

Registered No. 31456

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GRANDMET RESTAURANTS LIMITED

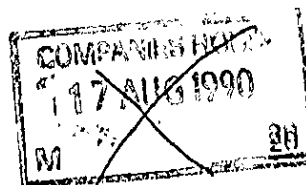
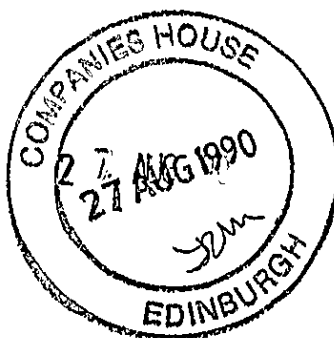
(formerly UB Restaurants Limited,
formerly United Biscuits (UK) Limited)

REPORT AND ACCOUNTS

FOR

THE PERIOD

1ST JANUARY 1989
TO
1ST OCTOBER 1989



27.3.90

DIRECTORS' REPORT

Directors

P.E.B. Cawdron
R.H. Myddelton
D.E. Tagg

The directors present their report and accounts for the period from 1st January to 1st October 1989.

Review of the business

Until 17th June 1989, the principal activities of the company as a wholly owned subsidiary of United Biscuits (Holdings) plc continued to be the manufacture and sale of a wide range of food products for both wholesale and retail outlets.

At that date the company entered into an agreement for the sale of the whole of its undertaking, except for its restaurant activities, to another subsidiary in the United Biscuits Group.

Since 17th June the principal activities have been the operation of the company owned and franchised outlets of Wimpy and Perfect Pizza and of the company owned Pizzaland restaurant chain. In addition it has continued the manufacturing and distribution business supplying the Wimpy and Perfect Pizza franchises.

In connection with this reconstruction, the following events took place:-

- 17th June - Agreement signed for sale of non restaurant activities to a subsidiary, since renamed United Biscuits (UK) Limited, in consideration for the allotment of shares in that company.
- 19th June - The name of the company was changed to UB Restaurants Limited.
- 20th June - Sale of shares in United Biscuits (UK) Limited to UB Investments plc for a sum equal to the book value of the assets as shown by management accounts in accordance with the agreement of 17th June.
- 16th August - Grand Metropolitan PLC entered into an agreement with United Biscuits (Holdings) plc to acquire inter alia the whole share capital of the company. This agreement was conditional on clearance of the transaction by the Office of Fair Trading which was obtained on 28th September. Completion of the transaction took place on 2nd October and the name of the Company was changed to GrandMet Restaurants Limited on 3rd October.

The agreement provided that the trading results of the company up to 1st October would be for the benefit of the vendor to be satisfied by way of dividend. In these circumstances the directors consider it irrelevant to comment on trading for the period under review.

Profit and appropriations for the period

The profit and appropriations for the period are as shown in the profit and loss account on page five. A first interim dividend of £122m was paid on 19th May, and a second interim dividend of £15m on 29th September 1989. The directors do not recommend the payment of any further dividend.

Fixed Assets

The Agreement dated 17th June 1989 provided for the non restaurant activities of the company, comprising the UB Brands, KP Foods and Small Businesses operating divisions together with all service and other group functions (not related to restaurant activities) to be transferred to another subsidiary in the United Biscuits Group. There were no other significant changes in fixed assets except in the normal course of trading during the period under review.

Research and development

During the period under review research and development expenditure continued to play an essential part in the company's commitment to product innovation and the development of more effective production and packaging technology.

Employment policies

During the period under review the company continued to have a comprehensive framework of employment policies as follows:-

Employees at all levels shall not in the course of employment discriminate against any other person, or be discriminated against on the grounds of colour, race, religion, sex, marital status or ethnic or national origins. This policy applies in respect of all conditions of work, including salaries and wages, hours of work, holiday entitlement, overtime and shift work, work allocation, sick pay, recruitment, training, promotion, redundancy and use of available amenities.

Equal opportunities are offered to disabled persons, whether registered or not, applying for vacancies having regard to their aptitudes and abilities. Arrangements are made to continue the employment of those employees who have become disabled persons during the course of their employment with the company whenever possible. Consideration is also given for arranging appropriate training facilities or providing special aids where necessary. Disabled persons are also provided with the same opportunities for training, career development and promotion that are available to all employees within the limitations of their aptitudes and abilities.

There are regular consultations at all levels with employees through union representatives, staff councils, consultative committees and at conferences, on matters likely to affect employees' interests.

The company not only complies with the safety and health measures required by law, but acts positively to ensure that its premises are safe and healthy places in which to work. It recognises that the health, safety and welfare of all its employees, whether on company premises or carrying out company business elsewhere, is primarily the management's responsibility. In addition, the company recognises it has a responsibility for the health and safety of other persons whilst they are on its premises.

The company recognises the need for a well trained and adaptable work force at all levels. To this end substantial resources are directed to training and development, and training activities are continuously up-dated and enhanced.

Post balance sheet events and developments

Since the acquisition of the Company by Grand Metropolitan PLC a process of converting the Wimpy counter service restaurants in the UK to the Burger King brand was started.

With effect from 1st January 1990 the businesses of operating company owned and franchised outlets of Perfect Pizza, operating company owned Pizzaland Restaurants and manufacturing and distributing buns and meat products were sold to other subsidiaries in the Grand Metropolitan Group.

Directors

The names of the present directors, all of whom were appointed on 2nd October are as stated on page one. The names of the directors during the period of United Biscuits ownership, all of whom resigned on 2nd October were:-

R.C. Clarke, J. Blyth, A.G. Clark and D.R.J. Stewart

The resigning directors were eligible to participate in the United Biscuits Employee Share Schemes. No other arrangements to which the company was a party subsisted at the end of the period or at any time during the period which would enable directors or their families to acquire benefits by the acquisition of shares in, or debentures of, the company or any other body corporate.

No director had, during the period or at the end of the period, any material interest in any contract of significance to the company's business.

Directors' interests

The interests of the directors and their families in the share capital of the then ultimate holding company, United Biscuits (Holdings) plc, at the beginning and end of the period are set out in note 21 to the accounts.

Status of the company

As the company was a wholly owned subsidiary of United Biscuits (Holdings) plc until 2nd October 1989, the directors do not consider it meaningful to include in the accounts a statement of source and application of funds as required by Statement of Standard Accounting Practice No. 10.

Articles of Association

On 2nd October 1989 the company adopted new Articles of Association.

Auditors

Arthur Young merged their practice with Ernst & Whinney on 1st September 1989 and now practise in the name of Ernst & Young. Deloitte Haskins & Sells will be merging their practice with Coopers & Lybrand on 29th April 1990 and have, in the meantime, adopted Coopers & Lybrand Deloitte as their business name. Accordingly the audit report has been signed in these new names.

On 28th March 1990 Coopers & Lybrand Deloitte and Ernst & Young resigned as joint auditors of the company. A resolution to appoint KPMG Peat Marwick McLintock as auditors will be put to the annual general meeting.

on behalf of the board



B.E. Wickham
Secretary

28th March, 1990.

GrandMat Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Profit & loss account

for the period 1st January, 1989 to 1st October, 1989

Notes		39 weeks ended 1st October 1989 £m	52 weeks ended 31st December 1988 £m
2	Turnover	536.7	1,128.1
	Trade discounts	51.3	116.7
	Turnover after trade discounts	485.4	1,011.4
	Cost of sales	326.6	655.6
	Gross profit	158.8	355.8
	Distribution, selling and marketing costs	86.0	167.8
	Administrative expenses	54.5	69.5
	Other operating income less write offs	1.5	(5.2)
2	Trading profit	19.8	113.3
3	Interest	11.9	16.1
	Profit before profit sharing	7.9	97.2
4	Profit sharing	-	1.4
	Profit on ordinary activities before tax	7.9	95.8
5	Tax on profit on ordinary activities	4.8	36.4
	Profit on ordinary activities after tax	3.1	59.4
6	Extraordinary credit	11.8	61.6
	Profit for the financial year	14.9	121.0
7	Dividends	137.0	98.9
16	Balance to reserves	(122.1)	22.1

GrandMet Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Balance Sheet

1st October 1989

		1st October 1989 £m	31st December 1988 £m
Notes			
	Fixed assets		
8	Tangible assets	67.7	338.6
9	Investments	1.5	437.2
		69.2	775.8
	Current assets		
10	Stocks	5.1	74.3
11	Debtors	26.2	150.7
	Amounts owed by group companies	-	200.4
	Short-term deposits	-	3.4
	Cash at bank and in hand	0.8	25.5
		32.1	454.3
	Creditors: amounts falling due within one year		
12	Trade and other creditors	15.1	149.8
13	Loans, overdrafts and finance lease obligations	6.0	64.2
	Amounts owed to group companies	33.6	789.0
	Taxation	-	24.4
		54.7	1027.4
	Net current liabilities	(22.6)	(573.1)
	Total assets less current liabilities	46.6	202.7
	Creditors: amounts falling due after more than one year		
13	Loans and finance lease obligations	-	3.5
	Taxation	-	26.1
14	Provisions for liabilities and charges	-	4.4
		-	34.0
		46.6	168.7
	Capital and reserves		
15	Called up share capital	10.0	10.0
16	Share premium account	36.5	36.5
16	Other reserve	0.1	0.1
16	Profit and loss account	-	122.1
		46.6	168.7

Signed on behalf of the board on

GrandMet Restaurants Limited
(formerly UB Restaurants Limited,
formerly United Biscuits (UK) Limited)

Notes to the accounts

1. Accounting policies

Basis of accounting

The accounts are prepared on the historical cost basis of accounting, except for the revaluation of certain assets. The company has not produced group accounts as its ultimate holding company at 1st October 1989 was United Biscuits (Holdings) plc, which is incorporated in Great Britain. From 2nd October 1989 the ultimate holding company has been Grand Metropolitan Plc.

Comparative figures

Certain comparative figures in the accounts and the notes thereto have been revised in minor respects onto a basis consistent with that applied in the current year.

Turnover

Turnover consists of sales to third parties before discounts and excludes value added tax. All of the company's turnover arose in the United Kingdom.

Tangible assets

Depreciation is calculated to write off the cost or valuation of the assets (net of government grants) over their expected useful lives by equal annual instalments principally at the following rates:

Land and buildings (except as noted below) -
1½% unless short leasehold.

Short leaseholds - over the life of the lease.

Plant - 3-15%

Vehicles - 20-30%

Revalued buildings are depreciated over their remaining useful lives as estimated at the revaluation date.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the primary lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost, in the case of products manufactured by the company, comprises direct material and labour cost together with appropriate factory overheads.

GrandMet Restaurants Limited
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Notes to the accounts continued

Commodity purchases

Certain commodities are purchased on the futures markets in order to minimise the cost of ingredients. When contracts are closed, the realised surpluses and deficits are applied against the cost of the related ingredients in the year of delivery.

Pensions

Pension costs are accounted for as follows:

(i) Contributions in respect of current service, amortisation of past service liabilities (other than those described in (ii) below) and notional interest on unfunded past service liabilities, are charged annually against trading profit.

(ii) The present value of future contributions relating to unfunded past service liabilities is either accrued and charged to the profit and loss account as an extraordinary item at the time of inception of a pension plan, or where appropriate, accrued by way of adjustment to goodwill at the date of acquisition of a subsidiary.

The company has not adopted Statement of Standard Accounting Practice Number 24 (SSAP24).

Taxation

Deferred taxation is provided on all timing differences of material amount except where no liability is likely to arise in the foreseeable future. Advance corporation tax is carried forward provided that it is expected to be offset against corporation tax liabilities on the profits of the next accounting period.

Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, all differences being taken to the profit and loss account.

Goodwill

On the acquisition of a subsidiary, business or related company, fair values are attributed to the net tangible assets acquired. Where the consideration exceeds the aggregate value of these assets, the difference is treated as goodwill and is charged directly to reserves.

GrandMet Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Notes to the accounts continued**2 Trading profit**

The company's turnover and trading profit are analysed below. All of the company's turnover arose in the United Kingdom.

	Turnover		Trading profit	
	1989 £m	1988 £m	1989 £m	1988 £m
Restaurant business	103.2	138.6	(0.9)	10.6
Food manufacturing	433.5	989.5	41.4	118.7
Central costs			(20.7)	(16.0)
	<u>536.7</u>	<u>1,128.1</u>	<u>19.8</u>	<u>113.3</u>

	1989 £m	1988 £m
Depreciation	19.8	32.6
Operating lease rentals - plant and machinery	1.5	2.6
- land and buildings	11.8	14.5
Research and development	2.6	5.7
Directors' emoluments (see note 18)	<u>0.4</u>	<u>0.8</u>

The auditors' remuneration amounted to £85,000 (1988 £475,000)

3 Interest

	1989 £m	1988 £m
Interest payable		
Bank loans and overdrafts	4.8	6.0
Fellow subsidiaries	7.8	12.6
Other	-	1.6
	<u>12.6</u>	<u>20.2</u>
Interest receivable		
Short-term deposits	-	1.9
Fellow subsidiaries	-	0.1
Other	0.7	2.1
	<u>0.7</u>	<u>4.1</u>
	<u>11.9</u>	<u>16.1</u>

GrandMet Restaurants Limited
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Notes to the accounts continued

4 Profit sharing

	1989	1988
	£m	£m
Allocation of profit in respect of the employee profit sharing scheme.	-	1.4

5 Tax on profit on ordinary activities

	1989	1988
	£m	£m
On the profit for the period		
UK corporation tax at 35% (1988 35%)	7.7	36.3
Adjustments in respect of prior years	(4.4)	-
Deferred tax	-	0.1
	<u>3.3</u>	<u>36.4</u>

The tax charge for the period has not been affected to any material extent by accelerated capital allowances and other timing differences.

6 Extraordinary credit

	1989	1988
	£m	£m
Profit on sale of UB Frozen Food division	-	60.0
Profit on sale of C G Leasing Limited	-	2.4
Profit on disposal of freehold properties to a group company	11.8	
Current tax on the above		(0.8)
	<u>11.8</u>	<u>61.6</u>

7 Dividends

	1989	1988
	£m	£m
Paid - first interim	122.0	18.9
Paid - second interim (1988 payable)	15.0	80.0
	<u>137.0</u>	<u>98.9</u>

Notes to the accounts continued

8 Tangible assets

	Land & buildings		Plant,	Fixtures	Projects	Total
	Freehold	Leasehold	machinery	& fittings	in progress	
Cost-less government grants-or valuation	£m	£m	£m	£m	£m	£m
At 31st December 1988	82.6	45.4	214.7	79.5	67.8	490.0
Net transfers to other group companies	(85.4)	(13.6)	(213.8)	(22.4)	(66.8)	(402.0)
Additions	0.5	0.8	5.0	5.9	15.8	28.0
Disposals	(0.2)	(4.4)	(9.2)	(2.6)	-	(16.4)
Reclassifications	4.1	3.1	22.5	(15.5)	(14.2)	-
At 1st October 1989	1.6	31.3	19.2	44.9	2.6	99.6
Depreciation						
At 31st December 1988	11.1	10.5	98.1	31.7	-	151.4
Charge for period	0.9	1.5	11.4	6.0	-	19.8
Disposals	-	(1.1)	(5.3)	(1.1)	-	(7.5)
Net transfers to other group companies	(11.8)	(4.0)	(102.0)	(14.0)	-	(131.8)
Reclassifications	-	0.3	5.2	(5.5)	-	-
At 1st October 1989	0.2	7.2	7.4	17.1	-	31.9
Net book value at 1st October 1989	1.4	24.1	11.8	27.9	2.5	67.7
Net book value at 31st December 1988	71.5	34.9	116.6	47.8	67.8	338.6

The net book value of leasehold properties includes £23.8m (1988 £27.2m) in respect of leases with under fifty years to run at 1st October 1989.
An analysis of the net book value and historical cost of land and buildings included at valuation is provided below.

Net book value of freehold land and buildings included at valuation	1st October 1989	31st December 1988
	£m	£m
At valuation 1983	-	0.3

Historical cost equivalent of freehold land and buildings included at valuation

Historical cost	-	1.5
Depreciation based on historical cost	-	0.1
Net book value	-	1.4

The assets of businesses acquired by the company, and assets acquired from other group companies, are reflected in the accounts at their fair value as at acquisition date. These fair values represent the historical cost of the relevant assets to the company; accordingly, such assets are excluded from the analysis above (unless subject to revaluation since acquisition).

GrandMet Restaurants Limited
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Notes to the accounts continued

8 Tangible assets continues

Analysis of leased tangible assets

The book value of plant, machinery and vehicles acquired under finance lease and hire purchase arrangements is set out below.

At 1st October 1989	£m
Cost	-
Depreciation	-
Net book value	-
Net book value at 31st December 1988	1.2

9 Investments

	Investment in subsidiaries £m	Trade & other investments £m	Total £m
At cost			
At 31st December 1988	436.6	0.6	437.2
Transferred to other group companies	(436.6)	(0.6)	(437.2)
Transferred from other group companies	1.5	-	1.5
	<u>1.5</u>	<u>-</u>	<u>1.5</u>

The company's trade investments at 31st December 1988 include listed investments at cost £0.6m with a market value of £2.6m.

The company held investments in subsidiaries which were either not trading or not significant. In compliance with the Companies Act 1985, details of all subsidiaries will be annexed to the company's next annual return.

10 Stocks

	1st October 1989 £m	31st December 1988 £m
Raw material and consumables	1.9	40.1
Work in progress	-	1.6
Finished goods	3.2	32.6
	<u>5.1</u>	<u>74.3</u>

There is no material difference between the replacement cost and historical cost of stocks.

GrandMet Restaurants Limited
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Notes to the accounts continued

11 Debtors

	1st October 1989 £m	31st December 1988 £m
Trade debtors	18.8	131.9
Associated companies	-	0.4
Other debtors	1.6	4.7
Prepayments and accrued income	5.8	13.7
	<u>26.2</u>	<u>150.7</u>

Debtors include £Nil (1988 £0.7m) which is not due within one year.

12 Trade and other creditors

	1st October 1989 £m	31st December 1988 £m
Trade creditors	6.9	52.9
Other creditors	0.4	7.9
Other taxes and social security costs	0.6	16.8
Accruals and deferred income	7.2	72.2
	<u>15.1</u>	<u>149.8</u>

13 Loans, overdrafts and finance lease obligations

	1st October 1989 £m	31st December 1988 £m
Foreign currency bank loans	-	2.1
Sterling bank loans	-	60.3
Other loans	-	2.8
Overdrafts	6.0	1.7
Finance lease obligations	-	0.8
	<u>6.0</u>	<u>67.7</u>
Repayable as follows:		
Over two years and under five years	-	2.7
Over one year and under two years	-	0.8
	<u>-</u>	<u>3.5</u>
Under one year	6.0	64.2
	<u>6.0</u>	<u>67.7</u>

GrandMet Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Notes to the accounts continued

14 Provisions for liabilities and charges

	Deferred tax £m	Deferred liabilities for pensions £m	Rational- isation provisions £m	Total £m
At 31st December 1988	2.6	0.9	0.9	4.4
Profit and loss charge				
Amounts becoming current				
Transferred to other group company	(2.6)	(0.9)	(0.9)	(4.4)
At 1st October 1989	-	-	-	-

Deferred tax consists of the following:

	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 31st December 1988	4.3	(1.7)	2.6
Transferred to other group company	(4.3)	1.7	(2.6)
At 1st October 1989	-	-	-

None of the tax liability is payable within one year after the balance sheet date. The potential liability for deferred tax which has not been provided for is as follows:

	1st October 1989 £m	31st December 1988 £m
Accelerated capital allowances	7.4	49.1
Revaluation of properties	-	-
Other timing differences	-	(1.3)
	7.4	47.8

GrandMet Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Notes to the accounts continued

15 Share capital

	1st October 1989 £m	31st December 1988 £m
Authorised, allotted, called up and fully paid		
10,000,000 ordinary shares of £1 each	10.0	10.0

16 Reserves

	Share premium £m	Other reserve £m	Profit and loss account £m
At 31st December 1988	36.5	0.1	122.1
Dividends less profit for the year	-	-	(122.1)
At 1st October 1989	36.5	0.1	-

17 Contingent liabilities

Guarantee of borrowings of fellow subsidiary:

	1st October 1989 £m	31st December 1988 £m
8% debenture stock 1993/98	-	9.0
US \$ Euronotes	-	24.0
28.5m Austrian Schillings loan	1.5	1.3
	1.5	34.3

GrandMet Restaurants Limited

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Notes to the accounts continued

18 Emoluments of directors and senior employees

	1989 £'000	1988 £'000
Directors' emoluments	394	731
Pensions in respect of former directors	33	65
	<u>427</u>	<u>796</u>

The emoluments of the chairman, who was also the highest paid director, excluding pension fund contributions, were £155,535 (1988 £256,000).

The table which follows shows the number of other directors and senior UK employees of the company whose emoluments, excluding pension fund contributions, during the period were within the bands stated.

Emoluments £	Directors		Employees	
	1989	1988	1989	1988
30,001 - 35,000	1	-	7	71
35,001 - 40,000	-	-	12	49
40,001 - 45,000	-	-	6	21
45,001 - 50,000	1	-	-	17
50,001 - 55,000	-	-	2	8
55,001 - 60,000	-	-	1	9
60,001 - 65,000	-	-	1	8
65,001 - 70,000	-	-	-	7
70,001 - 75,000	1	1	1	3
75,001 - 80,000	-	-	-	2
80,001 - 85,000	-	-	-	3
85,001 - 90,000	-	-	-	3
90,001 - 95,000	-	-	1	-
100,001 - 105,000	-	1	-	-
105,001 - 110,000	-	-	-	2
110,001 - 115,000	-	-	-	1
115,001 - 120,000	-	-	-	1
135,001 - 140,000	-	-	-	1
150,001 - 155,000	-	-	-	1
160,001 - 165,000	-	1	-	-
200,001 - 205,000	-	-	-	1

GrandMet Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Notes to the accounts continued

19 Pay and benefits to employees

	1989 £m	1988 £m
Gross wages and salaries, holiday and sick pay	105.1	199.4
Social security costs	7.8	16.2
Pension and other costs	5.6	11.4
	<u>118.5</u>	<u>227.0</u>

The average number of employees during the period was 17,713 (1988 - 27,464).

Certain employees in the frozen and chilled businesses had service contracts with the company, these costs have been recharged to UB (Ross Young's) Limited and are not included above. The contracts for non-UB Restaurant employees were transferred to another group company on 17th June, 1989.

20. Financial commitments

The company's financial commitments in respect of capital expenditure and rentals are summarised below:

	1st October 1989 £m	31st December 1988 £m
Capital expenditure:		
- contracted for	2.2	13.6
- authorised but not contracted for	<u>0.6</u>	<u>7.5</u>

Rental commitments

As at 1st October 1989 the company had annual rental commitments in respect of operating leases as follows:

	1st October 1989		31st December 1988	
	Land & buildings £m	Other £m	Land & buildings £m	Other £m
Expiring - within one year	0.2	-	0.4	0.4
- over one year and under five years	0.7	-	1.4	0.6
- over five years	9.4	-	13.8	0.1
	<u>10.3</u>	<u>-</u>	<u>15.6</u>	<u>1.1</u>

In addition to the rental commitments set out above, the company held the head-leases to 260 properties (1988 306) which were sub-let to third parties. The company had no net rental commitment in respect of such properties, on which gross head-lease rents of £8.7m arose during the year (1988 £9.1m).

GrandMet Restaurants Limited

(formerly UB Restaurants Limited, formerly United Biscuits (UK) Limited)

Notes to the accounts continued

21 Directors' interests in the share capital of the ultimate holding company

	Ordinary shares		Options	
	1st October 1989	31st December 1988	1st October 1989	31st December 1988
R.C. Clarke	12,075	12,037	319,733	318,723
J. Blyth	20,779	20,741	119,484	180,514
A.G. Clark	15,896	15,858	81,299	62,610
D.R.J. Stewart	10,075	10,037	80,584	111,179

The options are exercisable at prices varying from 128½p to 323p up to April 1999.

22 Post balance sheet events

Until 2nd October, 1989 the company's ultimate holding company was United Biscuits (Holdings) Plc., on which date the company and its subsidiaries were sold to Grand Metropolitan PLC.

Report of the auditors

to the members of GrandMet Restaurants Limited

We have audited the accounts on pages 5 to 18 in accordance with Auditing Standards.

As stated in note 1 to the accounts, the company has accounted for pension costs by reference to the contributions payable for the accounting period. The company has not obtained the information necessary to determine pension costs and related disclosure requirements of Statement of Standard Accounting Practice No.24(SSAP24). In the absence of such information, we have been unable to determine the amount which should be charged in the company's profit and loss account in respect of pension costs in accordance with SSAP24. Furthermore, the company has not complied with the disclosure requirements of SSAP24.

Subject to such adjustments, if any, that might have been necessary had the company complied with the accounting provisions of SSAP24, and except for the non-compliance with the disclosure requirements of SSAP24, in our opinion the accounts give a true and fair view of the state of affairs of the company at 1st October 1989 and of its profit for the period 1st January 1989 to 1st October 1989 and have been properly prepared in accordance with the Companies Act 1985.

The accounts do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No.10.

In our opinion, the subject matter of the qualifications noted above is not material for determining whether distributions by the company would be permitted under section 270 of the Companies Act 1985.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
Chartered Accountants
London

Ernst & Young

Ernst & Young
Chartered Accountants
London

2nd April 1990