £000's
UK Corporation tax credit at 32% (1996 - 33%) on the loss for the year on ordinary activities	<u>948</u>	<u>5,860</u>

11. Dividends

	1997 £000's	1996 £000's
Preference share dividend proposed/paid	<u>1,449</u>	<u>2,415</u>

12. Intangible assets

	1997 £000's	1996 £000's
At beginning and end of year	<u>50</u>	<u>50</u>

Intangible assets represent a patent purchased.

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****13. Fixed Asset - Tangible Assets**

	Land & Buildings £000's	Plant & Machinery £000's	Assets in course of construction £000's	Total £000's
Cost:				
At 1 October 1996	-	-	-	-
Additions	3,710	4,478	66	8,254
Transfers	-	66	(66)	-
Disposals	<u>(3,710)</u>	<u>(4,544)</u>	<u>-</u>	<u>(8,254)</u>
At 30 September 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation:				
At 1 October 1996	-	-	-	-
Depreciation	55	392	-	447
Depreciation on Disposals	<u>(55)</u>	<u>(392)</u>	<u>-</u>	<u>(447)</u>
At 30 September 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value:				
At 30 September 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 October 1996	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company purchased the fixed assets of Brossard on 30 December 1996. It subsequently sold all of its fixed assets on 28 June 1997 to a non-group company.

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****14. Fixed Asset Investments**

	Subsidiary Undertakings £000's
Shares	
At cost at beginning and end of year	378,300
Provision at beginning and end of year	(49,504)
Total at end of year	<u>328,976</u>

The principal undertakings in which the company's interest is more than 10% are as follows :-

<u>Subsidiary Undertakings</u>	<u>Country of Registration</u>	<u>Principal activity</u>	<u>Class and no. of shares held</u>	
Express Foods Group (International) Limited	England	Manufacture and processing of food products	800,000	Ordinary stock units of 25p each - 100% directly
			52,918,181	'A' ordinary stock units of 25p each - 100% directly
			200,000	6% cumulative preference stock of £1 each - 100% directly
			507,110	6% 'A' cumulative preference stock £1 each - 100% directly
			100,000	7% cumulative preference stock of £1 each - 100% directly
			902,601	7% 'A' cumulative preference stock of £1 each - 100% directly
C.Shippam Limited	England	Manufacture and distributing of food products	4,164,865	Ordinary shares of £1 each - 100% directly
Precis (1057) Limited	England	Investment Company	190,500,000	Ordinary shares of £1 each - 100% directly

GRANDMET FOODS (UK) LIMITED**NOTES (continued)**

In the opinion of the directors of the company, the aggregate value of the shares of the subsidiary undertakings is not less than the aggregate of the amounts at which the investments are stated in the balance sheet.

15. Debtors

	1997	1996
	£000's	£000's
Amounts owed by subsidiary undertakings	8,188	-
Amounts owed by fellow subsidiary undertakings	39,472	32,206
Group relief receivable	948	5,860
	<u>48,608</u>	<u>38,066</u>

16. Creditors - amounts falling due within one year

	1997	1996
	£000's	£000's
Amounts owed to group undertakings:-		
Immediate parent undertaking	31,501	31,501
Subsidiary undertakings	299,770	279,455
Fellow subsidiary undertakings	-	2,415
	<u>331,271</u>	<u>313,371</u>

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****17. Called up Share Capital**

	Authorised		Allotted, called up and fully paid			
	1997 Number	1996 Number	1997 Number	1997 £000's	1996 Number	1996 £000's
Ordinary shares 25p each	<u>6,000,000</u>	<u>6,000,000</u>	<u>4,000,000</u>	<u>1,000</u>	<u>4,000,000</u>	<u>1,000</u>
5.75% fixed rate non- redeemable preference shares £50 each	<u>840,000</u>	<u>840,000</u>	<u>840,000</u>	<u>42,000</u>	<u>840,000</u>	<u>42,000</u>
Total equity share capital				1,000		1,000
Total non equity share capital				42,000		42,000
				<u>43,000</u>		<u>43,000</u>

GRANDMET FOODS (UK) LIMITED**NOTES (continued)****18. Reconciliation of Movements in Total Shareholders' Funds**

	At beginning of year £000's	Retained loss for year £000's	At end of year £000's
Share capital	43,000	-	43,000
Share premium account	105	-	105
Other reserves	1,900	-	1,900
Profit & loss account	<u>8,716</u>	<u>(7,358)</u>	<u>1,358</u>
Total	<u>53,721</u>	<u>(7,358)</u>	<u>46,363</u>
Total equity shareholders' funds	11,721	(7,358)	4,363
Total non-equity shareholders' funds	42,000	-	42,000
Total	<u>53,721</u>	<u>(7,358)</u>	<u>46,363</u>

19. Contingent Liabilities and Guarantees

The company has guaranteed the loans of its subsidiary undertakings at 30 September 1997, the maximum liability of which would be £1,155,000 (1996 - £5,360,000), all of which were outstanding at the year end.

20. Related party transactions

The company is not required to disclose related party transactions with Grand Metropolitan PLC and other group undertakings under Financial Reporting Standard No.8 as it is wholly owned within a group whose consolidated financial statements are publicly available.

GRANDMET FOODS (UK) LIMITED

NOTES (continued)

21. Immediate and ultimate parent undertaking

The immediate and ultimate parent undertaking of the company as at 30 September 1997 was Grand Metropolitan PLC, a company registered in England and Wales. Copies of the group accounts of Grand Metropolitan PLC can be obtained from 8 Henrietta Place, London W1M 9AG.

On 17th December 1997 Grand Metropolitan merged with Guinness PLC to form Diageo plc, which as a result, became the ultimate parent undertaking of the company. Diageo plc's accounting period end will be 30 June and the first consolidated accounts of Diageo plc will be for the eighteen month period ended 30 June 1998, which will be obtainable from the same address.