

GRAND METROPOLITAN

....adding value 

£200,000,000

Grand Metropolitan Finance Public Limited Company

(Incorporated in England and Wales under the Companies Acts 1908 to 1917
and the Companies Acts 1948 to 1981 with registered number 213393)

9% Bonds Due May 31, 2005

Guaranteed as to Payment of Principal and Interest by

Grand Metropolitan Public Limited Company

(Incorporated in England and Wales under the Companies Act 1929
and the Companies Acts 1948 to 1981 with registered number 291848)

Interest on the Bonds will accrue at a rate of 9% per annum from May 31, 1995. Interest on the Bonds will be payable in arrears on May 31 in each year, commencing May 31, 1996. Principal and interest on the Bonds are payable without deduction for or on account of United Kingdom withholding taxes to the extent described herein. See "Terms and Conditions of the Bonds — Payment of Additional Amounts" and "United Kingdom Taxation".

The Bonds are not redeemable prior to maturity except in the event of certain developments involving United Kingdom withholding taxes or upon the occurrence of certain other events giving rise to withholding taxes, in which event the Bonds may be redeemed at 100% of their principal amount, together with interest accrued to the date fixed for redemption, as described under "Terms and Conditions of the Bonds — Optional Tax Redemption" herein.

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") for the Bonds to be admitted to the Official List.

Copies of this Offering Circular, which comprises listing particulars for the purpose of giving information with regard to Grand Metropolitan Finance Public Limited Company (the "Issuer"), Grand Metropolitan Public Limited Company (the "Guarantor") and its subsidiaries (together, the "Group" or "GrandMet") and the Bonds, have been delivered by the Issuer for registration to the Registrar of Companies in England and Wales.

Issue Price: 101.32%

The Bonds will be initially represented by a single temporary bearer global bond (the "Temporary Global Bond"), without interest coupons attached, which will be deposited with a common depository for the benefit of Cedel Bank, société anonyme ("Cedel") and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear"), on or about May 31, 1995. The Temporary Global Bond will be exchangeable for definitive Bonds in bearer form on or after July 10, 1995 (subject to extension in the event of a further issuance) upon presentation of certificates of non-US beneficial ownership as described under "Terms and Conditions of the Bonds — Temporary Global Bond — Certifications".

HSBC Markets

Barclays de Zoete Wedd Limited
Merrill Lynch International Limited

J.P. Morgan Securities Ltd.

Cazenove & Co., London
UBS Limited

The date of this Offering Circular is May 24, 1995.



No person has been authorized to give any information or to make any representations other than those contained in this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Guarantor or the Managers (as defined in "Subscription and Sale"). This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities described herein. Neither the delivery of this Offering Circular nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

This Offering Circular (including the appendices set forth on pages 29 to 32) comprises listing particulars issued in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 by the London Stock Exchange. The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case) the information in these listing particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The 9% Bonds Due May 31, 2005 (the "Bonds") have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and include Bonds in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered, directly or indirectly, in the United States of America or to, or for the account or benefit of, US persons. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy the Bonds in any jurisdiction where such offer or solicitation is unlawful. See "Subscription and Sale".

The distribution of this Offering Circular and the offering or sale of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Bonds come are required by the Issuer, the Guarantor and the Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offering and sales of Bonds and on distribution of this Offering Circular, see "Subscription and Sale".

None of the Managers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Bonds should be based upon such investigations as it deems necessary. None of the Managers undertakes to review the financial condition or affairs of the Issuer or the Guarantor or to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Managers.

The principal executive and registered offices of the Issuer and the Guarantor are located at 20 St James's Square, London SW1Y 4RR, England.

In this Offering Circular, references to "pounds sterling", "£", "pence" or "p" are to UK currency; and references to "US dollars", "US\$" or "\$" are to US currency.

This Offering Circular may be used only in connection with the offer, sale and listing of the Bonds.

In connection with this issue, Midland Bank plc may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level which might not otherwise prevail. Such stabilizing, if commenced, may be discontinued at any time. Such transactions may be effected on the London Stock Exchange, on the over-the-counter market or otherwise. HSBC Markets Limited is the Appointed Representative of Midland Bank plc.

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DESCRIPTION OF GUARANTOR AND ISSUER

GRAND METROPOLITAN PUBLIC LIMITED COMPANY

The Guarantor was incorporated for an unlimited duration with limited liability under the laws of England and Wales on September 6, 1934 and re-registered as a public limited company on March 8, 1982. GrandMet comprises a leading international branded consumer products group managed as two core sectors of operations: Food and Drinks. GrandMet, which is headquartered in the United Kingdom, was the twenty-first largest UK publicly owned company in terms of market capitalization on May 19, 1995, with a market capitalization of approximately £8.0 billion. The Group considers its brands to be important to its operations, and a focus of its business strategy is to strengthen and increase consumer appeal for its key brands.

The Food sector. The Food sector comprises: Pillsbury and GrandMet Foods Europe, producers and distributors of leading food brands; Burger King, the fast food restaurant chain; and Pearle, the eyewear and eyecare retailer. Food products sold internationally include Green Giant vegetables, Old El Paso Mexican foods and Häagen-Dazs frozen dessert products; products sold primarily in the United States include Pillsbury bakery and prepared dough products, Progresso soups and Totino's and Pappalo's pizza products.

The Drinks sector. The Drinks sector comprises International Distillers and Vintners ("IDV"), which is one of the largest spirits and wines groups in the world. IDV produces and distributes a wide range of branded products, including Smirnoff vodka, J&B Rare Scotch whisky and Baileys Original Irish Cream liqueur.

The Group also has a 50% interest in Intrepreneur Estates Limited and its subsidiaries ("IEL"), a property joint venture with Courage Limited ("Courage"), a subsidiary of Foster's Brewing Group Ltd ("Fosters").

GrandMet has completed a number of acquisitions and dispositions since the beginning of fiscal 1987, consistent with its current strategy of focusing its operations on food and drinks. From the beginning of fiscal 1987 to date, the Group has spent approximately £8.3 billion on acquisitions, the most important of which were the acquisition of Heublein Inc., a major drinks producer and distributor in the United States, for \$1.2 billion in March 1987, the acquisition of The Pillsbury Company ("Pillsbury"), a major worldwide branded foods company whose operations included Burger King, for \$5.8 billion in January 1989 and the acquisition of Pet Incorporated ("Pet") in February 1995 for consideration and costs of \$2.8 billion. Pet is a leading US packaged food company with sales in the year ended June 30, 1994 of \$1.6 billion. Pet's products principally comprise Mexican and Italian foods, frozen bakery products and seafood products, which it sells under a number of well-known brand names. In March 1991, GrandMet completed the sale of its brewing operations and the restructuring of a significant portion of its pub estate. Between December 1991 and October 1992, GrandMet sold its Express dairy businesses. The sale of the Chef & Brewer UK pub retailing business was completed in November 1993. In December 1994, GrandMet completed the sale of Alpo Petfoods, Inc ("Alpo") for \$510 million. From the beginning of fiscal 1987 to date, dispositions, including Alpo, have been made for a total consideration of approximately £5.8 billion.

The Group expects to continue to make selective acquisitions in its core businesses and further dispositions where these are consistent with its overall business strategy.

Interim Results for Six Months Ended March 31, 1995

On May 11, 1995, the Group announced its unaudited interim results for the six month period ended March 31, 1995. The text of this announcement is included herein on pages 20 to 32.

GRAND METROPOLITAN FINANCE PUBLIC LIMITED COMPANY

The Issuer was incorporated for an unlimited duration with limited liability under the laws of England and Wales on April 23, 1926 with registered number 213393 and re-registered as a public limited company on November 2, 1981. It is a direct wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is at 20 St James's Square, London SW1Y 4RR.

The Issuer is engaged in treasury management for the Guarantor and the Group. The Issuer's operations are based in the United Kingdom and its principal business is to raise external funds utilizing the London and New York financial markets.

Capitalization

The following table sets forth the Capitalization of the Issuer at April 30, 1995.

	At April 30, 1995 (unaudited) £million
Bills of exchange	192
Commercial paper	100
Other loans	63
Bank loans and overdrafts	26
	<u>381</u>
Called up share capital	255
Total Capitalization	<u>636</u>

None of the borrowings of the Issuer is secured.

The Issuer's authorized share capital is divided into 5,100 million ordinary shares of 5p each, all of which have been issued and fully paid.

The Issuer enters into various forward dated transactions to manage the Group's interest and exchange rate exposures. The Issuer does not anticipate that any material losses will arise from these transactions.

Except as disclosed above, and apart from any intra-Group liabilities, at April 30, 1995 the Issuer had no outstanding loan capital, no created but unissued loan capital, and no term loans or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages or any material contingent liabilities or guarantees.

Excluding the issuance of the Bonds offered hereby, there has been no material change in the Capitalization of the Issuer since April 30, 1995.

Management

The Directors of the Issuer are:

<u>Name</u>	<u>Function</u>
Gerald MN Corbett	Chairman; Group Finance Director of the Guarantor
The Lord Sheppard of Didgemere	Chairman and Director of the Guarantor
George J Bull	Group Chief Executive and Director of the Guarantor
John B McGrath	Chairman and Chief Executive, Drinks Sector and Director of the Guarantor
David P Nash	Chairman and Chief Executive, Food Sector and Director of the Guarantor
Peter EB Cawdron	Group Strategy Development Director of the Guarantor
David B Rickard	Group Controller of the Guarantor
Nicholas C Rose	Group Treasurer of the Guarantor
Douglas C Stainton	Director of Group Taxation of the Guarantor
Chester J Evans (Alternate for John B McGrath)	Finance Director, Drinks Sector of the Guarantor
Ian C Shaw (Alternate for David P Nash)	Food Sector Controller of the Guarantor

The business address of each of the above is 20 St James's Square, London SW1Y 4RR.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the terms and conditions which, subject to completion and amendment, will appear on the Temporary Global Bond and, except where italicized, will be endorsed on the Bonds in definitive form issued in exchange for the Temporary Global Bond:

This Bond is one of a duly authorized issue of securities issued and to be issued under the Amended and Restated Fiscal Agency Agreement, dated as of February 20, 1995 (the "Fiscal Agency Agreement"), among Grand Metropolitan Finance Public Limited Company (the "Issuer"), Grand Metropolitan Finance France S.A., Grand Metropolitan International Finance B.V., Grand Metropolitan Investment Corporation, Grand Metropolitan Public Limited Company as guarantor (the "Guarantor"), Morgan Guaranty Trust Company of New York, London office, as fiscal agent and paying agent (the "Fiscal Agent"), and the other parties named therein. These Terms and Conditions are subject to the detailed provisions of the Fiscal Agency Agreement. Terms not otherwise defined herein have the meanings assigned to them in the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement are available for inspection at the principal office of the Fiscal Agent, being at the date of the issue of the Bonds, 60 Victoria Embankment, London EC4Y 0JP. The bearers of the Bonds (each a "Holder", and together the "Holders") are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Fiscal Agency Agreement that are applicable to them.

The Issuer may issue debt securities under the Fiscal Agency Agreement from time to time in one or more series. The Bonds constitute a single series of debt securities for purposes of the Fiscal Agency Agreement and will be unsecured evidences of indebtedness of the Issuer.

Unless previously redeemed, this Bond will be redeemed at its principal amount on May 31, 2005 ("Stated Maturity") or, if such specified date is not a Business Day, the next succeeding Business Day. The term "Business Day" means a day other than a Saturday or Sunday on which Cedel Bank, société anonyme ("Cedel") and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") are operating and which is not a day on which banking institutions in London generally are obligated by law, regulation or executive order to close. Interest on this Bond will accrue at the rate of 9% per annum from May 31, 1995. Interest on this Bond will be payable in arrears on May 31 of each year, commencing May 31, 1996 and ending at the Stated Maturity (each an "Interest Payment Date"). Each payment of interest in respect of an Interest Payment Date shall include interest accrued from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the date of the issue of this Bond) to but excluding such Interest Payment Date. Each interest payment on this Bond will be made as described below under "Payment of Principal and Interest; Paying Agents". Interest on this Bond will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and in each case of an incomplete month the actual number of days elapsed.

Form, Exchange, Transfer and Title

The Bonds are issued in bearer form only, serially numbered, with coupons attached for the payment of interest and are available in denominations of £1,000, £10,000 and £100,000. Bonds of one denomination are not exchangeable for Bonds of any other denomination.

The Bonds are subject to certain requirements and restrictions imposed by United States federal tax laws and regulations as provided in the Fiscal Agency Agreement.

Title to the Temporary Global Bond (*as defined below*), any Bond to be exchanged therefor and any coupons appertaining to any such Bond shall pass by delivery. The Issuer, the Guarantor, the Fiscal Agent and any agent of the Issuer, the Guarantor or the Fiscal Agent may deem and treat the Holder of any Bond and the holder of any coupon as the absolute owner thereof (whether or not such Bond or coupon shall be overdue and notwithstanding any notice to the contrary) for the purpose of making payment and for all other purposes.

Temporary Global Bond

General

The Bonds will initially be represented by a single temporary bearer global bond (the "Temporary Global Bond"), to be deposited on or about May 31, 1995 with a common depositary in London for the benefit of Euroclear and Cedel. Euroclear or Cedel, as the case may be, will credit the account of each subscriber with the principal amount of Bonds being subscribed by such subscriber.

The Temporary Global Bond will be exchangeable for definitive Bonds in bearer form on the Exchange Date (as defined under "Additional Information Regarding the Bonds" below), as provided in the Fiscal Agency Agreement.

Certifications

No interest will be paid on the Temporary Global Bond or any beneficial interest therein and no exchange of a beneficial interest in the Temporary Global Bond for definitive Bonds may occur until the person entitled to receive such interest or definitive Bonds furnishes written certification (the "Beneficial Ownership Certification"), in the form required by the Fiscal Agency Agreement, to the effect that such person (i) is not a United States person (as defined in the Fiscal Agency Agreement), (ii) is a foreign branch of a United States financial institution as defined in United States Treasury Regulations Section 1.165-12(c) (1) (v) (a "United States financial institution") purchasing for its own account or for resale, or is a United States person who acquired the Bond through a foreign branch of a United States financial institution and who holds the Bond through such United States financial institution on the date of certification, provided in either case that such United States financial institution provides a certificate to the Issuer or the distributor selling the Bond to it stating that it agrees to comply with the requirements of Section 165(j) (3) (A), (B) or (C) of the United States Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations thereunder, or (iii) is a United States or foreign financial institution holding for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c) (2) (i) (D) (7)). A United States or foreign financial institution described in clause (iii) of the preceding sentence (whether or not also described in clause (i) or (ii)) must certify that it has not acquired the Bond for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

Each member organization appearing in the records of Euroclear or Cedel as being entitled to a portion of the principal amount of such Temporary Global Bond (a "Member Organization") must provide a Beneficial Ownership Certification to Euroclear or Cedel and Euroclear or Cedel must provide to the Fiscal Agent a certification in the form required by the Fiscal Agency Agreement (a "Depositary Tax Certification"). Until the requisite certifications are provided by the Member Organization to Euroclear or Cedel and Euroclear or Cedel provides the requisite certifications to the Fiscal Agent, such Member Organization shall not be entitled to receive any interest with respect to its interest in the Temporary Global Bond or to exchange its interest in the Temporary Global Bond for definitive Bonds.

Payment of Principal and Interest; Paying Agents

Principal of and interest on the Temporary Global Bond will be paid to each of Euroclear and Cedel with respect to that portion of such Temporary Global Bond held for its account. The Issuer and the Guarantor understand that in accordance with current operating procedures of Euroclear and Cedel each of Euroclear and Cedel will credit such principal and interest received by it in respect of a Temporary Global Bond to the respective accounts of the persons who on its records are owners of beneficial interests in such Temporary Global Bond.

Interest on definitive Bonds will be payable by check upon surrender of any applicable coupon, and principal of Bonds will be payable by check upon surrender of such Bonds, at such offices or agencies outside the United States and its possessions as the Issuer may from time to time designate; provided, however, that no interest will be payable on any Bond (including the Temporary Global Bond) until the Beneficial Ownership Certification described above under "Temporary Global Bond — Certifications" is delivered to Euroclear or Cedel and Euroclear or Cedel delivers the Depositary Tax Certification described above under "Temporary Global Bond — Certifications" to the Fiscal Agent. No payment with respect to any Bond will be made at any office or agency in the United States or its possessions or by check mailed to any address in the United States or its possessions or by transfer to an account maintained with a bank located in the United States or its possessions.

Bonds called or presented for redemption must be presented for payment of the applicable redemption price together with all unmatured coupons. Amounts due in respect of any missing unmatured coupons will be deducted from the sum due for payment. Interest due on redemption of the Bonds other than on an Interest Payment Date will be payable only upon the surrender of the Bonds.

All monies paid by the Issuer to a Paying Agent for the payment of principal of or interest on any Bond which remain unclaimed for two years after such principal or interest shall have become due and payable will be repaid to the Issuer and thereafter the Holder of such Bond or any coupon shall be entitled to look only to the Issuer or the Guarantor, as the case may be, for payment thereof. The time limits for making claims against the Issuer or the Guarantor, as the case may be, for such payments are governed by applicable law.

Any payment on this Bond due on a Saturday or Sunday or any day which is a day on which banking institutions in any place of payment are obligated by law to close, need not be made on such day at such place, but may be made on the next succeeding day (other than a Saturday or Sunday) on

or the Guarantor or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(e) the commencement by the Issuer or the Guarantor of a voluntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law of the United Kingdom, or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Issuer or the Guarantor in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law of the United Kingdom, or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable law of the United Kingdom, or the consent by it to the filing of such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of the Guarantor or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer or the Guarantor in furtherance of any such action.

If an Event of Default with respect to the Bonds shall occur and be continuing, the Holders of at least 25% in aggregate principal amount of the Outstanding Bonds by notice as provided in the Fiscal Agency Agreement may declare the principal amount of all of the Outstanding Bonds to be due and payable immediately. At any time after such declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained, the Holders of a majority in aggregate principal amount of the Outstanding Bonds, subject to the requirements set forth under "Modification and Waiver" below, may rescind and annul such declaration.

Modification and Waiver

Modification and amendments of the Fiscal Agency Agreement or the Bonds may be made by the Issuer, the Guarantor and the Fiscal Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided, however, that no such modification or amendment may, without the consent of the Holder of each Outstanding Bond affected thereby, (a) change the Stated Maturity of the principal of, or any Interest Payment Date for any instalment of interest on, any Bond, (b) reduce the principal amount of or interest on any Bond, (c) change any obligations of the Guarantor to pay additional amounts, (d) change any Place of Payment where, or the coin or currency in which, principal of the Bonds or interest thereon, is payable, (e) impair the right to institute suit for the enforcement of any payment on or with respect to any security or guarantee of the Bonds, (f) reduce the percentage in principal amount of Outstanding Bonds required for modification or amendment of the Fiscal Agency Agreement or the Bonds or for waiver of compliance with certain provisions of the Fiscal Agency Agreement or the Bonds or the waiver of certain defaults, (g) reduce the requirements contained in the Fiscal Agency Agreement for quorum or voting, (h) change any obligation of the Issuer or the Guarantor to maintain an office or agency in the places and for the purposes required by the Fiscal Agency Agreement or the Bonds or (i) modify or affect in any manner adverse to the interests of the Holders of the Bonds the terms and conditions of the obligations of the Guarantor regarding the due and punctual payment of the principal thereof and interest thereon. As used in this paragraph, "Place of Payment" means the place or places where the principal of and any interest on the Bonds are payable as specified under the Fiscal Agency Agreement.

The Fiscal Agency Agreement or the Bonds may also be modified or amended without the consent of the Holders, among other things, (a) to evidence the succession of another Person to the Issuer or the Guarantor and the assumption by such Person of the obligations of the Issuer or the Guarantor under the Bonds or the Guarantee, as the case may be, (b) to add to the covenants of the Issuer or the Guarantor for the benefit of Holders of Bonds or to surrender any power conferred upon the Issuer or the Guarantor, (c) to add any Events of Default, (d) to secure the Bonds, (e) to provide for successor or additional fiscal agents or other parties thereto, or (f) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision or to make any other provisions with respect to matters or questions arising under the Fiscal Agency Agreement or the Bonds, provided such action shall not adversely affect the interests of Holders of the Bonds in any material respect.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds may waive any past default under the Fiscal Agency Agreement with respect to the Bonds, except a default in the payment of principal of or interest on any Bond.

Consolidation, Merger and Sale of Assets

The Issuer or the Guarantor, without the consent of the Holders, may consolidate with, or merge into, or convey or transfer or lease their respective assets substantially as an entirety, to any corporation, partnership or trust, provided that (i) any such successor entity assumes the Issuer's obligations on the Bonds or the Guarantor's obligations on the Guarantee, (ii) after giving effect to the transaction, no event which, after notice or lapse of time would become an Event of Default, shall have occurred and be continuing and (iii) certain other conditions set forth in the Fiscal Agency Agreement (including payment of additional amounts, if any) are met.

The Guarantor or any of its Subsidiaries may, subject to certain restrictions set forth in the Fiscal Agency Agreement, assume the obligations of the Issuer under the Bonds without the consent of the Holders of the Bonds.

Notices

Notices to Holders of Bonds will be given by publication at least once in an English language daily newspaper of general circulation in London or, if such publication is not practicable, in another leading daily English language newspaper of general circulation in Europe. The Issuer and the Guarantor initially intend to use for this purpose the *Financial Times*. So long as the Bonds are accepted for clearance through Euroclear and Cedel, notice will also be given to Euroclear and Cedel for communication by them to persons shown in their respective records as having interests therein.

Replacement of Bonds and Coupons

Bonds or coupons that become mutilated, destroyed, stolen or lost will be replaced by the Issuer at the expense of the Holder upon delivery, in the case of Bonds or coupons, to the Fiscal Agent of the mutilated Bonds or coupons or evidence of the loss, theft or destruction thereof satisfactory to the Issuer and the Fiscal Agent. In the case of a lost, stolen or destroyed Bond or coupon, an indemnity satisfactory to the Fiscal Agent and the Issuer may be required at the expense of the Holder of the Bond before a replacement Bond or coupon will be issued. The Issuer may require payment by the Holder of any taxes and other governmental charges payable in connection with the replacement of Bonds or coupons and any other expenses (including the fees and expenses of the Fiscal Agent or any other agent) connected therewith.

Further Issuances

The Issuer will be permitted, without the consent of the Holders of the Bonds or the Managers, to issue additional tranches of Bonds from time to time having the same terms and conditions as an earlier tranche of Bonds. Upon such issuance of additional tranches of Bonds (if any) prior to an Exchange Date, such Exchange Date may be extended (or further extended), without the consent of the Holders of the Bonds, until the 40th day after the completion of distribution of such additional tranches of Bonds.

Governing Law

The Bonds, the Fiscal Agency Agreement and the Guarantee are governed by and shall be construed in accordance with the law of the State of New York.

Submission to Jurisdiction

The Issuer and the Guarantor have submitted in the Fiscal Agency Agreement, and are subject, to the jurisdiction of the courts of England and Wales in relation to any disputes.

ADDITIONAL INFORMATION REGARDING THE BONDS

As of the date hereof, the Group has no Principal Properties (as defined in "Terms and Conditions of the Bonds — Limitation on Liens" above).

On or after the Exchange Date, provided certification as to non-US beneficial ownership has been received, interests in the Temporary Global Bond will be exchanged for definitive Bonds in bearer form with coupons attached for the payment of interest. See "Terms and Conditions of Bonds — Temporary Global Bond — Certifications". "Exchange Date" means, in respect of the Temporary Global Bond, the first day following the expiration of 40 days after the issuance of the Bonds (subject to extension in the event of a further issuance as described under "Terms and Conditions of the Bonds — Further Issuances" above).

The Issuer and the Guarantor have initially appointed as paying agents the banks set out at the end of this Offering Circular. The Issuer and the Guarantor may at any time terminate the appointment of any

UNITED KINGDOM TAXATION

The comments below are of a general nature, are not exhaustive and are based on current United Kingdom law and practice. The comments relate to the position of persons (other than dealers) who are the absolute beneficial owners of their Bonds and entitled to the coupons thereon. Prospective holders of Bonds who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

The Bonds will constitute "quoted Eurobonds" within the terms of section 124 of the Income and Corporation Taxes Act 1988 ("ICTA") provided that they remain in bearer form and continue to be quoted on a "recognized stock exchange" within the meaning of section 841 ICTA. Accordingly, payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom tax where:

- (a) the person by or through whom payment is made is not in the United Kingdom; or
- (b) the payment is made by or through a person who is in the United Kingdom but either:
 - (i) it is proved, on a claim in that behalf made to the Board of the Inland Revenue that the person who, for United Kingdom tax purposes, is the beneficial owner of the Bond and entitled to the interest is not resident in the United Kingdom; or
 - (ii) the Bond and relevant coupon are held in a "recognized clearing system". Cedel and Euroclear, *inter alia*, have each been designated as a "recognized clearing system" for this purpose.

In all other cases, interest will be paid under deduction of United Kingdom income tax at the basic rate (currently 25%), subject to any direction to the contrary by the Inland Revenue pursuant to a claim made under the provisions of any applicable double taxation treaty.

A collecting agent in the United Kingdom receiving or obtaining payment of interest on behalf of any Holder of Bonds will, if the payment of that interest was not made by or entrusted to any person in the United Kingdom, or if the relative Bond is held in a recognized clearing system, be required to withhold or deduct tax at the basic rate unless it is proved, on a claim in that behalf made in advance to the Inland Revenue, that the beneficial owner of the Bond and the relative coupon is not resident in the United Kingdom (and the interest is not deemed for United Kingdom tax purposes to be the income of any other person).

GENERAL INFORMATION

Listing

The listing of the Bonds will be expressed as a percentage of the principal amount thereof (excluding accrued interest). It is expected that listing of the Bonds on the London Stock Exchange will be granted on or before May 31, 1995 subject only to the issue of the Temporary Global Bond. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.

Material Change

Other than as disclosed herein on pages 3 to 7 and 20 to 32, there has been no significant change in the financial or trading position of the Issuer or the Group since September 30, 1994 and March 31, 1995, respectively. Other than as disclosed herein on pages 3 to 7 and 20 to 32, there has been no material adverse change in the financial position or prospects of the Issuer or the Group since September 30, 1994.

Authorization

The issuance of the Guarantee was authorized by a decision of a duly authorised committee of the Board of Directors of the Guarantor on May 24, 1995. The issuance of Bonds by the Issuer was authorized by a decision of the Board of Directors of the Issuer on May 24, 1995.

Litigation

There are no legal or arbitration proceedings (including any which are pending or threatened of which the Issuer or Guarantor are aware) affecting the Issuer or the Guarantor or any of its subsidiaries which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Issuer or of the Guarantor and its subsidiaries taken as a whole.

Euroclear and Cedel

The Notes have been accepted for clearance through Euroclear and Cedel (Common Code 5753341 and ISIN XS0057533415).

Auditors

The financial statements of the Guarantor for the three years ended September 30, 1994 have been audited by KPMG, Chartered Accountants and Registered Auditors, in accordance with the laws of England and Wales. The audit reports on the financial statements of the Guarantor for the three years ended September 30, 1994 were unqualified. The business address of KPMG is 8 Salisbury Square, London EC4Y 8BB.

The financial statements of the Issuer for the three years ended September 30, 1994 have been audited by KPMG, Chartered Accountants and Registered Auditors, in accordance with the laws of England and Wales. The audit reports on the financial statements of the Issuer for the three years ended September 30, 1994 were unqualified. The business address of KPMG is 8 Salisbury Square, London EC4Y 8BB.

Documents for Inspection

Copies of the following documents may be inspected at the offices of Milbank, Tweed, Hadley & McCloy, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9AS during usual business hours on any weekday (public holidays excepted) during the period of 14 days from the date of this document and, so long as any Bonds remain outstanding, at the registered office of the Guarantor and the office of the Fiscal Agent:

- (i) the Memorandum and Articles of Association of each of the Issuer and the Guarantor;
- (ii) the audited annual accounts of the Issuer and the consolidated audited annual accounts of the Guarantor and its subsidiaries for their respective two most recent financial years for which such financial statements have been published together with the interim results of the Guarantor published subsequently to such annual accounts;
- (iii) the Fiscal Agency Agreement;
- (iv) the Underwriting Agreement; and
- (v) this Offering Circular.

European Foods and Pearle continued to improve their profitability.

As anticipated, IDV's operating profits were down versus last year from £254 million to £211 million, due primarily to the loss of Absolut. Excluding this, local currency operating profit was maintained, after advertising and marketing expenditure was significantly increased. IDV again achieved excellent cash flow performance in the period.

Eight of IDV's top ten major brand markets increased or broadly maintained market share. Volumes on a comparable basis increased, despite the continuing difficult spirits markets in the US and Europe. We continued to make progress in the emerging markets.

In summary, GrandMet is now positioned as a market oriented company with an excellent portfolio of branded food and branded drinks. Although this year's results will be affected by the loss of Absolut and adverse exchange rates, we are benefiting from the major restructuring programmes implemented over the last 18 months. This has enabled us to increase advertising and marketing expenditure in our brands, which will exceed £1 billion for the first time this year. This extra advertising and marketing expenditure and the other actions we are taking in our businesses, provide a firm basis for progress in the future."

The detailed interim statement follows.

GRAND METROPOLITAN PLC
DETAILED INTERIM STATEMENT

Profit and Loss Account

The profit and loss account of the group for the half year ended 31st March 1995 is attached as Appendix 1. Operating profit in the following analyses and in the sector trading reviews is before exceptional items, which are described separately.

Segmental Analysis

	Six months ended 31st March 1995		Six months ended 31st March 1994	
	Turnover £m	Operating profit £m	Turnover £m	Operating profit £m
Food - Packaged	1,769	165	1,537	134
- Retailing	476	94	546	76
Drinks	1,600	211	1,661	254
Continuing operations	<u>3,845</u>	<u>470</u>	<u>3,744</u>	<u>464</u>
Discontinued operations	60	13	173	19
	<u>3,905</u>	<u>483</u>	<u>3,917</u>	<u>483</u>

Discontinued operations comprise Alpo Petfoods and, in the prior period only, The Chef & Brewer Group.

Geographical Analysis

	Turnover by market		Operating profit	
	£m	%	£m	%
United Kingdom	413	11	53	11
Rest of Europe	834	22	59	13
United States	2,152	56	326	69
Rest of World	446	11	32	7
Continuing operations	<u>3,845</u>	<u>100</u>	<u>470</u>	<u>100</u>

In South America, Brazilian inflation has now decreased considerably, boosting consumer confidence and resulting in growth in the spirits market. All IDV brands have benefited from increased advertising and marketing expenditure, and achieved real price rises. Overall volumes grew 15%; while Dreher grew marginally, Smirnoff and Old Eight Whisky achieved substantial increases.

In Africa, IDV volume increased 2% in total. In South Africa, Smirnoff and J&B both increased volume and market share.

IDV continued to make good progress in the emerging markets (defined by IDV as markets accessible since 1990) which now constitute nearly 5% of IDV's spirits volumes. In Central Europe, volumes and profit grew by more than 70%. In India, Gilbeys whisky achieved a significant market share on its launch in Bombay. During the half year period, IDV established businesses in Vietnam, Bulgaria and Romania.

Summary: 1995 is a year of increased investment for IDV. IDV's full year results will be affected by the loss of Absolut last year and of the Grand Marnier distribution rights in the US from December 1994. These contributed £62 million and £10 million, respectively, to IDV's 1994 full year operating profit. The restructuring programmes are on schedule with expected full year savings of £24 million and total annual savings when fully realised of approximately £70 million. Advertising and marketing expenditure is being increased and new brand development and new market entries are progressing. These actions, still fully to impact the current year, will benefit profits in future years.

Associates

Sales in Häagen-Dazs Japan rose by 37% and its leadership position in the superpremium and premium ice cream markets was strengthened. Results from the Jose Cuervo group in Mexico were negatively affected by the devaluation of the peso.

The group's share of Intreprenur Estates Ltd profits before exceptional items and tax was £6 million compared with break even for the same period last year. The refinancing of IEL was successfully completed in January, resulting in the repayment to GrandMet of its £360 million loan and a further injection of £28 million of new equity capital, a net release of cash of £332 million. GrandMet now has no direct management involvement in IEL. The remaining link with IEL is a 50% equity investment of approximately £220 million in the 4,300 tied pub estate.

Exceptional Items

There was a net exceptional credit before taxation of £18 million. This resulted principally from a £198 million profit on the sale of Alpo, less costs of £42 million relating to the disposal of Green Giant processing to Seneca Foods and a charge of £122 million for the integration of Pet into Pillsbury and GrandMet Foods Europe. The latter cost has been treated as an exceptional operating cost as a result of the group's early adoption of the new accounting standard, FRS 7 - Fair values in acquisition accounting. The group's share of associated company exceptional charges was £11 million, primarily relating to interest hedges no longer required following the refinancing of IEL.

Interest

Interest cover for the first half year was 8.2 times. Excluding the effect of the acquisition of Pet, the interest charge fell from £63 million to £43 million reflecting the preference securities issued in November 1994 (the dividend on which is treated as a non-equity minority interest), the sale of Alpo, the strengthening of sterling and strong operating cash flow. Interest on the acquisition of Pet was £18 million.

Exchange Rates

Exchange rate movements during the period, in particular the strengthening of sterling against the US dollar in which approximately 70% of operating profit is denominated, negatively affected the translation of overseas operating profit by £24 million and profit before exceptionals and tax by £19 million.

At 31st March 1995, US dollar net assets excluding cash and borrowings were approximately 65% hedged by US dollar denominated borrowings and currency swaps (82% at 30th September 1994).

Taxation

The effective rate of taxation on profit before exceptional items for the period was 28% compared with 28.5% for the year ended 30th September 1994.

Dividend

The interim dividend for the year ending 30th September 1995 of 5.5p per share represents an increase of 6.8%. This dividend will be paid on 2nd October 1995 to shareholders on the register on 25th July 1995. The shares will be traded ex dividend from 17th July 1995. A share dividend alternative is again being offered in respect of this dividend.

Cash Flow

The group generated £312 million of free cash flow before dividends during the period compared with £232 million for the six months last year. A cash flow statement for the half year is attached as Appendix 3.

Balance Sheet

The summary balance sheet of the group as at 31st March 1995 is attached as Appendix 2. Total shareholders' funds were £2,982 million compared with £3,540 million at the end of September 1994. This decrease reflects £724 million of goodwill written off on new acquisitions, principally in respect of Pet. Pet's brands have been incorporated into the balance sheet at a valuation of £1,140 million, in accordance with the group's accounting policies.

At 30th September 1994, net debt was £2.2 billion. Prior to the acquisition of Pet, this was reduced by £343 million as a result of the issue of preference securities and by £332 million in respect of the net repayment from IEL. Pet was acquired for £1,774 million plus Pet debt of £322 million. The net debt at 31st March was £3.1 billion, which does not

GRAND METROPOLITAN**BALANCE SHEET**

	31st March 1995 £m	31st March 1994 £m	30th September 1994 £m
Fixed assets			
Intangible assets	3,798	2,959	2,782
Tangible assets	1,684	1,980	1,795
Investments	<u>1,057</u>	<u>1,021</u>	<u>998</u>
	6,539	5,960	5,575
Working capital			
Stocks	1,215	1,259	1,235
Debtors	1,893	1,832	1,983
Creditors and provisions	<u>(3,176)</u>	<u>(2,618)</u>	<u>(3,047)</u>
Capital employed	6,471	6,433	5,746
Net borrowings	<u>(3,110)</u>	<u>(2,627)</u>	<u>(2,159)</u>
	<u>3,361</u>	<u>3,806</u>	<u>3,587</u>
Shareholders' funds			
Called up share capital	534	532	533
Reserves	<u>2,448</u>	<u>3,234</u>	<u>3,007</u>
	2,982	3,766	3,540
Minority interests			
Equity	42	40	47
Non-equity	<u>337</u>	<u>-</u>	<u>-</u>
	<u>3,361</u>	<u>3,806</u>	<u>3,587</u>
Gearing	93%	69%	60%
Closing £/\$ exchange rate	1.63	1.48	1.58

MOVEMENTS IN SHAREHOLDERS' FUNDS

Profit for the period	284	313	450
Ordinary dividends	(115)	(108)	(292)
Other recognised gains and losses (net)	(38)	(6)	(57)
New share capital issued	3	27	31
Adjustment in respect of share dividend	4	12	20
Goodwill written off during period	(724)	(156)	(320)
Goodwill transferred to the profit and loss account			
in respect of disposals of businesses	<u>28</u>	<u>10</u>	<u>34</u>
Net movement in shareholders' funds	(558)	92	(134)
Shareholders' funds at beginning of period	<u>3,540</u>	<u>3,674</u>	<u>3,674</u>
Shareholders' funds at end of period	<u>2,982</u>	<u>3,766</u>	<u>3,540</u>

GRAND METROPOLITAN**CASH FLOW STATEMENT**

	Six months ended 31st March 1995 £m	Six months ended 31st March 1994 £m	Year ended 30th September 1994 £m
Operating activities			
Operating profit before exceptional items	483	483	1,023
Depreciation	95	104	205
Exceptional reorganisation costs	(24)	(22)	(67)
Working capital	(44)	(61)	64
Other items	<u>(12)</u>	<u>(25)</u>	<u>(30)</u>
Cash from operating activities	498	479	1,195
Servicing of finance and taxation			
Interest and preference dividends paid	(39)	(43)	(136)
IEL prior year interest received	71	-	-
Dividends paid	(102)	(91)	(251)
Dividends from associated companies	1	2	15
Taxation paid	<u>(123)</u>	<u>(127)</u>	<u>(210)</u>
Cash inflow before investing activities	306	220	613
Investing activities			
Capital expenditure	(75)	(69)	(200)
Sale of fixed assets	70	14	41
Acquisitions	(2,081)	(410)	(581)
Loan repayments and disposals	398	696	865
Provision payments	<u>(20)</u>	<u>(24)</u>	<u>(63)</u>
Net cash (outflow)/inflow before financing	<u>(1,402)</u>	<u>427</u>	<u>675</u>
Free cash flow	<u>312</u>	<u>232</u>	<u>642</u>

MOVEMENTS IN NET BORROWINGS

Net cash (outflow)/inflow before financing	(1,402)	427	675
Ordinary shares issued	2	27	31
Preference securities issued	343	-	-
Capital element of finance leases	<u>(4)</u>	<u>(6)</u>	<u>(9)</u>
Net cash (outflow)/inflow	(1,061)	448	697
Exchange movement	<u>110</u>	<u>(50)</u>	<u>169</u>
(Increase)/decrease in net borrowings	<u>(951)</u>	<u>398</u>	<u>866</u>

Note

Free cash flow represents cash from operating activities and dividends received from associates, less payments in respect of interest, preference dividends, tax, provisions and net capital expenditure. Free cash flow does not include the £71 million prior year interest received by the group as part of the £360 million repayment by IEL following its refinancing.