

GRANDMET FOODS (UK) LIMITED

[Registered Number 472217]

FINANCIAL STATEMENTS

YEAR ENDED 30th SEPTEMBER 1996



GRANDMET FOODS (UK) LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 30th September 1996.

Activities

The company's primary activity is as parent undertaking of the majority of Grand Metropolitan PLC's UK food sector.

In September 1996 Grand Metropolitan PLC announced its intention to dispose of Brossard UK, a division of Express Foods Group (International) Limited, a fellow subsidiary undertaking of Grand Metropolitan PLC. On 30th December 1996, subsequent to the end of the financial year, the assets and trade of this business were transferred to the company from Express Foods Group (International) Limited.

Financial

The loss for the financial year after taxation and after providing for the write down of investments to net realisable value was £47,785,000 (1995- loss of £10,779,000). After deducting the dividend of £2,415,000 (1995 - Nil) proposed on the 5.75% fixed rate non-redeemable preference shares, a loss of £50,200,000 (1995 - loss of £10,779,000) was transferred from reserves.

Directors

The directors who served during the year were as follows:

Mr I R McMahon
Mr J M Summerlin
Mr J G Grinbergs

On 31st October 1996 Mr I R McMahon resigned as a director of the company and was replaced by Mr M Jamieson. On 28th February 1997 Mr. J G Grinbergs resigned as a director of the company. No replacement was appointed.

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 I R McMahon	2,442	Nil
Mr J M Summerlin	620	600
Mr J G Grinbergs	2,200	Nil

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

	At Start of Year (or date of appointment if later)	Granted During Year	Exercised During Year	At End of Year
Mr I R McMahon	152,493	35,000	28,000	159,493
Mr J M Summerlin	65,493	30,000	Nil	95,493
Mr J G Grinbergs	162,730	30,000	15,850	176,880

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.

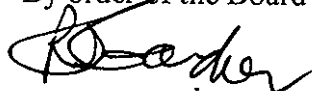
Insurance

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

Auditors

Our auditors KPMG have indicated that a limited liability company, KPMG Audit Plc, is to assume responsibility for certain aspects of their audit business. Accordingly a resolution is to be proposed at the annual general meeting for the appointment of KPMG Audit Plc as auditors of the company. Our auditors have signed their audit report on page 4 in their new name.

By order of the Board



Mr R J Gardner
Secretary
Harman House
1 George Street
Uxbridge
Middlesex
UB8 1QQ

7-7-97

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 auditors set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

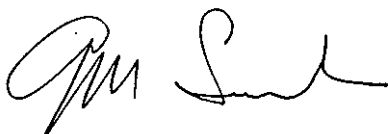
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 12, 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 auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.



J M Summerlin
Director

GRANDMET FOODS (UK) LIMITED

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

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and 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 1996 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 Auditors
London

15 July 1997

GRANDMET FOODS (UK) LIMITED**PROFIT AND LOSS ACCOUNT**For the year ended 30 September 1996

	Notes	1996 £000's	1995 £000's
Dividends receivable from group undertakings		113	113
Net interest payable	2	(17,758)	(17,322)
Write down on investments	3	<u>(36,000)</u>	<u>-</u>
Loss on ordinary activities before taxation	4	(53,645)	(17,209)
Taxation on loss on ordinary activities	5	5,860	6,430
Loss on ordinary activities after taxation		<u>(47,785)</u>	<u>(10,779)</u>
Dividends	6	(2,415)	-
Loss for the financial year and transferred from reserves		<u>(50,200)</u>	<u>(10,779)</u>

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

GRANDMET FOODS (UK) LIMITED**BALANCE SHEET**As at 30 September 1996

	Notes	1996		1,995	
		£000's	£000's	£000's	£000's
Fixed Assets					
Intangible assets	7	50		50	
Investments	8	328,976		364,976	
			329,026		365,026
Current Assets					
Debtors	9	38,066		30,559	
Creditors - amounts falling due within one year	10	(313,371)		(291,664)	
Net Current Liabilities			(275,305)		(261,105)
Total Assets Less Current Liabilities			<u>53,721</u>		<u>103,921</u>
Capital and Reserves					
Called up share capital	11		43,000		43,000
Share premium account	12		105		105
Other reserves	12		1,900		1,900
Profit and loss account	12		8,716		58,916
Total Shareholders' Funds			<u>53,721</u>		<u>103,921</u>

The financial statements on pages 5 to 12 were approved by the Board of Directors on
 7 Jan 1997 and signed on its behalf by:


 J M Summerlin

GRANDMET FOODS (UK) LIMITED**NOTES (Forming part of the financial statements)****1. Accounting policies*****Accounting convention***

The financial statements of the company are prepared under the historical cost convention and comply with applicable UK accounting standards. No cash flow statement has been produced for the reason set out in note 14.

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 period has been presented.

Investments

Investments are valued individually at the lower of cost and net realisable value.

2. Net interest payable

	1996	1995
	£000's	£000's
Interest payable on group loans	(19,292)	(18,596)
Interest receivable on group loans	1,534	1,274
	<hr/>	<hr/>
	<u>(17,758)</u>	<u>(17,322)</u>

GRANDMET FOODS (UK) LIMITED

NOTES (continued)

3. Write Down on Investments

This represents the provision required to reduce the value of the investment in C. Shippam Ltd., to current net realisable value.

4. Loss on ordinary activities before taxation

None of the directors has received any emoluments in respect of their services as directors of GrandMet Foods (UK) Limited (1995 - Nil).

The directors were remunerated for these services as directors of Pillsbury U.K. Limited and those emoluments are disclosed in the financial statements of that company.

The auditors' remuneration was borne by a fellow subsidiary, Pillsbury U.K. Limited.

5. Tax on loss on ordinary activities

	1996	1995
	£000's	£000's
Group relief (33%) receivable	5,860	5,716
Prior year adjustments	-	714
	<u>5,860</u>	<u>6,430</u>

6. Dividends

	1996	1995
	£000's	£000's
Preference share dividend proposed	<u>2,415</u>	<u>-</u>

7. Intangible assets

	1996	1995
	£000's	£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)

8. Fixed Asset Investments

	Subsidiary Undertakings 1996 £000's
Shares	
At cost at beginning and end of year	378,300
Provision at beginning of year	(13,324)
Provided during the year (see Note 3)	(36,000)
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)**

Under S228 of the Companies Act 1985, the company is exempt from preparing group accounts as the company is a wholly owned subsidiary of Grand Metropolitan PLC, which is registered in England.

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.

9. Debtors

	1996 £000's	1995 £000's
Amounts owed by subsidiary undertakings	-	563
Amounts owed by fellow subsidiary undertakings	32,206	24,280
Group relief receivable	5,860	5,716
	<u>38,066</u>	<u>30,559</u>

10. Creditors - amounts due within one year

	1996 £000's	1995 £000's
Amounts owed to group undertakings:-		
Immediate parent undertakings	31,501	31,501
Subsidiary undertakings	279,455	260,163
Fellow subsidiary undertakings	2,415	-
	<u>313,371</u>	<u>291,664</u>

GRANDMET FOODS (UK) LIMITED

NOTES (continued)

11. Called up Share Capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>			
	<u>1996</u> <u>Number</u>	<u>1995</u> <u>Number</u>	<u>1996</u> <u>Number</u>	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>Number</u>	<u>1995</u> <u>£000's</u>
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>