

14172

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 1997

Registered in England No. 14172



EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

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EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

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

Activities and Business Review

In September 1996 Grand Metropolitan PLC announced its intention to dispose of the businesses of Peter's Savoury Products, Brossard and Memory Lane Cakes. On 30 December 1996 the assets and trades of Peter's Savoury Products, Brossard and Memory Lane Cakes were transferred to Montrue Limited, GrandMet Foods (UK) Limited and Precis (1057) Limited respectively. These latter three companies are all fellow subsidiary undertakings of Grand Metropolitan PLC. The Company continues to act as an investment company and the directors foresee no material change in the nature of the company's activities.

Financial

Loss for the year retained in the company is £15,999,000 (1996 - Profit of £6,744,000). The directors do not recommend a dividend on either the ordinary or the ordinary 'A' shares (1996 - Nil). A summary of changes to the company's fixed tangible assets and investments during the period is given in notes 11 and 12 on pages 15 and 16 of the financial statements.

Secretary

The Secretary during the year was as follows:

Mr R J Gardner

Directors

The directors who served during the year were as follows:

Mr I R McMahon
Mr B S Jones
Mr J M Summerlin
Mr M R Jamieson

On 31 October 1996 Mr I R McMahon resigned as a director of the company and was replaced by Mr M Jamieson. Mr B S Jones resigned as a director on 6 January 1997.

Directors' Interests

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

	-----Ordinary Shares-----		-----Options-----			
	30.9.97	1.10.96 or at date of appointment	30.9.97	Granted during period	Exercised during period	1.10.96 or at date of appointment
Mr J M Summerlin						
Ordinary	634	620	95,493	-	-	95,493
Restricted	4,820					
Mr M R Jamieson						
Ordinary	-	-	45,000	-	-	45,000
Restricted	4,630					

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

DIRECTORS' REPORT (continued)

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 trustees, Maurant & 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 hold the above options under the Grand Metropolitan PLC executive share option scheme and/or savings related share option scheme, at prices between 319p and 471p per share exercisable by 2006.

Other than the above, no directors had any interest, 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.

Employees

Employment of disabled persons

Depending on their skills and abilities, disabled people are given the same consideration as others when applying for jobs and have the same opportunities for promotion, career development and training as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

Employee Involvement

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the company's operations.

Action in a variety of appropriate ways has been taken to develop arrangements aimed at providing employees with information on matters of concern to them, consulting with employees or their representatives, encouraging their involvement in the company's performance and achieving an awareness on the part of employees of the financial and economic factors affecting the company's performance.

Equal Opportunities

The company's equal opportunities policy provides that all internal and external advertising now promotes the company's support for equal opportunities.

Occupational Health

The company continues to establish and maintain required standards of health and hygiene specific to each employee's occupation and to ensure that employees meet these standards. The company continues to monitor the work environment and identify potential problems which may affect employees' health.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

DIRECTORS' REPORT (continued)

Health and Safety

The company has full regard for the occupational health and safety of its employees and others who have occasion to be on the company's premises or who are affected by its undertakings

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.

Research and Development

Research and Development activity continues to focus on added value products and process improvement activities.


Insurance

During the year liability insurance was maintained for the officers of the company and its subsidiary undertakings.

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



R J Gardner
Secretary

Harman House
1 George Street
Uxbridge
Middlesex
UB8 1QQ

20 May 1998

EXPRESS FOODS GROUP (INTERNATIONAL) 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 5, 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.

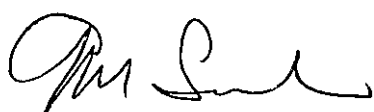
The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 21, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments 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

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

REPORT OF THE AUDITOR, KPMG AUDIT PLC **TO THE MEMBERS OF EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of directors and auditor

As described on page 4, 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 judgments made by the directors in the preparation of the financial statements, and of 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 from 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 affairs of the company as at 30 September 1997 and of its 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

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 30th September 1997**

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Turnover	2		34,029		127,906
Decrease in stocks of finished goods and work in progress			(497)		(407)
Raw Materials and consumables			(17,462)		(70,421)
Other External Charges	3		(6,473)		(26,584)
Staff Costs	4		(8,194)		(31,551)
Depreciation of tangible fixed assets			<u>(927)</u>		<u>(3,514)</u>
Operating profit			476		(4,571)
 Discontinued operations	6				
Loss on sale of business		(23,747)		(1,468)	
Provision for loss on operation to be discontinued		(1,853)		-	
Utilisation of Prior Year Provisions		<u>4,321</u>	<u>(21,279)</u>	<u>1,468</u>	<u>-</u>
Loss on ordinary activities before interest			(20,803)		(4,571)
Provision against fixed asset investments			-		(554)
Other interest receivable and similar income	7		5,659		16,075
Interest payable and similar charges	8		<u>(3,393)</u>		<u>(99)</u>
(Loss)/Profit on ordinary activities before taxation			(18,537)		10,851
Tax credit/(charge) on Loss on Ordinary activities	9		<u>2,538</u>		<u>(3,995)</u>
(Loss)/Profit on ordinary activities after taxation and profit for the financial year			(15,999)		6,856
Non equity dividends proposed	10		-		(112)
 Transferred (from)/to reserves	19		<u>(15,999)</u>		<u>6,744</u>

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

The 1997 loss on ordinary activities before interest derives entirely from discontinued operations.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**BALANCE SHEET****As at 30th September 1997**

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Fixed assets					
Tangible assets	11		-		37,393
Investments	12		5,016		5,016
			<u>5,016</u>		<u>42,409</u>
Current assets					
Stocks	13	-		7,152	
Debtors	14	364,512		284,636	
Cash at bank and in hand		2,220		17,610	
		<u>366,732</u>		<u>309,398</u>	
Creditors					
Amounts falling due within one year	15	(145,454)		(105,497)	
Net current assets			<u>221,278</u>		<u>203,901</u>
Total assets less current liabilities			<u>226,294</u>		<u>246,310</u>
Creditors					
Amounts falling due after more than one year	15		-		(847)
Provisions for liabilities and charges	17		(4,461)		(7,631)
			<u>221,833</u>		<u>237,832</u>
Capital and reserves					
Called up equity and non-equity share capital	18		15,139		15,139
Share premium account	19		772		772
Other reserves	19		2,937		2,937
Profit and loss account	19		202,985		218,984
Total equity and non-equity shareholders' funds			<u>221,833</u>		<u>237,832</u>

The financial statements on pages 6 to 21 were approved by the Board of Directors on 20 May 1998 and were signed on its behalf by:


J M Summerlin

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****For the year ended 30 September 1997**

	1997	1996
	£'000	£'000
(Loss)/Profit for the year	(15,999)	6,856
Dividends	-	(112)
	<hr/>	<hr/>
Net (reductions)/additions to shareholders' funds	(15,999)	6,744
Total shareholders' funds at beginning of year	237,832	231,088
	<hr/>	<hr/>
Total shareholders' funds at end of year	<u>221,833</u>	<u>237,832</u>
Representing :		
Equity shareholders' funds	220,123	236,122
Non-equity shareholders' funds	1,710	1,710
	<hr/>	<hr/>
	<u>221,833</u>	<u>237,832</u>

EXPRESS FOODS GROUP (INTERNATIONAL) 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 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.

Goodwill

Goodwill is written off through reserves in the period of acquisition. The profit or loss on the disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

Turnover

Turnover excludes VAT but includes subsidies receivable.

Fixed assets and depreciation

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

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life.

No depreciation is provided on freehold land. Freehold buildings and long leaseholds are depreciated over 40 years. Other leaseholds are depreciated over the unexpired period of the lease. Other fixed assets are depreciated within the following ranges:

Plant and machinery	2 to 20 years
Fixtures and fittings	1 to 5 years

The company disposed of all its fixed assets during the year.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)*****Leases***

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases.

Future instalments payable by the company under finance leases, net of finance charges, are included within creditors with the corresponding asset values recorded as fixed tangible assets and depreciated over the shorter of their estimated useful lives or lease terms. Payments are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

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

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.

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of short term timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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 realizable value. All investments are unlisted and net realizable value is estimated by the directors.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)*****Stocks***

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

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 is 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.

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 has not been disclosed in these accounts.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****3. Loss on Ordinary Activities before Taxation**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Loss on ordinary activities before taxation is stated after charging		
Operating lease rentals for plant and machinery	836	3,383
Other operating lease rentals	2	43
Research and development expenditure - current year	73	225

Audit fees for the year were paid on behalf of the company by Pillsbury U.K. Limited, a fellow subsidiary undertaking.

4. Staff Costs**(a) Average number of employees**

	<u>1997</u>	<u>1996</u>
	<u>No.</u>	<u>No.</u>
Brossard and Memory Lane Cakes	1,799	1,780
Peter's Savoury Products	698	762
Corporate staff	<u>-</u>	<u>12</u>
	<u>2,497</u>	<u>2,554</u>

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

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****(b) Employment costs**

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Employee costs (including directors)		
Wages and salaries	7,620	29,311
Employer's social security costs	574	2,240
	<u>8,194</u>	<u>31,551</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.

5. Directors' Emoluments

No director has been paid any remuneration during the period, or previous period, for his services as a director of Express Foods Group (International) Limited

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

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****6. Discontinued Operations**

	----- 1997-----			----- 1996-----	
	Profit/ (loss) £'000	Provision Utilised £'000	Provision created £'000	Profit/ (loss) £'000	Provision Utilised £'000
Discontinued operations	<u>(23,747)</u>	<u>4,321</u>	<u>(1,853)</u>	<u>(1,468)</u>	<u>1,468</u>

The loss on discontinued operations arises from residual costs incurred following the disposal of previous businesses owned by the company in the current and prior years.

The tax credit on these items amounted to £86,764 (1996 - £110,181).

7. Other interest receivable and similar income

	1997 £'000	1996 £'000
Interest receivable on short term deposits	764	453
Other external interest receivable	-	314
Interest receivable from group undertakings	<u>4,895</u>	<u>15,308</u>
	<u>5,659</u>	<u>16,075</u>

8. Interest Payable and Similar Charges

	1997 £'000	1996 £'000
Interest payable to group undertakings	3,392	-
Interest on Bank loans	<u>1</u>	<u>99</u>
	<u>3,393</u>	<u>99</u>

9. Tax on (Loss)/Profit on Ordinary Activities

	1997 £'000	1996 £'000
UK corporation tax credit / (charge) at 32% (1996 - 33%) on the (loss)/ profit for the year	145	(3,770)
Transfer from deferred taxation (see note 16)	(61)	-
Adjustments in respect of prior years	<u>2,454</u>	<u>(225)</u>
	<u>2,538</u>	<u>(3,995)</u>

The charge for UK corporation tax includes amounts which may be paid to other companies in the Grand Metropolitan group in return for the surrender of tax losses.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****10. Dividends**

	1997 £'000	1996 £'000
Dividend on Preference Shares Paid	<u>-</u>	<u>112000</u>

11. Tangible Fixed Assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in course of construction £'000	Total £'000
<u>Cost or valuation</u>					
At beginning of year	19,681	33,193	1,037	1,344	55,255
Additions	-	47	-	70	117
Intergroup transfers	(1,325)	(376)	-	-	(1,701)
Disposals	(18,356)	(33,449)	(1,042)	(824)	(53,671)
Transfers	<u>-</u>	<u>585</u>	<u>5</u>	<u>(590)</u>	<u>-</u>
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Depreciation</u>					
At beginning of year	2,135	15,172	483	72	17,862
Charge for year	95	823	8	-	926
Intergroup transfers	(59)	(90)	-	-	(149)
Disposals	<u>(2,171)</u>	<u>(15,905)</u>	<u>(491)</u>	<u>(72)</u>	<u>(18,639)</u>
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net book value</u>					
At 30 September 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 1996	<u>17,546</u>	<u>18,021</u>	<u>554</u>	<u>1,272</u>	<u>37,393</u>

On 30 December 1996, the fixed assets of Peter's Savoury Products, Brossard and Memory Lane Cakes were transferred to Montroue Limited, GrandMet Foods (UK) Limited and Preci (1057) Limited respectively. The company's remaining fixed assets were sold to GrandMet Estates Development on 20 September 1997.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)**

- (i) The net book value of land and buildings was entirely freehold property. Included in the net book value of freehold properties is £NIL (1996 - £4,064,000) in respect of land on which no depreciation was charged.
- (ii) Included in the net book value of tangible assets is £NIL (1996 - £82,000) in respect of assets acquired under finance leases. Depreciation for the period on these assets was £8,162 (1996-£33,000).

12. Investments

	Subsidiary Undertakings £'000
<u>Shares at cost (unlisted)</u>	
At beginning and end of year	<u>127,721</u>
<u>Provisions</u>	
At beginning and end of year	<u>122,705</u>
<u>Total</u>	
At 30 September 1997	<u>5,016</u>
At 30 September 1996	<u>5,016</u>

The company's principal subsidiary undertakings are as follows:

<u>Subsidiary undertaking</u>	<u>Country of registration</u>	<u>Principal activity</u>	<u>Class and percentage of shares held</u>
Spiers and Pond Limited	England	Investment company	2,131,028 ordinary shares of 25p each - 100% directly
			509,807 4.55% cumulative preference shares of £1 each - 100% directly
PSP (Sales and Distribution) Limited	England	Investment company	8,079,999 ordinary shares of 10p each - 100% directly
			7,070,000 'A' ordinary non-voting shares of 10p each - 100% directly

In the opinion of the directors, the investment in and amounts due from the company's subsidiaries are worth at least the amount at which they are stated in the financial statements.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****13. Stocks**

	1997 £'000	1996 £'000
Raw materials and consumables	-	4,052
Work in progress	-	61
Finished goods and goods for resale	-	3,039
	<u>-</u>	<u>7,152</u>

On 30 December 1996, the stock of Peter's Savoury Products, Brossard and Memory Lane Cakes were transferred to Montroue Limited, Grand Met Foods (UK) Limited and Precis (1057) Limited respectively.

14. Debtors

	1997			1996		
	Due within one year £'000	Due after one year £'000	Total £'000	Due within one year £'000	Due after one year £'000	Total £'000
Trade debtors	-	-	-	-	-	-
Amounts owed by holding company and fellow subsidiary undertakings	361,985	-	361,985	279,586		279,586
Other debtors	1,462	-	1,462	3,366	1,211	4,577
Prepayments and accrued income	-	-	-	412	-	412
Corporation Tax	1,065	-	1,065	-	-	-
Deferred taxation (see note 16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>61</u>
	<u>364,512</u>	<u>-</u>	<u>364,512</u>	<u>283,425</u>	<u>1,211</u>	<u>284,636</u>

The UK trade debtors ledger is factored without recourse through Grand Metropolitan Finance Ireland, a fellow subsidiary undertaking. Accordingly, trade debtors are included within amounts owed by the holding company and fellow subsidiary undertakings.

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****15. Creditors**

	1997		1996	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Bank loans and overdrafts	-	-	24	-
Trade creditors	316	-	8,465	-
Amounts owed to group undertakings:				
Subsidiary undertakings	12,411	-	10,125	-
Holding company and fellow subsidiary undertakings	129,553	-	73,792	-
Other creditors	-	-	2,323	847
Corporation tax	-	-	2,971	-
Other taxation including social security	3	-	533	-
Accruals and deferred income	3,171	-	7,264	-
	<u>145,454</u>	<u>-</u>	<u>105,497</u>	<u>847</u>

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED**NOTES (continued)****16. Deferred taxation**

	1997 £'000	1996 £'000
Short term timing differences at beginning of year	61	61
Transfers to profit and loss account (see note 9)	(61)	-
	<u> </u>	<u> </u>
Total deferred tax asset (see note 14)	<u> </u> -	<u> </u> 61

17. Provisions for Liabilities and Charges

	1997 £'000
At beginning of year	7,631
Utilised during the year	(4,321)
Additional Provision	<u>1,151</u>
At end of year	<u>4,461</u>

The provisions at the beginning of the year was set up on disposal of the Express Foods, Oakland and Eatfresh businesses in prior periods and is principally to cover future liabilities in respect of redundant properties and potential disposal warranty claims. The additional provision created during the year is to cover future liabilities in respect of the disposals of Peter's Savoury Products, Brossard and Memory Lane Cakes. Included in the amount of £1,151,000 is an amount of £534,000 which was included in Accruals and deferred income in prior years.

18. Called Up Share Capital

	Authorised 1997 & 1996 No.		Allotted, called up and fully paid 1997 £'000		1996 £'000
	No.	No.	£'000	No.	£'000
Ordinary shares of 25p each	800,000	800,000	200	800,000	200
'A' Ordinary shares of 25p each	53,800,000	52,918,181	13,229	52,918,181	13,229
7% Cum.Pref shares of £1 each	100,000	100,000	100	100,000	100
7% 'A' Cum.Pref shares of £1 each	1,000,000	902,601	903	902,601	903
6% Cum.Pref shares of £1 each	200,000	200,000	200	200,000	200
6% 'A' Cum.Pref shares of £1 each	550,000	507,110	507	507,110	507
	<u> </u>	<u> </u>	<u>15,139</u>	<u> </u>	<u>15,139</u>
Total equity share capital			13,429		13,429
Total non-equity share capital			1,710		1,710
			<u>15,139</u>		<u>15,139</u>

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

NOTES (continued)

None of the preference stock is redeemable.

The arrears in dividends for the cumulative preference shares amounts to £NIL (1996 - £NIL).

19. **Reserves**

	Share Premium Account £'000	Other Reserves £'000	Profit and Loss Account £'000	Total £'000
At beginning of year	772	2,937	218,984	222,693
Retained Loss for year	-	-	(15,999)	(15,999)
At end of year	<u>772</u>	<u>2,937</u>	<u>202,985</u>	<u>206,694</u>

20. **Guarantees**

The company has performance guarantees amounting to £NIL (1996 - £3,705,000), and other guarantees of £1,155,000 (1996 - £1,155,000).

21. **Capital Commitments**

Capital expenditure authorised and commitments not provided for in these financial statements are estimated at:

	1997 £'000	1996 £'000
Committed	-	67
Authorised but not committed	-	<u>231</u>

22. **Operating Lease Commitments**

At 30 September 1997, the company had annual commitments not provided for under operating leases as follows:

	1997		1996	
Payments due within 1 year for leases which expire:	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	-	-	2	440
Between two to five years	-	-	76	1,811
Over five years	-	-	384	166
	<u>-</u>	<u>-</u>	<u>462</u>	<u>2,417</u>

EXPRESS FOODS GROUP (INTERNATIONAL) LIMITED

NOTES (continued)

23. 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.

24. Immediate and Ultimate Parent Undertaking

The immediate parent undertaking is GrandMet Foods (UK) Limited a company registered in England and Wales.

The 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 17 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.