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NOTICE OF ILLEGIBLE PAGES

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This has been noted but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause.

Grand Metropolitan PLC
No. 291848

We continue to work hard to employ more international executives and to strengthen the ownership base of the company by wider representation in international financial markets.

In our three trading areas of food, drinks and retailing we will continue to develop our international brands, recognising that discerning customers throughout the world will always buy products they know and trust. The development of such brands continues to be a key task.

TRADING

The group has had another successful year. All sectors have overcome adverse economic conditions to report good growth. Significant support has been given to our worldwide portfolio of brands and to new product launches, annual advertising, marketing and promotion costs in 1990 were £833 million compared with £658 million in 1989.

Food

North American Food

Pillsbury, which was included for the full year, compared with only nine months in the comparative period, produced excellent results with profits up from £117 million to £183 million. Alpo Petfoods' trading profit went from £26 million last year to break even, following the planned expenditure on the very successful cat food launch and competitive pressure in the dog food market.

The group's brands were strongly supported by substantially increased marketing spend and many new product introductions were made. Most of the major product lines increased their market share, with particular volume strength in both bakery products and canned vegetables.

European Food

The European Food businesses, including a full year's contribution from Pillsbury Europe, achieved trading profit of £126 million, up from last year's £102 million, with good contributions from both West Germany and the United Kingdom. In the United Kingdom, Express contributed a robust performance despite the continuing deterioration of the UK dairy commodity market and the impact of consumer concerns on the yogurt market.

Drinks

Wines and Spirits

This was yet another excellent year for Wines and Spirits with overall trading profit at £407 million growing 21 per cent from last year. Excluding the impact of exchange rate movements and new acquisitions, growth in trading profit was 16 per cent. Operating margins continued to improve, rising from 15.6 per cent to 17.3 per cent.

Advertising and promotion expenditure was boosted 20 per cent to over £260 million.

Brewing

Brewing's trading profit for the year increased to £66 million from £54 million in 1989, an increase of 22 per cent.

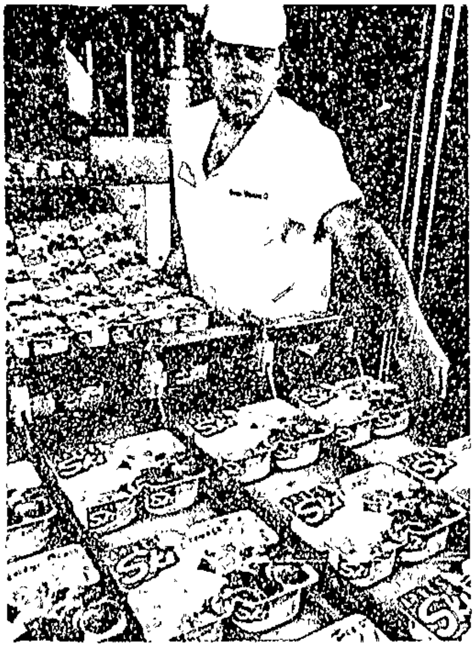
Retailing

Burger King

Burger King performed well with profits of £125 million compared with £76 million for the nine months contribution last year.

Other Retailing and Property

The other retailing businesses suffered from difficult market conditions but still managed to achieve a nine per cent increase in trading profit. A particularly good performance was recorded by GrandMet Estates which benefited from the increased rentals generated by the Inntrepreneur programme. Pearle had a difficult second half year, primarily due to reduced consumer spending and international expansion costs. GrandMet Retailing, the licensed pub and restaurant business, implemented a programme of strict cost controls both at house level and centrally. The Dominic Group has improved gross margins significantly.



Brian Stennett checking packs of SK Fromage Frais at the new £5.5m installation at Minsterley

PEOPLE IN GRANDMET

As the size and spread of GrandMet's business grows, the effective utilisation and development of our people assumes even greater importance. Although the majority of employees are located in the United States and the United Kingdom, the group is expanding in other parts of the world particularly Continental Europe, as new business opportunities are identified. The development of a spirit and understanding of internationalism is encouraged among the workforce and at the same time cultural diversity is recognised and supported in all its aspects. In Pillsbury, for example, a major training initiative has been launched for all employees, with emphasis on cultural diversity.

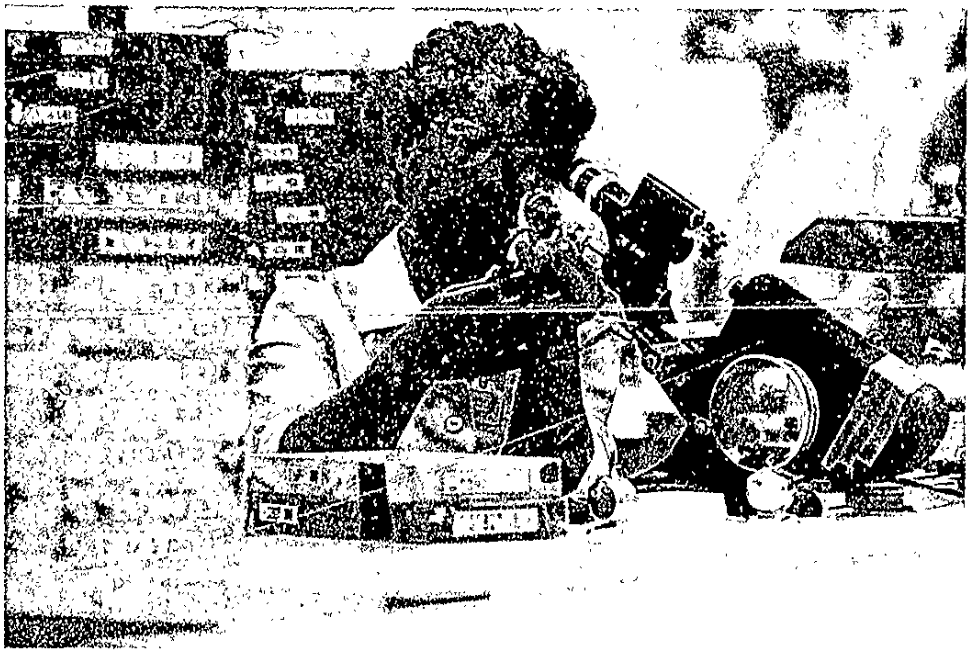
In encouraging an open approach which seeks to involve people in every level of the business, great emphasis is placed on effective communication. To supplement local programmes, employees are briefed as widely as possible about activities and developments across the group through such initiatives as an audio Business Bulletin (sent worldwide to over 1,000 managers regularly) and an Annual Employee Report.

Our philosophy is to hire the best people, involve and motivate them, reward them well for their achievements and develop their talents to fulfil their own potential and further the group's success. Employee policies are all directed towards these objectives, employees being rewarded by competitive salaries and through well designed self-funding bonus schemes. Such schemes foster the effective development of team spirit and greater involvement with the group.

Management Development

Management development is a key responsibility of every manager in the group and, for senior appointments, a Board Committee has been formed where issues are debated, individual career plans discussed and effective succession plans agreed. We seek to develop the potential of our people by promotion from within, while recognising it is important to keep a continual flow of new talent from outside the company to enable us to benefit from wider experience gained from differing backgrounds and environments. A team of committed managers possessing the flexibility to take on challenging assignments throughout the group, is being built. Particular emphasis is placed on developing cultural diversity. GrandMet's senior management still has its origins largely in the United Kingdom and the United States and a priority is to hire and develop good quality managers from other parts of the world, particularly Continental Europe and the Far East which have been targeted as areas of major growth. The career development of international managers, whether through overseas assignments or by working in overseas markets from a home base, is therefore of real importance.

Above all, we are looking for people at every level who are seeking fulfilling and rewarding careers and who are attracted to the excitement and challenges that the group and its brands provide.



[illegible]

THE PORTMAN GROUP

In view of the position of GrandMet as one of the world's leading drinks companies, we are a major supporter of two drinks industry initiatives, the Portman Group in the United Kingdom and its equivalent in the United States. The aims of these organisations are to reduce alcohol misuse through educational programmes and practical initiatives, to promote sensible drinking, and to foster a better understanding of the complex reasons behind alcohol misuse.

EMPLOYEES AND BUSINESS ASSOCIATES

This year, probably more than any other, GrandMet has benefited from being able to count on the support of its employees, licensees, franchisees and business associates. Without their backing we would not have been able to achieve such excellent results in the current difficult economic climate. In particular I would like to thank the management and staff at GrandMet Brewing who, in a period of great uncertainty, produced record results.

PROSPECTS

During the 1980s GrandMet developed into an international food, drinks and retailing group with trading profits rising from around £200 million to over £1 billion.

In 1991 we expect further earnings improvements through continued trading growth. However, 1991 is potentially a difficult year with the translation impact of a weak dollar on our considerable US earnings, fewer property disposals and an increased tax charge. In spite of these factors and the world economic situation, we believe that 1991 will be another year of progress for Grand Metropolitan.

Finally, a word of thanks for your continuing support and encouragement over the past year.

Yours sincerely,

Allen Sheppard

Chairman

[illegible] December 1990

We aim to help people in need to help themselves

Throughout 1990, GrandMet continued its support of The National Association of Boys' Clubs.

GrandMet has a responsibility to support the communities in which it operates. Our philosophy can be summed up in the phrase "we aim to help people in need to help themselves."

We devote the same management skill and professionalism to supporting the community as we do to running our trading operations. The executives who organise our programmes of charitable donations, sponsorships, secondments and volunteerism are equally at home making profits on the boards of our operating companies.

We do not simply donate money or product. We become fully involved, both as GrandMet companies and as individuals, and seek to develop a close working partnership with charities and community organisations. We apply the creativity and energy of our management to helping these organisations to develop exciting initiatives to leverage their resources and maximise their own potential. We believe in long term commitments rather than short term remedies.

GrandMet is one of the largest corporate donors to charitable and community projects in both the United Kingdom and United States.

UNITED STATES

All GrandMet companies in the United States have an excellent record of active involvement in the communities in which they operate. Under GrandMet's stewardship the major focus of these programmes, as in the United Kingdom, has been on disadvantaged people, with emphasis on children and youth.

Charitable Contributions

In 1990 GrandMet companies in total gave more than $10 million in charitable contributions, with a further $6 million being donated in the form of product donations. In addition to the funding priorities of the individual companies (eg animal health and welfare in ALPO; youth education in Burger King; education in Heublein; vision correction benefits for hardship cases in Pearle; support for disadvantaged children in Pillsbury), all GrandMet companies and their employees actively support the United Way, the United State's largest umbrella charity. Well over $1½ million was contributed to the United Way in 1990 alone.

Volunteer Programmes

In the United States corporate volunteer programmes are seen to benefit

- the company, through its enhanced reputation within the community, and
- employees, through the acquisition of new skills in developing their personal potential.

GrandMet companies therefore encourage and enable their employees to contribute personal time and effort through both formal company programmes and individual initiatives. In Pillsbury, for example, under the auspices of the company's volunteer programme, REACH, employee volunteers contributed over 60,000 hours of community service in 1990.

Retiree volunteer programmes are becoming increasingly significant in the United States as employees retire earlier and seek opportunities to serve the community. Over 125 Pillsbury retirees are involved in company-sponsored projects in Minneapolis through the company's Golden Ambassadors retiree programme.

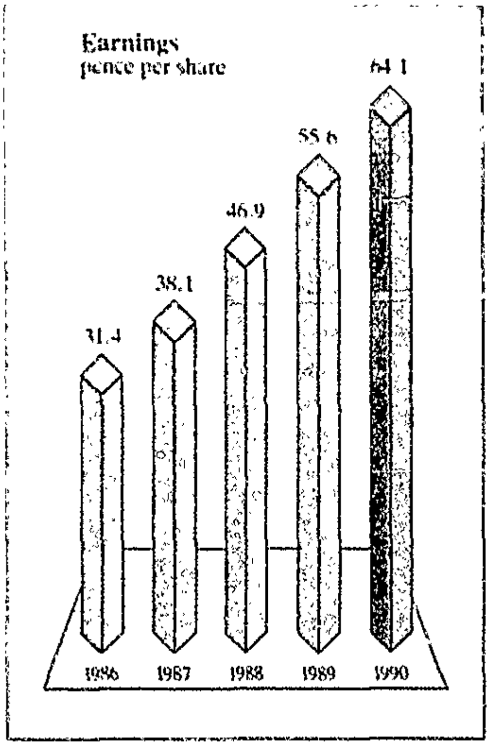
Food Sector Chief Executive, Ian Martin, visiting a children's recreational center in Minneapolis.

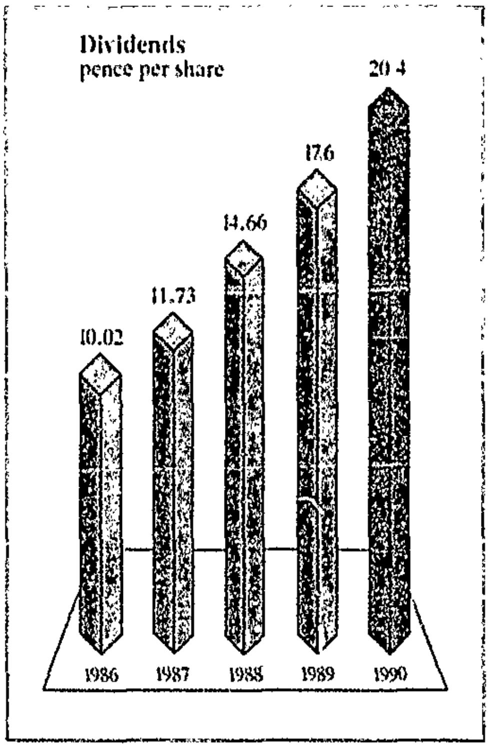
Community Outreach

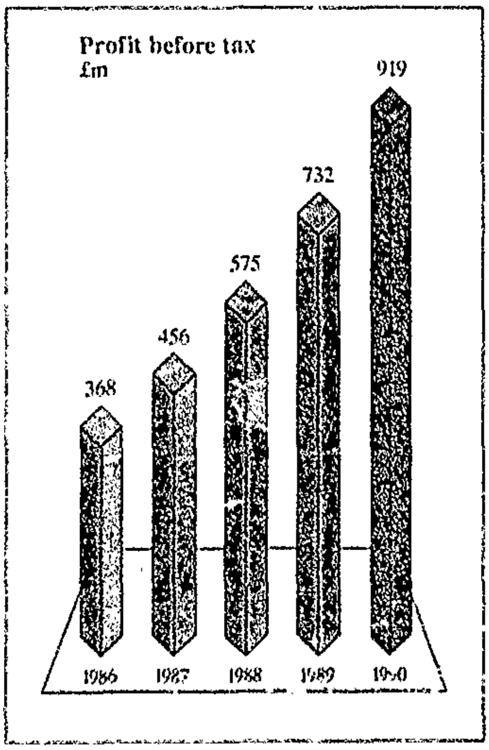
In addition to their corporate philanthropy and volunteer programmes, GrandMet companies have taken many other initiatives to reach out to the communities of which they are a part. These include:

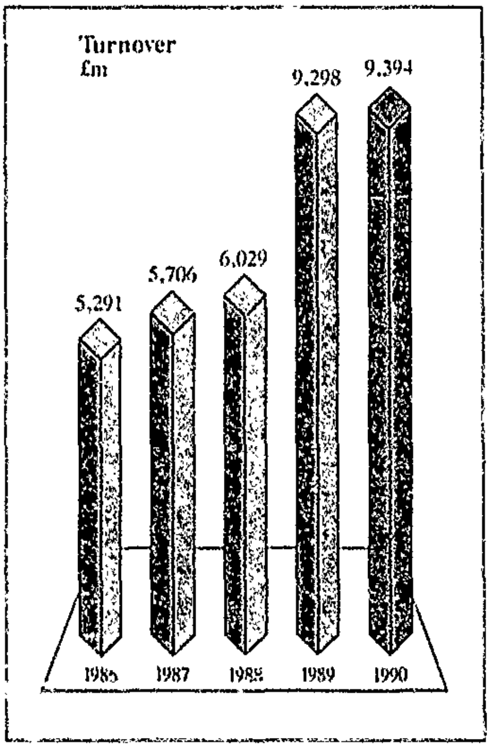
- The Burger King Academies programme, promoting further education for disadvantaged youth;
- Pearle's sponsorship of the 'Read to Succeed' programme for young students;
- Heublein's high visibility sponsorship of their local Special Olympics for the handicapped.

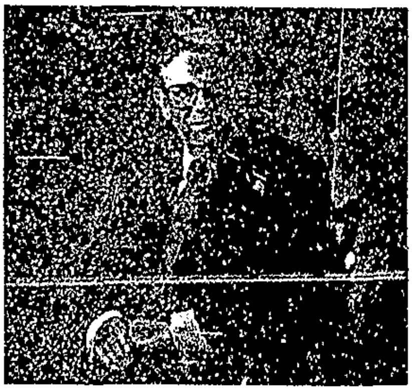
Additionally, in 1990 to support its commitment to the promotion of cultural diversity Pillsbury took four major initiatives to foster relationships with key ethnic minority groups in Minneapolis


Earnings
pence per share
31.4
38.1
46.9
55.6
64.1
1986
1987
1988
1989
1990


Dividends
pence per share
10.02
11.73
14.66
17.6
20.4
1986
1987
1988
1989
1990


Profit before tax
£m
368
456
575
732
919
1986
1987
1988
1989
1990


Turnover
£m
5,291
5,706
6,029
9,298
9,394
1986
1987
1988
1989
1990



George J Bull
Chief Executive, Drinks Sector
Joined International Distillers and Vintners in [illegible] prior to its acquisition by GrandMet becoming Chief Executive of IDV in [illegible]. He was appointed to the Board of GrandMet in [illegible]. He is Chairman of IDV and of the Far Eastern Advisory Committee. Age [illegible]

GrandMet Board Committees

Appraisal & Remuneration : consisting of non-executive directors only. Meets twice a year to appraise the performance of the executive directors (including the Chairman & Group Chief Executive), to determine their remuneration and to consider succession issues.

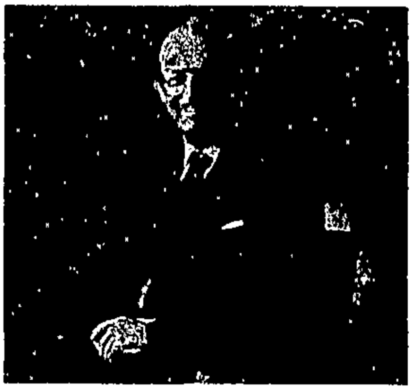
Audit : consisting of non-executive directors only, but with the internal and external auditors, Chairman & Group Chief Executive, Group Finance Director and Group Financial Controller normally in attendance. Meets at least three times a year to consider audit, accountancy and financial control matters and to ensure appropriate procedures are in place.

External Affairs : consisting of the Management Committee and the Group External Affairs and Public Affairs Directors. Meets four times a year to consider a range of significant issues affecting the group in the areas of communication and government relations.

Management : consisting of the executive directors and the Personnel and Group Strategy Directors. Meets monthly to consider and decide a wide range of operational matters.

Management Development : consisting of the executive directors plus one non-executive director and the Personnel Director. Meets twice a year to consider overall development and succession issues and specific development plans for the top executives in the group worldwide.

David P Nash
Group Finance Director
Joined the GrandMet Board in December [illegible] having previously held various positions in Imperial Chemical Industries and Cadbury Schweppes. He is Chairman of Grand Metropolitan Finance and other group finance and holding companies and is responsible for group information technology systems. He is Chairman of the Eastern European Advisory Committee. He is a member of the Science and Engineering Research Council. Age [illegible]



David A G Simon
Deputy Chairman and Chief Operating Officer, The British Petroleum Company
Joined BP in [illegible] and in [illegible] became Chief Executive BP Oil International — BP's worldwide oil refining and marketing group. He is currently Chairman of the Supervisory Board of BP Germany and a board member of BP France. In [illegible] he was appointed a Managing Director BP Group joining the group Main Board with responsibility for finance and Europe. Age [illegible]
Appointed a non-executive director of GrandMet in [illegible]

David E Tagg
Chief Executive, Retailing and Property Sector
Joined Watney Mann & Truman Brewers as Personnel Director in [illegible]. He was appointed to the Board of GrandMet in [illegible]. He is responsible for Pearle, The Dominic Group, GrandMet Estates, GrandMet Cardholders and Chairman of GrandMet Retailing. He is also Chairman of The European Advisory Committee, GrandMet Community Services and of the Group Pension Funds. He is a director of a number of charitable and other organisations. Age [illegible]

● PILLSBURY BRANDS

Based in the United States, Pillsbury Brands manufactures and markets quality branded bakery, vegetable and pizza products. Pillsbury Brands also includes flour milling, special commodities and international export.

○ Trading profit was significantly ahead of last year and overall volumes throughout the businesses were up, with an especially strong performance in vegetables.

○ To position the company for long-term leadership in the food industry, Pillsbury Brands implemented a two year programme to invest $140 million in US operations, and increased advertising spend by more than 50 per cent throughout the businesses. More than 50 new products were introduced. Particular successes were achieved by Funfetti Cake/Frosting, Cornbread Twists, Green Giant American Mixtures and Jeno's Pizza Rolls. Pillsbury Brands is also testing several new concepts designed to appeal to current eating trends which demand taste, quality and convenience. "Freshtables", prepared vegetable-based salads and entrées, microwave vacuum-packed vegetables and microwave cake mixes with recyclable cartons have all been accepted with enthusiasm by the trade.

Trading profit was significantly ahead of last year

Pillsbury
JENO'S
Green Giant.
Hungry Jack
Totino's
JOAN of ARC

The operating companies have shown continued growth

GRANDMET FOODS EUROPE

GrandMet Foods Europe comprises operations in three major sectors: dairy, ready meals and savoury products, and baked goods.

Investment in brand marketing, manufacturing facilities, product development, environmental improvement and systems has continued, in all areas of the business, to maintain competitive advantage.

Dairy

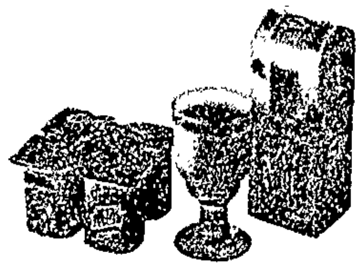
Express Foods Group (International) with its Eden Vale and Ski brands is one of the largest independent purchasers of milk in the United Kingdom and Eire. Express manufactures and markets a comprehensive range of dairy products for home and export markets.

Ready Meals and Savoury Products

Businesses in Germany and the United Kingdom are leading suppliers to the retail and catering markets. In Germany, canned soups and ready meals are manufactured by Erasco, Jokisch and Holmann Menu. In the United Kingdom, Peter's Savoury Products supplies meat and savoury goods, Fatfresh is a leading supplier of sandwiches and snack foods and Oakland Fast Food manufactures burgers and buns for the fast food industry.

Baked Goods

European baked goods division has operations in France, Benelux, the United Kingdom and Germany and its range includes ambient, chilled and frozen products. In the United Kingdom, its operations are Fleur de Lys, Kaysens and Memory Lane; in France, Brossard, Vinchon Jeannette, and Belin Surgelés; in Benelux, Driehoek, Desobry and Brossard; and in Germany, Goldstein and Backfrost.



Operations

In the past year the operating companies of GrandMet Foods Europe have shown continued growth. The non-dairy operations have all performed well although the commodity dairy business in cheese, butter and powder saw difficult trading conditions in the United Kingdom, owing to surplus milk supplies in Europe.

As a result, a continuing programme of rationalisation was implemented within the Express group of companies which has led to significant savings and helped to maintain margins within the business.

A number of initiatives were taken to strengthen the business:

- The portfolio of companies was reviewed and rebalanced with the sale of the non-strategic businesses of Greens and Hammonds and the acquisition of Memory Lane Cakes, a major UK supplier of branded and own label ambient, chilled and frozen cakes.

The unification of Germany has created opportunities for volume growth

- A European Baked Goods division, with annual sales of £200 million was created to co-ordinate a European strategy and develop the Brossard brand across Europe.
- This division was further strengthened by the strategic acquisition of Belin Surgelés, the leading frozen cake manufacturer in France.
- The acquisition of the sandwich and snack food company Eatfresh, and the integration of the former Wimpy manufacturing and distribution operation, which has been renamed Oakland Fast Food, has strengthened the savoury products sector.

Brands

The Ski and Munch Bunch brands continue to dominate the chilled dairy products market in the United Kingdom. Innovative new products launched under the Ski brand have included Ski Soft Serve, a yogurt ice cream, and *Ski Frousse, Split and Swirl yogurts* for the premium end of the market. In addition, a range of highly successful yogurts, desserts and flavoured milks has been launched by Eden Vale under the Teenage Mutant Hero Turtle brand.

- The Brossard brand continues to lead the ambient cake market in France and Benelux and is now being extended across Europe.
- In Germany, the quality products of Erasco and Jokisch soups and ready meals maintain their leading position in the German retail market. Hofmann Menu is the market leader in frozen ready meals for institutions. The unification of Germany has created considerable opportunities for volume growth for these products.

○ HÄAGEN-DAZS

Häagen-Dazs is the world's leading super-premium ice cream brand. The company reported record sales and profits for the year and showed signs of enormous potential for future growth, especially in international markets.

○ In the United States market share grew to 62 per cent, driven by several factors: a continued focus on quality; several successful new product launches – Häagen-Dazs pops, quarts and the Brittle Bar; and an ongoing system of upgrades in manufacturing, distribution and shop facilities.

Häagen-Dazs also began a major expansion plan in selected international markets.

○ In the Far East, Häagen-Dazs holds the leadership position in Japan, with growing businesses in Hong Kong and Singapore. Building on its strong shop business in Japan, Häagen-Dazs initiated an aggressive drive to increase its grocery distribution and now has 65 shops in Japan.

○ In Western Europe, Häagen-Dazs has 20 shops, including three in the United Kingdom, four in France and thirteen in Germany. It continues to improve its position in the grocery sector and has increasingly strong retail distribution. Canada is another area marked for growth.

Through a strategy of continued profitability and market dominance in the United States and international expansion in high-potential markets, GrandMet plans to establish Häagen-Dazs as the world's best selling brand of luxury ice cream.

Plans to establish Häagen-Dazs as the world's best selling luxury ice cream

Häagen-Dazs

After less than one year on the market, ALPO cat food is a $150 million business

ALPO

ALPO, the leader in the premium branded petfood market in the United States, manufactures and markets canned and dry dog food and cat food, plus dog and cat snacks, under the ALPO label. Under the Jim Dandy label, ALPO markets several varieties of high-quality dry dog food, primarily in the southeast. In the northwest, canned and dry dog and cat food is marketed under the Blue Mountain brand.

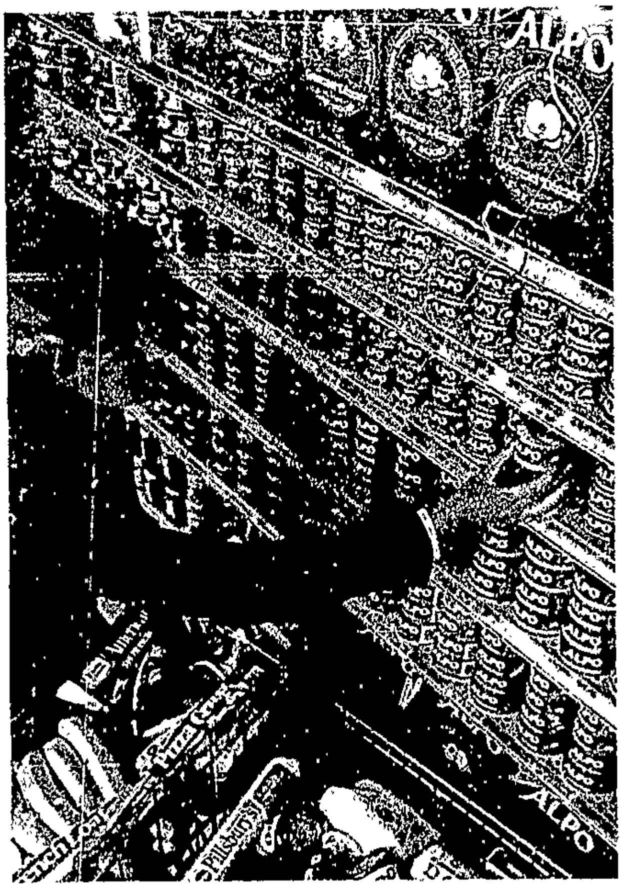
- During the past year, ALPO's trading profit was significantly reduced by the major investment in the highly successful ALPO cat food, and by intense competition in the petfood grocery industry.
- ALPO's new cat food launch, which has achieved a remarkable nine per cent share of the total US cat food market, has been acknowledged as the most successful petfood launch in the past ten years and the most successful dry grocery product launch in the United States in the past two years. After less than a year on the market, ALPO cat food is a $150 million business which is growing steadily.

ALPO is well positioned to return to increased levels of profitability and to build on its brand strength in the highly competitive US petfood industry.

ALPO

BLUE MOUNTAIN

Jim Dandy



GRANDMET FOODSERVICE USA

GrandMet Foodservice USA provides vegetable, bakery and prepared food products to two markets: commercial—primarily restaurants, hotels and bakeries—and non-commercial—including healthcare, educational and institutional.

During the past year, core businesses achieved strong volumes through aggressive selling and the successful launch of several new products. GrandMet Foodservice aims to be one of the leading competitors in the foodservice business, which is one of the fastest growing segments in the United States.

International Distillers and Vintners' world-wide marketing strategy and outstanding brand strength have brought another year of record profit, sales and market share growth.

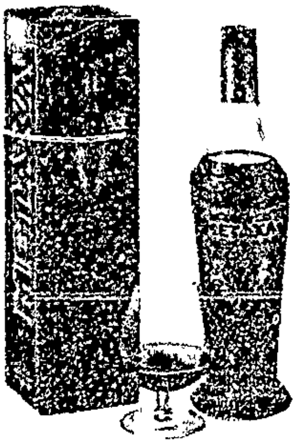
GrandMet's Drinks Sector comprises International Distillers and Vintners, incorporating the group's world-wide wines and spirits business and, in the year under review, GrandMet Brewing, the UK beer producing and marketing company.

IDV's wines and spirits operations are organised into two groups – international brand companies and national marketing companies. Between these two, IDV distils, produces, markets and sells more wines and spirits than any other company, and through close pursuit of a clear cut strategy based on the marketing internationally of high added value brands, it is now the world's second most profitable wines and spirits business.

Performance continues to be excellent, measured in terms of all key ratios. This is the consequence of the balanced way in which both acquisitions and the core business are managed for long term growth.

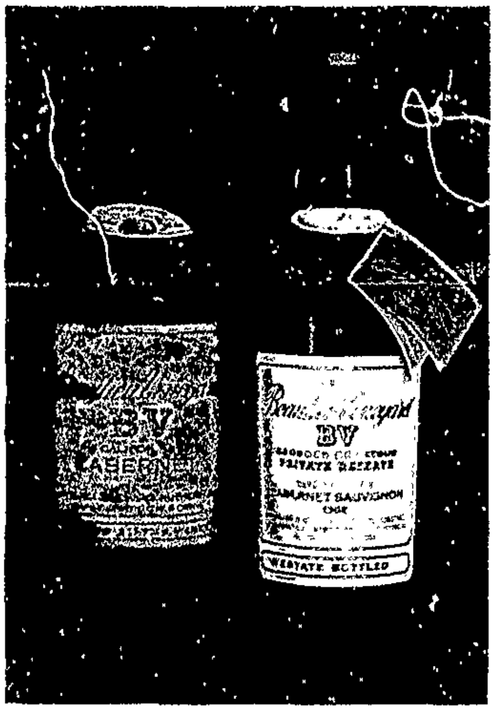
George J Bull
Chief Executive, Drinks Sector

	1990	1989
Turnover	£3,000m	£2,784m
Trading Profit	£473m	£389m
Capital Employed	£1,623m	£1,626m



IDV increasingly benefits from the strength of its portfolio of brands; IDV has 11 spirit brands in the world's top hundred; it owns 17 wine and spirit brands each selling over one million cases and has major distribution rights for another three, achievements unequalled by any other company. IDV also gains advantage from its well co-ordinated world-wide spread, operating in 34 countries through international or local alliances. As a result of recent acquisitions it now controls more than 85 per cent of the distribution of the company's own brands.

In all its markets and for both its own and *third party brands, IDV pursues a policy of* operating through relatively small business units with clear cut identities, to which decision making is delegated to ensure a close relationship with the customer.



● UNITED STATES

IDV, with its combined sales of wines and spirits, now outsells all its competitors in the United States. Heublein operates across the spectrum of wine and spirit categories, marketing a broad range of brands through its specialised sales companies. Carillon Importers and The Paddington Corporation each excel with the marketing of their high added value imported brands.

○ At Heublein, Smirnoff Vodka continued its success, with a policy of premium pricing.

○ José Cuervo Tequila performed well, as sales of both Cuervo and Cuervo 1800 increased by over ten per cent.

○ Black Velvet Whisky outperformed all major mid-priced Canadian competitors.

○ Heublein strengthened its leadership of the prepared cocktails business by acquiring "Cocktails for Two" from Schenley Industries. Club Cocktails and Heublein Cocktails both achieved significant sales increases.

○ Almaden and Inglenook Navalle wines both countered industry trends and recorded sales increases.

○ Beaulieu Vineyards celebrated its 50th anniversary, attracting nationwide attention from both media and wine lovers, while exports of Heublein's Californian wines increased by over 50 per cent.

○ The Paddington Corporation enjoyed *another record year, reflecting the breadth of* the company's portfolio of premium brands. Malibu and Rumple Minze both achieved sales increases of more than 20 per cent, while sales volumes of Baileys were the highest ever in the United States.

○ Carillon Importers' performance was again outstanding. Absolut continued to break all records for imported vodka and Grand Marnier increased its US market share. Sales of Bombay Gin and the new Bombay Sapphire Gin exceeded all expectations.

UNITED KINGDOM

The company's premium brands and its focus on customer service enabled International Distillers and Vintners UK to improve its share in an increasingly competitive market.

- Smirnoff continued to grow as one of the largest single spirit brands in the United Kingdom.
- Baileys made significant progress by improving distribution in pubs, clubs and restaurants throughout the country.
- The arrangement with Brown Forman has developed a very solid consumer franchise for both Southern Comfort and Jack Daniel's Tennessee Whiskey.
- Croft Original improved its share of the market for Spanish sherry and Le Piat d'Or continued to grow as the largest volume wine brand in the United Kingdom.
- Callitheke UK is building a portfolio of successful brands of non-alcoholic adult soft drinks such as Aqua Libra, Dexters and Purdeys.

EUROPE

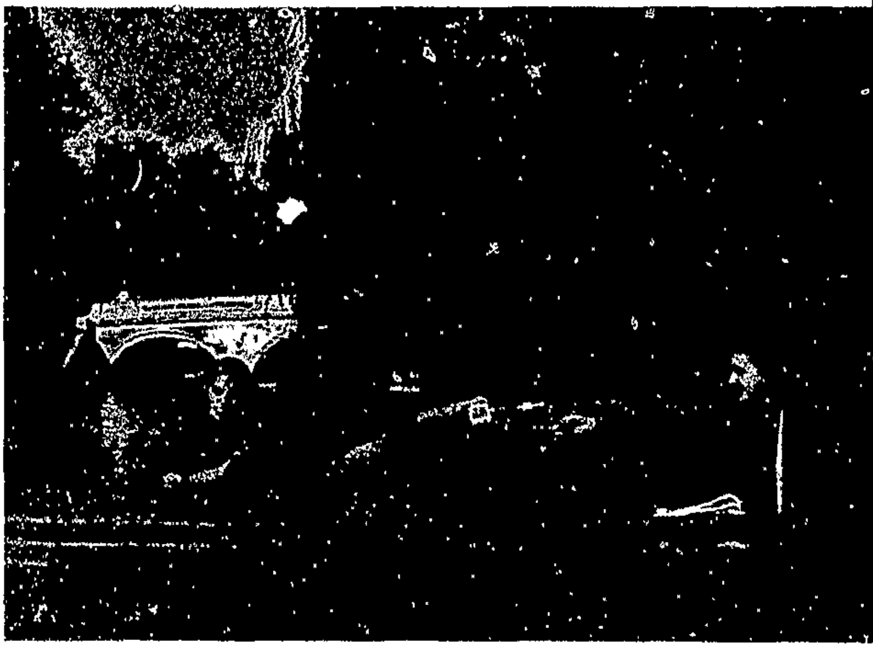
IDV's brands enjoyed record growth throughout continental Europe. In particular, Smirnoff strengthened brand leadership in Belgium, Holland, Denmark and France; J&B Rare is the clear leader in Spain, one of the world's largest and most dynamic markets for scotch whisky; Baileys is the leading imported liqueur in Germany; and Metaxa achieved volume and market share gains in Germany, as well as in Greece where it is the largest spirit brand. The distribution companies which form part of our joint venture with Remy Cointreau and Cinzano recorded very strong performance for all of the IDV brands.

The arrangements for the group's investments in Remy Martin and Cointreau are proceeding to plan. There are continuing discussions about the most appropriate format for shared distribution arrangements in a number of European countries.

IDV's policy of establishing a sales and marketing company in each of the EC markets was finalised in October 1990 with the acquisition of Anglo Española de Distribución, the distributor for J&B Rare and Baileys in Spain. With this acquisition, the percentage of IDV brands handled through our distribution companies rises to 94 per cent in continental Europe, compared to thirteen per cent four years ago.

- Significant investment has taken place in the production companies, with all Croft Original now bottled in Spain, Le Piat d'Or bottled in France, and a £2 million upgrading of the Metaxa plant in Athens.
- Last year's acquisitions, Metaxa and Sileno, have both achieved their financial objectives and have performed excellently in building IDV brands in Greece and Portugal.

Improving share in an increasingly competitive market



● REST OF WORLD

Japan and the Far East

IDV continues to develop its strategy for Japan, which is to build own and third party brands progressively through International Distillers Japan, Heublein Japan and partner companies. The premium brand portfolio is an increasing strength for our business in Japan. Le Piat d'Or and IDV's other brands are all achieving planned market shares.

Throughout the Far East, IDV brands have increased in sales and market share. Significant growth was achieved by J&B Rare, particularly in Thailand through the distribution alliance with Seagram and their local partners.

IDV companies in the Philippines and Taiwan have made further progress, while Sri Lanka has achieved record results.

Brazil

Heublein [illegible] another excellent year. Heublein do Brasil [illegible] Brazil's difficult economic conditions [illegible] Dreher Brands [illegible] outstanding progress.

Mexico

Heublein [illegible] established a Premium Brands in Mexico [illegible] marketing and distribution [illegible] company [illegible] Smirnoff [illegible] the full range of IDV brands including J&B Rare [illegible] Cinzano [illegible]

Africa

International Distillers Africa [illegible] the process of [illegible] IDV [illegible] brands with locally [illegible] major African markets. Notable performances were achieved in Kenya with Smirnoff, Mauritius with Powers Rum and Nigeria with Chelsea Gin. As a consequence IDV [illegible] one of the highest rates of profit improvement in IDV.

Ireland

In the Republic of Ireland, Gilbeys [illegible] record levels of sales and profit, while Gilbeys of Northern Ireland saw profit growth with an outstanding performance from Smirnoff.

J&B Rare continues its advance

● INTERNATIONAL BRANDS

◌ Smirnoff is the biggest selling vodka in the world; in many markets it is the largest individual spirit brand. With the breaking of barriers between East and West in Europe, Smirnoff is already establishing itself in territories formerly barred to it. It is being welcomed back into the Russian Republic.

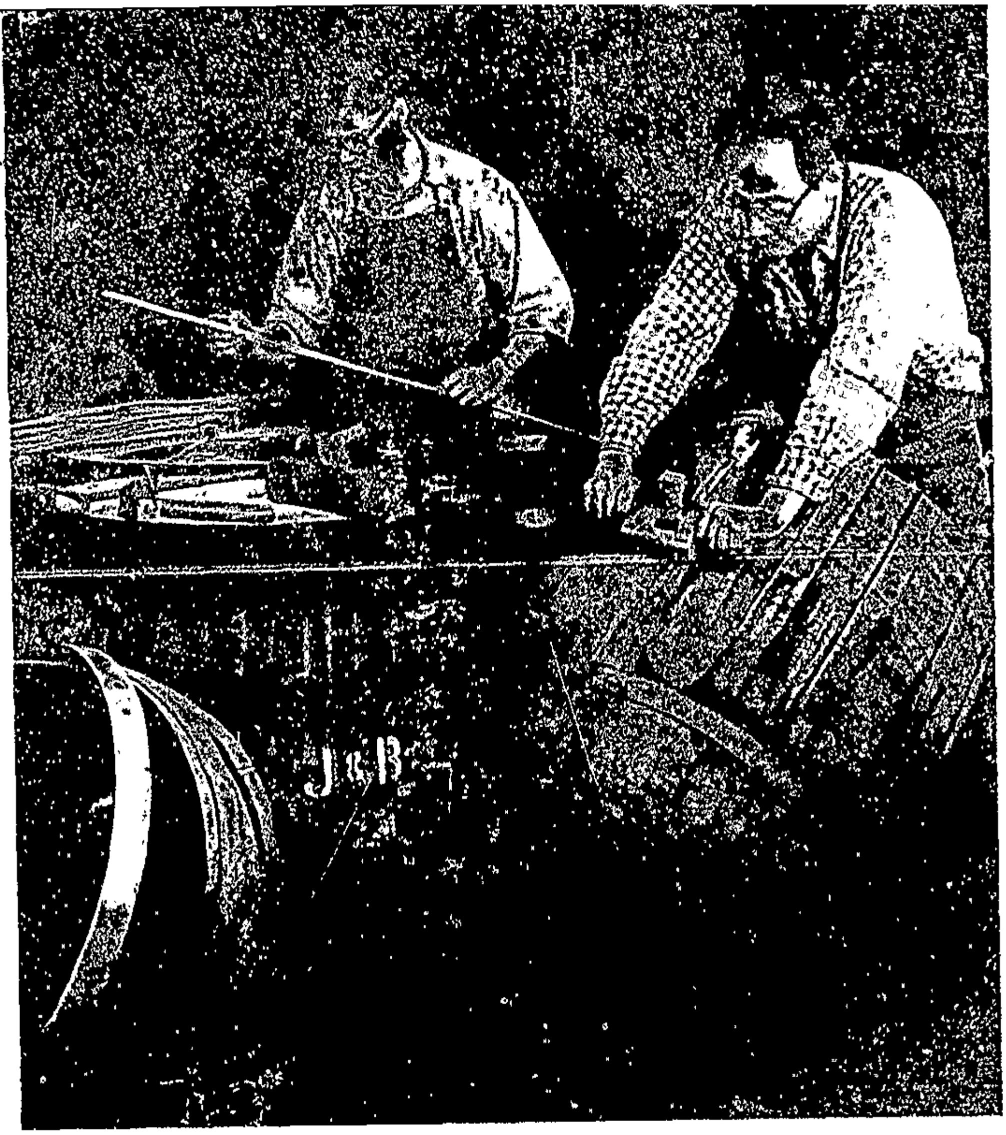
◌ J&B Rare continues its advance, now selling over five and a half million cases a year. It is particularly successful in Spain, France and the United States, and sales are growing fast in the Far East, reinforcing J&B Rare's overall position as the world's second largest selling brand of scotch whisky.

◌ Baileys Original Irish Cream grew strongly in all of its major world markets, and sales were more than 10 per cent up on last year. Baileys was particularly successful in Germany, Spain and Italy. In the United States, which remains the largest market for the brand, it again recorded sales volume and market share growth during the year.

◌ Malibu achieved growth worldwide, notably in the United States where it is beginning to match the success the brand enjoys in Europe.

◌ Le Piat d'Or, the largest brand of table wine exported from France, is highly successful, not only in the United Kingdom and Japan, but also in Canada where it is the number one wine brand from any source.

◌ Dunhill Old Master, a scotch whisky of exceptional quality, has won the Queen's Award for Export Achievement in recognition of the brand's rapidly increasing sales, particularly in Japan and the Far East.



Well placed to capitalise on trends towards quality rather than quantity

New Brand Development
IDV maintains its commitment to new brand development.

Archer's Peach County Schnapps sales were up by more than 50 per cent. It is particularly successful in the United Kingdom, but also recorded growth in Spain, Ireland and Greece.

Stubbs Australian White Rum, premium strength and distilled from cane juice, has been launched in some areas of the United States and in Scotland.

Daintons Lemon Cut has been introduced through two large UK supermarket companies. Sales are developing promisingly.

Production and Distribution
Production and distribution facilities in the United Kingdom, France, Spain, Canada and California have been reviewed as part of a continuous process, leading to restructuring in a number of areas in the interests of economy and efficiency.

● OUTLOOK
IDV's strategy takes account of trends in many developed countries for volume consumption of alcoholic drinks to be static or marginally declining. At the same time, an increase in disposable incomes has encouraged the growth in premium wines and spirits.

IDV continues to take advantage of movements towards quality rather than quantity, and with its high prestige brands and its wide spread of markets, it remains well placed to succeed in the changing circumstances of the future.

● BREWING

GrandMet Brewing traded exceptionally well during a period of extreme uncertainty when, as a result of a United Kingdom government investigation into the industry, both morale and business performance could have been seriously affected.

Market share was held, with significant progress in the free on-trade and take-home sectors, partly offset by the effect of further tied house disposals.

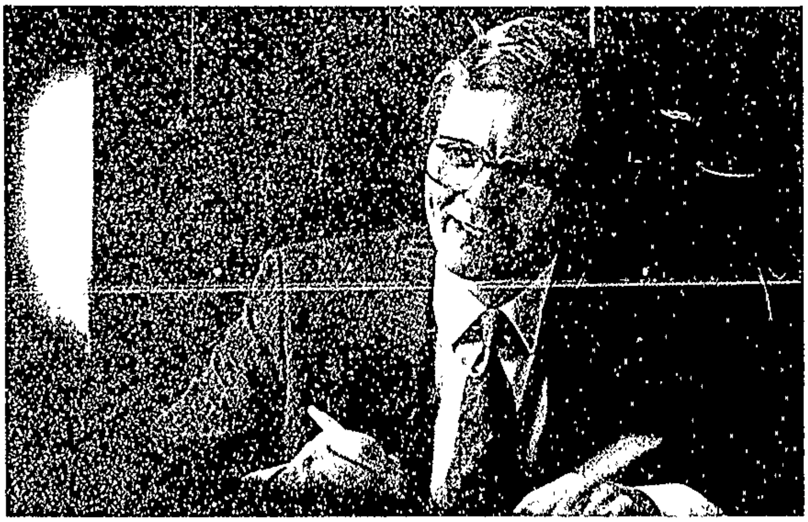
Sales margins improved largely through manufacturing efficiencies and continued overhead cost savings.

With a view to further improvements in retail trade distribution and service, three new purpose built depots are under construction in Manchester, Hackney and Lewes.

Brand achievements during 1990 have been considerable:

- Budweiser sales passed through the 200,000 barrels per annum level.
- Foster's Draught In Can was very successfully launched in the take-home trade in October 1989. The brand has already achieved an annual rate approaching 100,000 barrels.
- Holsten Export sales responded well to a new and highly innovative advertising campaign.
- Holsten Pils benefited from a can and bottle redesign in March 1990 and in the spring, led the market for off-trade premium lager.
- Webster's Yorkshire Bitter gained market share with volume growth for the second consecutive year in both the on-licensed and take-home markets.
- Ruddles County and Best Bitter also out-performed the ales market in both the on-licensed and take-home sectors.

GrandMet Brewing traded exceptionally well during a period of extreme uncertainty



	1990	1989
Turnover	£2,531m	£1,953m
Trading Profit	£278m	£216m
Capital Employed	£2,785m	£2,853m

The retailing and property businesses of GrandMet comprise 13,000 outlets worldwide making GrandMet the world's second largest retailer in terms of outlets.

Operations consist of the four branded businesses of Burger King fast food restaurants, which is managed as part of the Food Sector, the eyecare specialist Pearle, pubs and restaurants operated by GrandMet Retailing and the off licence chains of The Dominic Group, and also the property management and development operation of GrandMet Estates.

In the past year, trading results have been satisfactory and management has responded appropriately to the flat and challenging market conditions in the United Kingdom and the United States. Overall strategy, which focuses on developing leading international brands and maximising returns from UK domestic businesses, remains on course.

David Tagg
Chief Executive, Retailing and Property Sector

● PEARLE

Pearle is the world's largest optical retailer of eyewear and eyecare products with over 1,100 stores, primarily in the United States but with an established presence in Canada, Puerto Rico, The Netherlands, Belgium and Japan. In 1990, Pearle opened Express superstores in Germany and plans to enter the Taiwanese market by the end of 1990. Optical superstores are equipped with laboratories capable of producing most glasses in one hour.

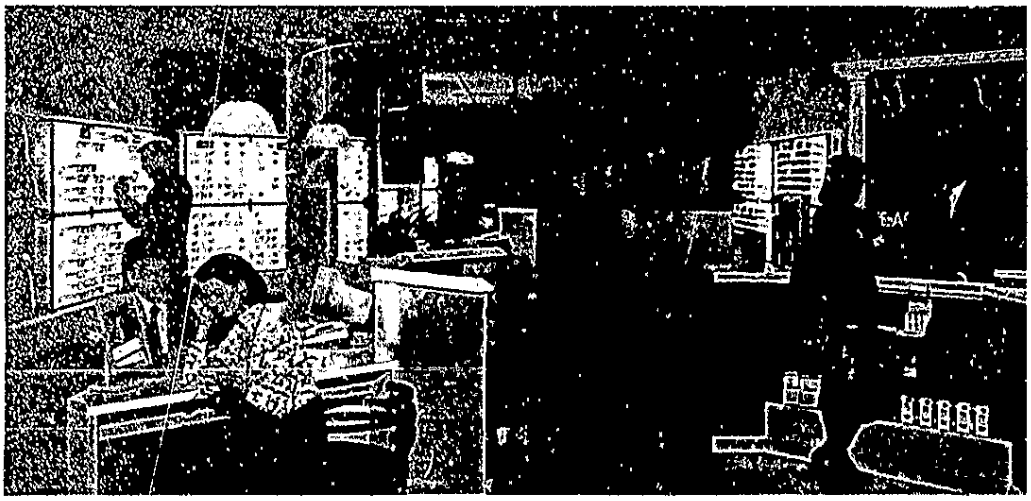
○ In the United States, the company acquired several small regional optical chains to strengthen its market presence.

Better positioned to gain further market share and control costs

During the latter part of the year, Pearle took steps to position the company in the present difficult market conditions for future growth and profitability. Its retail and corporate organisations were restructured to streamline operations. The number of retail divisions was reduced from six to four and the scope of responsibility broadened, placing more control of operational issues at local level.

An aggressive customer satisfaction programme has been implemented. This programme includes an enhanced tracking system to measure levels of customer satisfaction more effectively, a management bonus structure which is tied to the quality of the shopping experience and an intensified quality assurance programme.

Through these initiatives, Pearle is better positioned to gain further market share and to control costs. A proactive approach has been taken to prepare for continued growth, despite an increasingly competitive industry and the US recession.



○ The expansion of its franchise system to include Pearle Express superstores was announced. Approximately 40 per cent of all Pearle's locations are franchised.

○ In 1990, the company achieved an 11.9 per cent increase in comparable store sales growth, one of the highest in US retailing, with marketing and advertising programmes continuing to be used to strengthen the brand image and draw consumers to Pearle, despite a slowing US economy.

○ Pearle's surplus optical stores in Texas and adjoining states were sold in July.

RETAILING

Focusing to meet the challenge of the marketplace

PUBS AND RESTAURANTS

GrandMet Retailing continued to develop its pub and restaurant portfolio during the year. Two of its branded operations—Chef & Brewer and Old Orleans—had a successful year, demonstrating that there is still substantial potential in certain sectors of the market, despite the flat economic environment.

- Through prudent cost management and some consolidation of the estate, to ensure a quality portfolio, the effects of this difficult trading environment have been kept to a minimum. Liquor sales have increased in importance with less being spent generally on eating out.
- Chef & Brewer steadily increased the number of its Country Carvery restaurants to nearly 100.
- Old Orleans has proved a winning formula among theme restaurants, growing to 12 sites during 1990. More are planned for 1991.
- All the company's pub-based operations—Chef & Brewer and Clifton Inns—have been merged into a single Inns Division to reduce central costs for the future. A number of major pub developments have been undertaken, including the prestigious Refectory Tavern in Godalming, Surrey.
- On the continent of Europe, work on the company's two European brands has resulted in the opening of new-look Wienerwald sites and the first Spaghetti Factory outlet in Germany.
- As part of a strategic rationalisation, 150 Berni restaurants were sold in November 1990 with 58 sites being retained.

The company is focusing to meet the challenge of the marketplace.

OLD ORLEANS
Chef & Brewer
Clifton Inns
Country Carvery Restaurants
Spaghetti Factory
Wienerwald

A no compromise commitment to high quality management will ensure growth

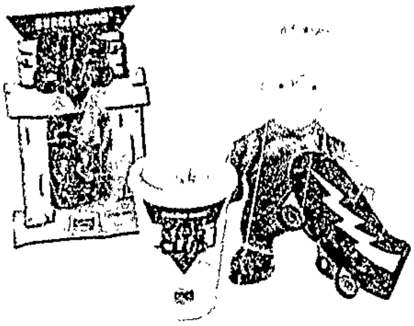
● **THE DOMINIC GROUP**

Despite difficult trading conditions during the year for high street retailers, 1990 was a year of significant achievement for The Dominic Group.

The business achieved its goals:

- Successfully developing the three focused retail brands of Peter Dominic, Bottoms Up and Hunter & Oliver.
- Substantially improving trading margins above industry norms.
- Implementing marketing programmes targeted towards identified consumer groups.
- Reducing slow-moving and low-margin products.
- Enhancing the property portfolio by planned disposals and well-researched acquisitions.
- Tightly managing the cost base of the business.
- Developing and implementing a new national distribution system at a dedicated centre in Swindon, Wiltshire.
- Installing EPOS systems in 300 major outlets.

During 1991, continued capital investment in stores and systems will ensure that a high quality retail estate is established with 'state of the art' EPOS in every branch. A continuation and refinement of the three-brand marketing strategy, a stronger operational base and a no compromise commitment to high quality management will ensure growth in all aspects of The Dominic Group business. Emphasis on purchasing and higher margin brands will enhance trading margins still further.



Burger King, positioned to be a successful competitor in the global fast food industry

● BURGER KING

BURGER KING

One of the most innovative property managers in the United Kingdom

● GRANDMET ESTATES

GrandMet Estates continued to establish itself as one of the most innovative property managers in the United Kingdom. The "Inntrepreneur" scheme has now been taken up by over 2,500 lessees and this has resulted in a significant growth in rental income from the properties within its pub estate, while continuing to unlock the latent potential for alternative uses from within that portfolio. As a result, the quality of the income stream of GrandMet Estates continued to improve.

○ This revolutionary approach to the relationship between pub estate owner and retail operator inaugurated by GrandMet some three years ago, is set to become the norm with several UK brewers now announcing plans to adopt a similar approach.

○ The contribution to GrandMet's profitability has, however, extended beyond the parameters of the licensed portfolio. Additional returns have been achieved through the Developments Division where a wide range of projects, both in terms of size and profitability, are underway. The division applies a research driven approach to development with strong financial controls.

○ GrandMet Estates has also been active in providing a full property service to the group's various operating companies. Its past investment in systems and people generated real competitive advantage during a difficult year for the property industry as a whole. The commercial culture and strength in depth of its management team, together with its ability to cope with the demands of economic change, augurs well for the future of GrandMet Estates and for its continued contribution to the group's success.

● GRANDMET CARDHOLDERS

GrandMet Cardholders manages the group's in-house credit card and the GrandMet Account Card. During 1990, it also took responsibility for the Retailing Sector's UK Gift Cheques operations, launching the new Wine-Dine voucher in November 1990.

○ The account card maintained the strong performance seen over recent years with sales on the card increasing by over 15 per cent on the prior year. The card is accepted in over 2,000 GrandMet restaurants, pubs and off-licences and is carried by over 100,000 customers.

○ The card performs an important role in supporting the efforts of GrandMet's retailing operations to build customer loyalty from both new and existing customers.

GRAND METROPOLITAN ESTATES inntrepreneur

OTHER ACTIVITIES

GRANDMET FINANCE

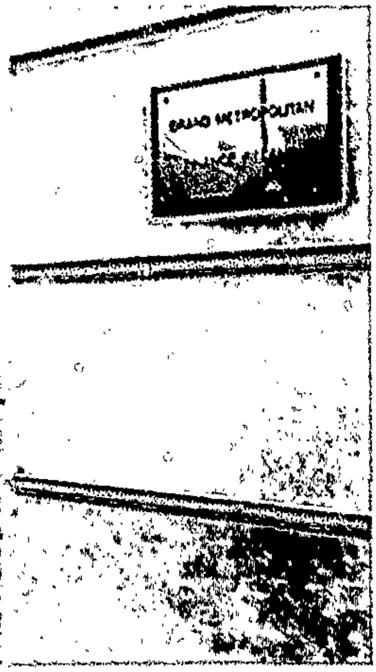
As banker to the group's companies, GrandMet Finance is responsible for the active management of GrandMet's debt portfolio and exchange rate exposure.

- During the year the remaining Pillsbury syndicated loan facility was re-financed through two US commercial paper programmes.
- Future interest rate protection was achieved through active use of interest rate swaps, forward rate agreements and other generic products. These complement existing arrangements.
- A new programme of $1.5 billion committed facilities was negotiated.
- A new corporate treasury system, developed in conjunction with an external software house, was successfully implemented during the year. This significantly enhances the group's capacity to process and control an increasingly complex range of financing and hedging instruments.

GRANDMET INFORMATION SERVICES

Significant improvements have been made to GrandMet's systems infrastructure, extending European support, setting up a US information processing utility and preparing for fully connected data/voice networks.

- Systems led initiatives have been successful in enhancing the group's logistics and marketing capabilities. Consequently, GrandMet's operating companies continue to deliver demonstrable benefits in the operations, sales and retailing areas.
- New creative and strategic developments will ensure that the systems function keeps GrandMet at the forefront of innovation, with customer service and business efficiency taking priority.



REPORT OF THE AUDITORS

To the members of Grand Metropolitan Public Limited Company

We have audited the financial statements on pages 40 to 58 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th September 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock KPMG Peat Marwick McLintock
Chartered Accountants
London 7th December 1990

GLOSSARY OF TERMS

In view of the different financial terms used in the international markets where GrandMet's shares are quoted, there follows a glossary of key financial terms used by GrandMet.

Gearing
The net debt (borrowings less cash) divided by the shareholders' equity (share capital, reserves and minority interests), expressed as a percentage.

Interest cover
The number of times the profit before interest and tax is greater than the net interest charge.

Earnings
The profit after tax and minority interest but before extraordinary items.

Earnings per share
Earnings (as above) divided by the weighted average number of shares in issue during the period.

P/E (price/earnings) ratio
The market price of the shares divided by the earnings per share (as above).

Dividend yield
The dividend per share divided by the market price of the share expressed as a percentage.

Dividend cover
The number of times the dividend is covered by earnings (as above).

DIRECTORS' REPORT

The directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 30th September 1990.

Overviews of the trading results for the year, of events since the year end and of the future development of the group are included in the Chairman's Statement on pages 2 to 7.

Detailed comments on the activities and the development during the year of each sector—food, drinks and retailing—and on the other activities of the group are set out on pages 16 to 36.

Profits and earnings

The group has produced a strong performance in the year. The food, drinks and retailing portfolios have been strengthened by a programme of strategic and add-on acquisitions and there has been major organic growth. Total trading profit amounted to £1,082 million, an increase of 11.9 per cent on the previous year.

Profit before tax of £919 million represents an increase of 25.6 per cent on the previous year. This is after crediting property profits of £79 million and charging net exceptional costs of £3 million. Interest costs at £239 million were a reduction of £41 million on the previous year. The effective tax charge at 30.4 per cent compares with 29.5 per cent for the previous year.

Profit attributable to ordinary shareholders amounted to £634 million. This resulted in earnings per share of 64.1p, an increase of 15.3 per cent. Profit transferred to reserves is £871 million, after extraordinary income of £435 million.

Dividend

The directors have decided to recommend a final dividend of 12.8p per share. If this is approved, dividends for the year will total 20.4p per share, an increase of 15.9 per cent. Dividend cover would be 3.2 times.

Subject to approval by members, the final dividend will be paid on 8th April 1991 to ordinary shareholders on the register on 25th January 1991 and a share dividend alternative will be offered.

Balance sheet

Shareholders' funds, before deducting minority interests, were £3,427 million at 30th September 1990. Intangible assets amounted to £2,317 million. Net borrowings have reduced from £3,641 million to £2,888 million as a result of disposals, cash flow and exchange benefits, partially offset by acquisitions and capital expenditure.

Annual General Meeting

The AGM will be held at 11.00 am in the Great Room, Grosvenor House, Park Lane, London W1 on 26th February 1991.

Directorate

The directors are listed on pages 14 and 15.

The directors retiring by rotation at the AGM, in accordance with the articles of association, are Sir Allen Sheppard, Mr R V Giordano and Mr G J Bull who, being eligible, offer themselves for re-election.

Sir Allen Sheppard and Mr G J Bull are each entitled under their service contracts to three years' notice of termination. Mr R V Giordano does not have a service contract.

Mr C Strowger retired from the Board on 19th February 1990.

Auditors

The auditors, KPMG Peat Marwick McLintock, are willing to continue in office and resolutions concerning their re-appointment and remuneration will be submitted to the AGM. These are set out in the Notice of Meeting on page 2 of the accompanying AGM document.

Employment policies

GrandMet remains committed to the continuing introduction and practice of progressive employment policies on a global basis that reflect changing business, social and employee needs.

Particular emphasis continues to be placed on achieving equal opportunities in employment through specific recruitment and training programmes and creating greater awareness among all employees of cultural differences.

Efforts have been made by operating companies to provide as much suitable employment as possible for disabled people. Depending upon their skills and abilities, disabled employees have the same opportunities for promotion, career development and training as other employees.

DIRECTORS' REPORT

Employee involvement

GrandMet is dedicated to increasing the practical involvement of individuals in the running of their businesses. The group's philosophy is to encourage all employees to contribute to improving business performance through the utilisation of their knowledge, experience, ideas and suggestions. For example, in Murfreesboro, Tennessee, a recently reopened plant, new concepts of team working are being pioneered that enable employees to have substantially more involvement and influence in shaping their work environment. In both the United Kingdom and in the United States, many group companies have devoted attention to ways of encouraging the contribution of ideas and experience of front line staff into the business decisions which affect them.

Senior US executives currently have a long-term incentive plan under which they may receive a cash payment based on the growth in value of GrandMet shares over a 3-7 year period. It is proposed that this plan will be changed to enable them to acquire and retain shares in GrandMet. To achieve this, an employee share trust with an independent trustee has now been established to acquire GrandMet shares through the market from time to time, subject to regulatory codes. This will also enable the group to hedge its liability in respect of existing US options over 6.5 million shares as well as those granted in the future. The trust holding will be limited to 2.5 per cent of GrandMet's issued share capital. These arrangements do not apply to GrandMet's directors.

The company has, once more, actively promoted the savings-related share option scheme in the United Kingdom.

Environment Issues

See statement on page 4.

Community relations

Operating companies have been active in supporting their local communities: links with schools and colleges have been increased and reinforced; significant donations and assistance have been given to charities; improvements to the local environment have been organised; active support has been given to local enterprise agencies; and training has been provided for young people and unemployed adults (see pages 9 to 11).

International trading policy

Group companies overseas are required to act with the highest degree of integrity, both in complying with local laws and in trying to work in sympathy with the economic and social aims of the host country. This is achieved through the group's devolved system of management, which emphasises local independence and facilitates the operation of policies and procedures consistent with best practice in the country concerned. The group is also firmly committed to resisting any unreasonable political pressures on individual companies made in order to influence its trading policies elsewhere.

Charitable donations

During the year group companies in the United Kingdom made contributions of £1,735,000 (1989 - £1,218,000) to charitable organisations. In the United States, group companies made charitable donations of £5,540,000 (1989 - £5,045,000). The group also provides support through donations in kind and secondments.

The group made no political donations.

Other information

At 7th November 1990, the following interests existed in the company's ordinary share capital:

Norwich Union Life Insurance Society	5.00%
Prudential Corporation	4.01%

The company is not a close company.

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

A summary of changes in the group's fixed tangible assets during the year is given in note 14 of the financial statements.

The group carried out research and development in support of existing activities, specific new product development and the improvement of production processes.

By Order of the Board

Roger H Myddelton

Secretary

7th December 1990

ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of certain land and buildings. They have been drawn up to comply in all material respects with UK statements of standard accounting practice in force at the relevant time.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiaries made up to 30th September. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from, the earlier of the date consideration passes or the change of ownership becomes unconditional. As the company's results are included in the consolidated profit and loss account, a separate profit and loss account is not presented.

Overseas subsidiaries

The financial statements of some overseas subsidiaries do not conform with the group's accounting policies because of the legislation and accounting practices of the countries concerned. Appropriate adjustments are made on consolidation in order to present the group financial statements on a uniform basis.

Acquisitions

On the acquisition of a business, including an interest in an associate, fair values are attributed to the group's share of net tangible assets and significant owned brands acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as goodwill and is written off direct to reserves in the year of acquisition.

Intangible assets

Significant owned brands, acquired after 1st January 1985, the value of which is not expected to diminish in the foreseeable future, are recorded in the balance sheet as fixed intangible assets. No amortisation is provided on these assets but their value is reviewed annually by the directors and the cost written down as an exceptional item where permanent diminution in value has occurred.

Fixed assets

Fixed assets are stated at cost or at professional valuation. Cost includes interest, net of any tax relief, on capital employed in major developments.

Profit or loss on sale of property is the difference between the disposal proceeds and the net book value, including any revaluation of the asset. Any amount in the revaluation reserve relating to this asset is transferred directly to the profit and loss account reserve and is not included in the profit for the financial year.

No depreciation is provided on freehold land or on freehold and long leasehold public houses (see below). Other leaseholds are depreciated over the unexpired period of the lease. Other fixed assets are depreciated to residual values over their estimated useful lives within the following ranges:

Industrial buildings	25 to 100 years
Plant and machinery	3 to 25 years
Fixtures and fittings	3 to 17 years

It is the group's policy to maintain all its public houses to a high standard in order to protect their trade. Because of this, such properties maintain residual disposal values in the aggregate at least equal to their book values and accordingly no provision for depreciation is made.

Leases

Where the group 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 under finance leases, net of finance charges, are included in creditors with the corresponding asset values recorded in fixed tangible assets and depreciated over the shorter of their estimated useful lives or their 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.

Amounts receivable under finance leases are included in debtors with income credited to the profit and loss account in proportion to the funds invested.

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

ACCOUNTING POLICIES

Investments in associates

An associated undertaking is one in which the group has a long term interest, usually from 20% to 50%, and over which it exercises significant influence.

The group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets other than goodwill is included in investments in the consolidated balance sheet.

Investments

Investments, other than in associates, are valued individually at the lower of cost and net realisable value. Net realisable value is estimated by the directors in the case of unlisted investments and is market value in the case of listed investments.

Stocks

Stocks are valued at the lower of group cost and net realisable value. Cost includes, where appropriate, production and other direct overhead expenses and, in respect of major property developments, interest.

Foreign currencies

Transactions in foreign currencies are recorded at 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, including the group's interest in the underlying net assets of associates, are translated into sterling at the balance sheet exchange rates.

Profits and losses of overseas subsidiaries and associates are translated into sterling at weighted average rates of exchange during the year with the year end adjustment to closing rates being taken to reserves.

Gains or losses arising on the translation of the net assets of overseas subsidiaries and associates are taken to reserves, less exchange differences arising on related foreign currency borrowings. Other exchange differences are taken to the profit and loss account.

Turnover

Turnover excludes inter-company sales and VAT but includes duty on beer, wines and spirits, together with rents and royalties receivable.

Research and development

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

Post employment benefits

The cost of providing pensions and other post employment benefits is charged against profits on a systematic basis, with pension surpluses and deficits allocated 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. The unfunded post employment medical benefit liability is included in provisions in the balance sheet.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. However, no provision is made for taxation deferred, principally by accelerated taxation allowances on capital expenditure, if there is reasonable evidence that such deferred taxation will not be payable or recoverable in the foreseeable future.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation.

Extraordinary items

Extraordinary items derive from events or transactions outside the ordinary activities of the business which are both material and expected not to recur frequently or regularly. They include profits and losses on disposals of significant investments and businesses.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1990

	Notes	1990 £m	1989 £m
Turnover	2	9,394	9,298
Operating costs	3	(8,335)	(8,349)
		1,059	949
Income from interests in associates	4	23	18
Trading profit		1,082	967
Profit on sale of property		79	80
Net exceptional items	5	(3)	(35)
Interest	6	(239)	(280)
Profit on ordinary activities before taxation		919	732
Taxation on profit on ordinary activities	7	(279)	(216)
Profit on ordinary activities after taxation		640	516
Minority interests and preference dividends		(6)	(8)
Profit before extraordinary items		634	508
Extraordinary items	8	435	560
Profit for the financial year		1,069	1,068
Ordinary dividends	9	(198)	(167)
Transferred to reserves		871	901
Movements in reserves			
Reserves at beginning of year		2,304	2,964
Exchange adjustments		24	(81)
Retained profit for year		871	901
Premiums on share issues, less expenses		15	429
Goodwill acquired during the year		(321)	(1,909)
Reserves at end of year		2,893	2,304
Earnings per share	10	64.1p	55.6p

CONSOLIDATED BALANCE SHEET

at 30th September 1990

	Notes	£m	1990 £m	£m	1989 £m
Fixed assets					
Intangible assets	13		2,317		2,652
Tangible assets	14		3,756		3,839
Investments	15		214		144
			6,287		6,635
Current assets					
Stocks	16	1,349		1,269	
Debtors	17	1,541		1,451	
Cash at bank and in hand		243		215	
		3,133		2,935	
Creditors — due within one year					
Borrowings	19	(206)		(362)	
Other creditors	21	(2,343)		(2,316)	
		(2,549)		(2,678)	
Net current assets			584		257
Total assets less current liabilities			6,871		6,892
Creditors — due after more than one year					
Borrowings	19	(2,925)		(3,494)	
Other creditors	22	(191)		(231)	
			(3,116)		(3,725)
Provisions for liabilities and charges	23		(328)		(325)
			3,427		2,842
Capital and reserves					
Called up share capital	24		508		506
Reserves	25				
Share premium account		451		436	
Revaluation reserve		(940)		(944)	
Associates' reserves		17		10	
Profit and loss account		3,365		2,802	
			2,893		2,304
			3,401		2,810
Minority interests			26		32
			3,427		2,842

Sir Allen Sheppard, *Director*
D P Nash, *Director*

BALANCE SHEET

at 30th September 1990

	Notes	£m	1990 £m	£m	1989 £m
Fixed assets					
Investments	15		1,123		737
Current assets					
Debtors	17	2,045		2,082	
Cash at bank		1		1	
		2,046		2,083	
Creditors — due within one year					
Borrowings	20	(92)		(42)	
Other creditors	21	(784)		(583)	
		(876)		(625)	
Net current assets			1,170		1,458
Total assets less current liabilities			2,293		2,195
Creditors — due after more than one year					
Borrowings	20		(101)		(156)
			2,192		2,039
Capital and reserves					
Called up share capital	24		508		506
Reserves	25				
Share premium account		451		436	
Special reserve		426		426	
Profit and loss account		807		671	
			1,684		1,533
			2,192		2,039

Sir Allen Sheppard, *Director*
D P Nash, *Director*

SOURCE AND APPLICATION OF FUNDS

for the year ended 30th September 1990

	Operations £m	Acquisitions and disposals £m	1990 Total £m	1989 Total £m
Funds generated				
Group profit before taxation	919		919	732
Adjustments for items not involving cash movement:				
Depreciation	216		216	190
Profit on sale of property	(79)		(79)	(80)
Other items	(7)		(7)	–
	1,049		1,049	842
Sales of fixed assets and investments	295	543	838	1,619
Share issues, less expenses	17	–	17	492
	1,361	543	1,904	2,953
Funds applied				
Investments:				
Intangible fixed assets	–	–	–	1,853
Tangible fixed assets	431	82	513	1,341
Associates and other fixed asset investments	33	84	117	127
Goodwill	–	321	321	1,909
	464	487	951	5,230
Increase/(decrease) in working capital:				
Stocks	78	2	80	508
Debtors	185	21	206	627
Creditors and provisions	47	(35)	12	(1,270)
	774	475	1,249	5,095
Exchange adjustments	(483)	–	(483)	357
Tax paid	205	13	218	262
Dividends paid	167	–	167	129
	663	488	1,151	5,843
Decrease/(increase) in net borrowings	698	55	753	(2,890)
Movements in net borrowings				
Borrowings – due within one year			(156)	175
– due after more than one year			(569)	2,792
Cash at bank and in hand			(28)	(77)
Net movement shown above			(753)	2,890
Net borrowings at beginning of year			3,641	751
Net borrowings at end of year			2,888	3,641

NOTES

1 Segment analysis *Class of business:*	Turnover £m	Trading profit £m	1990 Capital employed £m	Turnover £m	Trading profit £m	1989 Capital employed £m
Continuing businesses:						
Food	3,506	309	1,763	2,872	245	1,749
Drinks	3,000	473	1,623	2,784	389	1,626
Retailing	2,531	278	2,785	1,953	216	2,853
	9,037	1,060	6,171	7,609	850	6,228
Discontinued businesses:						
Betting and gaming	268	10	14	1,284	57	123
Other	89	12	130	405	60	132
	9,394	1,082	6,315	9,298	967	6,483
Geographical area by country of operation:						
United Kingdom and Ireland	3,685	451	2,500	4,668	424	2,626
Continental Europe	661	81	427	471	66	391
United States of America	4,537	475	3,149	3,720	395	3,314
Rest of North America	216	21	148	174	20	145
Africa and Middle East	138	10	11	126	10	23
Rest of World	157	44	80	139	52	48
	9,394	1,082	6,315	9,298	967	6,483

The net £70m profit (1989 – £45m) on sale of property less net exceptional items relates to the following activities: food £7m, drinks £(17)m, retailing £63m and discontinued businesses £18m (1989 – £(2)m, £(10)m, £14m and £43m respectively).

The group interest expense is arranged centrally and is not attributable to individual activities or geographical areas. The analysis of capital employed by activity and geographical area is calculated on net assets excluding cash and borrowings.

The weighted average exchange rate used to translate the US dollar profits was £1 = $1.69 (1989 – £1 = $1.67). The exchange rate used to translate the US dollar assets and liabilities at the balance sheet date was £1 = $1.87 (1989 – £1 = $1.62).

2 Turnover *Geographical area by destination:*	1990 £m	1989 £m
United Kingdom and Ireland	3,403	4,457
Continental Europe	850	622
United States of America	4,474	3,610
Rest of North America	235	186
Africa and Middle East	173	147
Rest of World	259	246
	9,394	9,298

Exports from the United Kingdom were £259m (1989 – £228m).

NOTES

3 Operating costs

	1990 £m	1989 £m
Raw materials and consumables	4,315	4,026
Other external charges	2,548	2,912
Staff costs	1,473	1,270
Depreciation of tangible fixed assets	216	190
Increase in stocks of finished goods and work in progress	(149)	(10)
Other operating income	(68)	(39)
	8,335	8,349

Other external charges include operating lease rentals for plant and machinery of £43m (1989—£28m) and for other leases (mainly of properties) of £120m (1989—£95m). Research and development expenditure was £35m (1989—£25m) and auditors' remuneration was £4m (1989—£4m).

4 Associates

	1990 £m	1989 £m
Share of trading profits before taxation	23	18
Taxation	(8)	(6)
Share of profits after taxation	15	12
Dividends received by the group	(6)	(4)
Retained by associates	9	8

5 Net exceptional items

	1990 £m	1989 £m
Reorganisation costs	(22)	(35)
Gain on sale of investment	19	—
	(3)	(35)

6 Interest

	1990 £m	1989 £m
On bank loans, overdrafts and other loans repayable wholly within five years	327	310
On 5.75% convertible unsecured loan stock	—	21
On finance leases	7	5
On all other loans	24	23
	358	359
Less: Interest receivable	(111)	(75)
Interest capitalised	(8)	(4)
	239	280

NOTES

7 Taxation	1990 £m	1989 £m
UK corporation tax		
Payable at 35% (1989 – 35%)	95	97
Deferred	71	38
Overseas taxation		
Payable	42	16
Deferred	73	79
Taxation on the group's share of profits of associates	8	6
	289	236
Less: Provisions for taxation no longer required	(10)	(20)
	279	216

8 Extraordinary items	£m	1990 £m	£m	1989 £m
Extraordinary income/(charges):				
Business disposals and discontinuance				
Betting and gaming		529		28
Berni restaurants		(49)		–
Hotels		–		659
Other		(19)		(18)
		461		669
Other disposals and related provisions		–		16
		461		685
Tax (charge)/relief relating to extraordinary items				
UK corporation tax	(31)		3	
Overseas taxation	4		(127)	
Deferred taxation	1		3	
		(26)		(121)
		435		564

Extraordinary items in 1989 include £4m interest paid in respect of the holding in Irish Distillers Group plc.

9 Ordinary dividends	1990 £m	1989 £m
Interim of 7.6p per share (1989 6.75p)	74	58
Proposed final of 12.8p per share (1989 11.0p)	124	109
	198	167

The 1990 dividends shown above comprise the amount payable in cash. The 1989 interim dividend adjusted for the bonus element of the 1988 rights issue amounted to 6.6p per share.

10 Earnings per share
Earnings per share is calculated by reference to earnings of £634m (1989 [illegible] adjusted by £14m in respect of the convertible loan stock) and the adjusted weighted average number of ordinary shares in issue during the year of 959m shares (1989 [illegible] shares).

NOTES

11 Employees
The average number of employees during the year was

	Full time	Part time	1990 Total	Full time	Part time	1989 Total
Continuing businesses						
Food	30,060	6,141	36,201	28,193	4,830	33,023
Drinks	14,888	413	15,301	15,297	304	15,601
Retailing	37,025	42,789	79,814	34,317	40,940	75,257
	81,973	49,343	131,316	77,807	46,074	123,881
Discontinued businesses	3,709	3,124	6,833	14,270	5,252	19,522
	85,682	52,467	138,149	92,077	51,326	143,403

The aggregate remuneration of all employees comprised:	1990 £m	1989 £m
Wages and salaries	1,344	1,150
Employer's social security costs	140	106
Employer's pension and other post employment benefit (credits)/costs	(11)	14
	1,473	1,270

The group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans generally are of the defined benefit type funded by payments to trustee administered funds or insurance companies.

Valuations of all significant plans were carried out during the year by qualified actuaries. The actuarial method used for these valuations was the projected unit method. The major assumptions were: rate of return on assets 9%; wages and salaries increase 6-7%. The market values of the funds at the date of the latest actuarial valuation totalled approximately: UK funds £970m (1989–£756m); US funds £387m (1989–£425m). The actuarial value of the assets of all the significant plans was sufficient to cover approximately 134% (1989–129%) of the benefits that had accrued to members after allowing for expected future increases in wages and salaries.

The group also operates a number of plans which provide employees with other post employment benefits principally in respect of US medical costs. The liability in respect of these benefits is assessed by qualified actuaries.

The following table shows the number of UK employees of the group, other than directors of the company, whose emoluments, excluding pension contributions, fell into the ranges shown:

	1990	1989		1990	1989		1990	1989
£30,001–£35,000	324	223	£ 90,001–£ 95,000	10	5	£155,001–£160,000	2	–
£35,001–£40,000	162	129	£ 95,001–£100,000	5	5	£160,001–£165,000	1	1
£40,001–£45,000	99	87	£100,001–£105,000	12	3	£165,001–£170,000	1	–
£45,001–£50,000	77	58	£105,001–£110,000	4	3	£175,001–£180,000	2	–
£50,001–£55,000	57	46	£110,001–£115,000	9	2	£180,001–£185,000	–	1
£55,001–£60,000	39	24	£115,001–£120,000	3	–	£185,001–£190,000	1	2
£60,001–£65,000	37	27	£120,001–£125,000	2	2	£190,001–£195,000	–	1
£65,001–£70,000	26	18	£125,001–£130,000	5	4	£195,001–£200,000	1	–
£70,001–£75,000	11	15	£130,001–£135,000	1	6	£200,001–£205,000	2	–
£75,001–£80,000	14	22	£135,001–£140,000	3	–	£240,001–£245,000	1	–
£80,001–£85,000	14	10	£140,001–£145,000	1	–	£245,001–£250,000	1	–
£85,001–£90,000	12	10	£150,001–£155,000	2	1			
							941	705

NOTES

12 Directors

Emoluments

The total emoluments of the directors, including pension contributions, were £3,970,535 (1989 – £2,536,299) including fees of £150,000 (1989 – £124,079). The emoluments, excluding pension contributions, of the chairman were £639,125 (1989 – £506,438).

The following table shows the number of other UK based directors whose emoluments, excluding pension contributions, fell into the ranges shown:

	1990	1989		1990	1989
£ 0–£ 5,000	—	1	£ 65,001–£ 70,000	1	—
£ 5,001–£10,000	—	1	£235,001–£240,000	—	1
£20,001–£25,000	2	1	£260,001–£265,000	1	2
£25,001–£30,000	—	1	£320,001–£325,000	1	—
£30,001–£35,000	1	—	£355,001–£360,000	1	—
£60,001–£65,000	—	1	£510,001–£515,000	1	—
				8	8

Compensation of £270,000 (1989 – £nil) was paid to a former director.

A share price related cash bonus scheme is in operation which allows certain senior employees, including executive directors, to benefit from upward movements in the price of the company's shares over a period of between 6 and 10 years. The scheme is designed to encourage senior executives to align their long term career aspirations with the long term interests of the group. For this reason, in normal circumstances, no payments can be made under the scheme until the 6th year and full payment will only be made in the 10th year. Provision is made annually for future liabilities under the scheme.

Shareholdings

The beneficial interests of the directors at 30th September 1990 in the share capital of the company were:

	Ordinary shares 1990	Ordinary shares 1989	Options 1990	Options 1989
Sir Allen Sheppard	79,059	61,428	493,863	468,804
G J Bull	16,096	13,000	216,072	149,541
R V Giordano (non-executive)	—	—	—	—
Sir John Harvey-Jones (non-executive)	—	—	—	—
Sir Colin Marshall (non-executive)	—	—	—	—
I A Martin	13,096	10,000	278,314	185,640
D P Nash	6,000	(—)	150,470	(—)
D A G Simon (non-executive)	—	(—)	—	(—)
D E Tagg	5,078	4,078	223,329	175,154

G J Bull had a non-beneficial interest in 260,975 ordinary shares (1989 – 270,912).

The directors held the above options under the share option schemes approved by shareholders on 4th March 1982 and 5th March 1985, at prices between 239p and 667p per share exercisable by 1997.

The figures in brackets represent interests at date of appointment.

On 7th November 1990 each of the interests of the directors was unchanged from 30th September 1990, except for the following beneficial acquisitions of ordinary shares in respect of the share dividend alternative: Sir Allen Sheppard – 896, D P Nash – 70 and the following disposal of a non-beneficial interest in ordinary shares: G J Bull – 9,000.

Other than the above, no director 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.

13 Fixed assets – Intangible assets

Cost	Brands £m
At 30th September 1989	2,652
Exchange adjustments	(335)
At 30th September 1990	2,317

The brands are stated at fair value on acquisition, denominated in the currencies of their principal markets. An annual review is carried out by the directors to consider whether the brand has suffered any permanent diminution in value. The principal brands included above are Smirnoff, Pillsbury, Green Giant and Burger King.

NOTES

14 Fixed assets—Tangible assets

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost or valuation					
At 30th September 1989	2,841	1,058	409	145	4,453
Exchange adjustments	(80)	(49)	(4)	(15)	(148)
Additions	98	148	42	143	431
New subsidiaries	36	18	25	3	82
Disposals	(169)	(105)	(74)	(5)	(353)
Transfers	64	15	11	(90)	—
At 30th September 1990	2,790	1,085	409	181	4,465
Depreciation					
At 30th September 1989	56	417	141	—	614
Exchange adjustments	(8)	(20)	(1)	—	(29)
Provided during the year	55	125	36	—	216
Disposals	(8)	(59)	(25)	—	(92)
Transfers	—	(9)	9	—	—
At 30th September 1990	95	454	160	—	709
Net book value					
At 30th September 1990	2,695	631	249	181	3,756
At 30th September 1989	2,785	641	268	145	3,839

(i) The total at cost or valuation for land and buildings comprises:

	1990 £m	1989 £m
At 1988 professional valuation	1,908	2,049
At 1985 professional valuation	5	7
At cost	877	785
	2,790	2,841

(ii) The net book value of land and buildings comprises freeholds of £2,341m (1989 —£2,473m), long leaseholds of £157m (1989—£166m) and short leaseholds of £197m (1989—£146m).

(iii) Included in the net book value of freehold property is £1,351m (1989 —£1,395m) in respect of public houses, and £338m (1989—£350m) of land unrelated to those properties. Depreciation is not charged on these amounts.

(iv) Included in the total net book value of tangible assets is £37m (1989—£39m) in respect of assets acquired under finance leases; depreciation for the year on these assets was £6m (1989—£6m). There is also included £76m (1989—£86m) in respect of assets held for the purpose of leasing out under operating leases; depreciation for the year on these assets was £1m (1989—£1m).

(v) Historical cost figures for land and buildings, i.e. the original cost to the group of all land and buildings and the related depreciation, were:

	1990 £m	1989 £m
Historical cost	1,576	1,562
Depreciation	(124)	(78)
Net book value	1,452	1,484

(vi) Included in the historical net book value is £3m (1989—£3m) in respect of capitalised interest.

NOTES

15 Fixed assets—Investments

Group

Cost	Investment in associates £m	Loans to associates £m	Other investments £m	Other loans £m	Total £m
At 30th September 1989	66	2	39	48	155
Exchange adjustments	(6)	—	—	(3)	(9)
Additions	94	—	18	5	117
Disposals	(4)	(1)	(21)	(15)	(41)
At 30th September 1990	150	1	36	35	222
Less: Provisions					
At 30th September 1989	1	—	2	8	11
Increase/(decrease) in year	(1)	—	2	—	1
Disposals	—	—	—	(4)	(4)
At 30th September 1990	—	—	4	4	8
Net book value					
At 30th September 1990	150	1	32	31	214
At 30th September 1989	65	2	37	40	144

The investment in associates comprises cost of shares, less goodwill written off on acquisition, of £133m (1989—£55m) plus the group's share of post-acquisition retained profits and reserves of £17m (1989—£10m). The increase in the year principally reflects the group's share of the net assets, including brands, of Remy Martin and Cointreau.

The net book value of listed investments was as follows:	1990 £m	1989 £m
Listed on UK stock exchanges	18	14
Listed on other stock exchanges	8	7
	26	21
Market value of listed investments	50	43

Company

Cost	Shares in subsidiaries £m
At 30th September 1989	737
Additions	392
At 30th September 1990	1,129
Less: Provisions	
At 30th September 1989	—
Increase in year	(6)
At 30th September 1990	(6)
Net book value	
At 30th September 1990	1,123
At 30th September 1989	737

Details of the principal group companies are given on pages 60 and 61.

16 Stocks	1990 £m	1989 £m
Raw materials and consumables	343	363
Work in progress	314	245
Finished goods and goods for resale	692	661
	1,349	1,269

Work in progress includes property developments of £86m, including £7m in respect of interest.

NOTES

17 Debtors

	Group 1990 £m	Group 1989 £m	Company 1990 £m	Company 1989 £m
Trade debtors	890	883	—	
Amounts owed by subsidiaries	—	—	1,918	1,990
Amounts owed by associates	8	3	—	—
Amounts receivable under finance leases	91	115	—	—
Other debtors	377	228	56	34
Pension prepayments	59	18	—	—
Other prepayments and accrued income	104	76	5	3
Deferred taxation (see note 18)	12	128	66	55
	1,541	1,451	2,045	2,082

Group debtors (and group net current assets) include £257m and a proportion of deferred tax which fall due after one year (1989 – £162m and a proportion of deferred tax). The company deferred taxation comprises ACT recoverable.

18 Deferred taxation

	Capital allowances £m	Other timing differences £m	Total £m
At 30th September 1989	(98)	171	73
Exchange adjustments	13	(11)	2
Acquisitions less disposals of subsidiaries	—	4	4
Transfers from profit and loss account	(6)	(127)	(133)
At 30th September 1990	(91)	37	(54)
ACT recoverable (1989—£55m)			66
Deferred tax asset			12

Provision for tax on capital gains payable on the disposal of revalued properties is made only when it is decided in principle to dispose of the asset. The tax liability on capital gains if all properties had been sold at their book values, and without taking advantage of the law relating to rollover relief, is estimated to be £300m (1989—£325m).

Other deferred taxation not provided, principally in respect of capital allowances, amounted to £114m (1989—£116m). Deferred tax is not generally provided in respect of liabilities which might arise on the distribution of unappropriated profits of overseas subsidiaries and associates.

19 Group borrowings

	1990 Bank loans and overdrafts £m	1990 Other loans £m	1990 Total £m	1989 Bank loans and overdrafts £m	1989 Other loans £m	1989 Total £m
Analysis by year of repayment						
After five years—by instalment	1	8	9	7	66	73
—other than by instalment	—	160	160	106	253	359
From two to five years	10	914	924	2,240	407	2,647
From one to two years	157	1,675	1,832	356	59	415
Due after more than one year	168	2,757	2,925	2,709	785	3,494
Due within one year	123	83	206	204	158	362
	291	2,840	3,131	2,913	943	3,856
Amounts repayable by instalment part of which falls due after five years	3	13	16	41	71	112

Borrowings under committed bank facilities are classified in the repayment analysis according to the maturity of the facility under which they are drawn. Commercial paper and other borrowings are classified as medium term borrowings to the extent that they are supported by available medium term committed facilities and the intention is to renew them as they fall due or to refinance them through such facilities. In the above analysis the effect of currency swaps is taken into account when translating the group's borrowings into sterling.

NOTES

19 Group borrowings – continued Total borrowings comprise		Year end Interest rates %	1990 £m	1989 £m
Bank loans and overdrafts				
Drawn under facilities expiring ultimately in the year to 30th September:				
1991			–	347
1992		8.5-9.4	157	1,914
1994			–	276
1995			–	135
Other loans, uncommitted loans and overdrafts			134	241
			291	2,913
Other loans				
Guaranteed notes 1990	Sterling		–	50
Deutschemark bonds 1992	Deutschemark	6.625	47	45
Euro bonds 1993	US dollar		–	62
Notes payable 1995	US dollar	11.5	6	62
Redeemable loan notes 1998	Sterling	11.3125	42	55
Extendible notes 1999	US dollar		–	62
Subordinated convertible bonds 2002	Sterling	6.25	100	100
Debenture stock 2008	Sterling	12.125	50	50
Sinking fund debentures 2015	US dollar		–	79
Commercial paper	US dollar	7.96-8.67	2,498	270
Others	Various	Various	97	108
			2,840	943

£89m (1989–£94m) of borrowings due after more than one year and £6m (1989–£7m) of borrowings due within one year were secured on assets of the group.

The group had available unused committed bank facilities at 30th September 1990 of over £170m (1989–£370m) after allocation to support the commercial paper and other borrowings.

The group has arranged interest rate swaps which have the effect of fixing the rate of interest at an average of 8.6% (1989–8.5%) on US dollar and deutschemark borrowings totalling £616m (1989–£586m) for a weighted average term of 2.5 years (1989–3 years). In addition the interest rate on borrowings of £1,070m (1989–£1,235m) has been capped for 1 year (1989–2 years) by the purchase of interest rate caps at a rate of 9%. The interest rates shown in the tables above are those contracted on the underlying borrowings before taking into account any interest rate protection.

NOTES

20 Company borrowings

	1990 £m	1989 £m
Analysis by year of repayment		
After five years	100	100
From two to five years	—	1
From one to two years	1	55
Due after more than one year	101	156
Due within one year	92	42
	193	198

Amounts falling due after one year include subordinated convertible bonds of £100m (1989 – £100m) and a variable interest loan of £1m (1989 – £55m).

21 Other creditors — due within one year

	Group 1990 £m	Group 1989 £m	Company 1990 £m	Company 1989 £m
Trade creditors	683	702	—	—
Bills of exchange payable	69	66	—	—
Amounts owed to subsidiaries	—	—	465	319
Amounts owed to associates	13	10	—	—
Corporate taxation	359	360	95	71
Other taxation including social security	152	147	1	—
Net obligations under finance leases	11	11	—	—
Other creditors	274	233	10	2
Ordinary dividends payable	198	167	198	167
Accruals and deferred income	584	620	15	24
	2,343	2,316	784	583

22 Other creditors — due after more than one year

	1990 £m	1989 £m
Gross obligations under finance leases due:		
After five years	26	25
From two to five years	38	40
	64	65
Less: Future finance charges	(25)	(21)
	39	44
Corporate taxation	5	33
Other creditors	147	154
	191	231

NOTES

23 Provisions for liabilities and charges

	Pension and other post employment provisions £m	Acquisition provisions £m	Other £m	Total £m
At 30th September 1989	102	189	34	325
Exchange adjustments	(13)	(26)	(1)	(40)
New subsidiaries	—	93	—	93
Transfers from profit and loss account	12	—	96	108
Utilised and other movements	(4)	(161)	7	(158)
At 30th September 1990	97	95	136	328

24 Called up share capital

The authorised share capital of the company was £660m (1989—£660m).

During the year 3,991,695 ordinary shares (aggregate nominal value £2m) were allotted under the share option schemes for an aggregate consideration of £17m (1989—3,714,276 shares, nominal value £2m, consideration £13m).

284,118 ordinary shares were allotted on 9th April 1990 as a capitalisation of share premium to shareholders who opted for shares instead of cash for the 1989 final dividend.

The allotted and fully paid share capital at 30th September 1990 was as follows:

	Shares	1990 £m	Shares	1989 £m
Ordinary shares of 50p each	991,527,046	496	987,251,233	494
Cumulative £1 preference shares:				
4¾% (now 3.325% plus tax credit)	1,217,250	1	1,217,250	1
6¼% (now 4.375% plus tax credit)	3,278,454	3	3,278,454	3
5% (now 3.5% plus tax credit)	7,739,411	8	7,739,411	8
		508		506

The following potential issues of ordinary shares have not been dealt with in these financial statements:

(i) Under the share option scheme for executives, approved by shareholders on 4th March 1982, directors and executives hold options to subscribe for up to 16,255,106 (1989—13,682,702) ordinary shares at prices ranging between 271p and 667p per share exercisable by 1997.

(ii) Under the savings-related share option scheme for employees, approved by shareholders on 5th March 1985, employees hold options to subscribe for up to 5,702,094 (1989—5,325,249) ordinary shares at prices between 239p and 503p per share exercisable by 1997.

(iii) The holders of the 6¼% subordinated convertible bonds have the option of converting their bonds into ordinary shares at a price of 658p per share exercisable up to and including 7th September 2002. These conversion rights could give rise to the issue of up to 15,197,568 ordinary shares.

(iv) The holders of £20m 9% unsecured convertible loan notes have the option of converting the notes into ordinary shares at a price of 500p per share exercisable between 1992 and 1998. These conversion rights could give rise to the issue of up to 4,000,000 ordinary shares.

(v) Options granted in connection with a joint venture acquisition entitle holders to subscribe for up to 945,320 ordinary shares at a price of IR£6.60 per share exercisable between April 1995 and April 1996.

NOTES

25 Reserves

Group

	Share premium account £m	Revaluation reserve £m	Associates' reserves £m	Profit and loss account £m	Total £m
At 30th September 1989	436	(944)	10	2,802	2,304
Exchange adjustments	—	(3)	(2)	29	24
Retained profit for year	—	—	9	862	871
Premiums on share issues, less expenses	15	—	—	—	15
Goodwill acquired during the year	—	(321)	—	—	(321)
Transfer of goodwill on disposal	—	378	—	(378)	—
Other transfers between reserves	—	(50)	—	50	—
At 30th September 1990	451	(940)	17	3,365	2,893

Aggregate goodwill, net of disposals, of £2,619m (1989—£2,676m) has been written off against group revaluation and special reserves. The £321m goodwill acquired during this year arose on various acquisitions, including UB Restaurants Limited.

The exchange adjustments include gains of £122m in respect of local currency borrowings by overseas companies and £384m in respect of other currency borrowings.

Company	Share premium account £m	Special reserve £m	Profit and loss account £m	Total £m
At 30th September 1989	436	426	671	1,533
Retained profit for year	—	—	136	136
Premiums on share issues, less expenses	15	—	—	15
At 30th September 1990	451	426	807	1,684

26 Contingent liabilities

The group has guaranteed borrowings of associates and third parties which at 30th September 1990 amounted to £192m (1989—£191m) and has given performance guarantees to third parties of £59m (1989—£23m). The company has guaranteed certain borrowings of subsidiaries which at 30th September 1990 amounted to £2,797m (1989—£3,318m) and has given performance guarantees to third parties of £199m (1989–£nil).

There are a number of legal claims or potential claims against the group, the outcome of which cannot at present be foreseen. Provision is made in these financial statements for all liabilities which are expected to materialise.

27 Commitments

(i) Capital expenditure authorised and commitments not provided for in these financial statements, all in respect of subsidiaries, are estimated at:

	1990 £m	1989 £m
Committed	108	240
Authorised but not committed	350	180

NOTES

27 Commitments—continued

(ii) At 30th September 1990 the group had minimum annual commitments under non-cancellable operating leases as follows:

	Land and buildings £m	Other £m	1990 Total £m	Land and buildings £m	Other £m	1989 Total £m
Operating leases which expire						
Within one year	5	6	11	4	6	10
From two to five years	26	16	42	18	16	34
After five years	83	4	87	73	3	76
	114	26	140	95	25	120

28 Acquisitions

	Balance sheets at acquisition £m	Acquisition provisions £m	Revaluations £m	Fair value balance sheets £m
Fixed assets	176	—	(10)	166
Working capital	(15)	(93)	11	(97)
Net borrowings	(6)	—	—	(6)
Shareholders' funds	155	(93)	1	63
Purchase consideration				384
Goodwill				321

The acquisition provisions principally comprise the costs of converting acquired retail outlets.

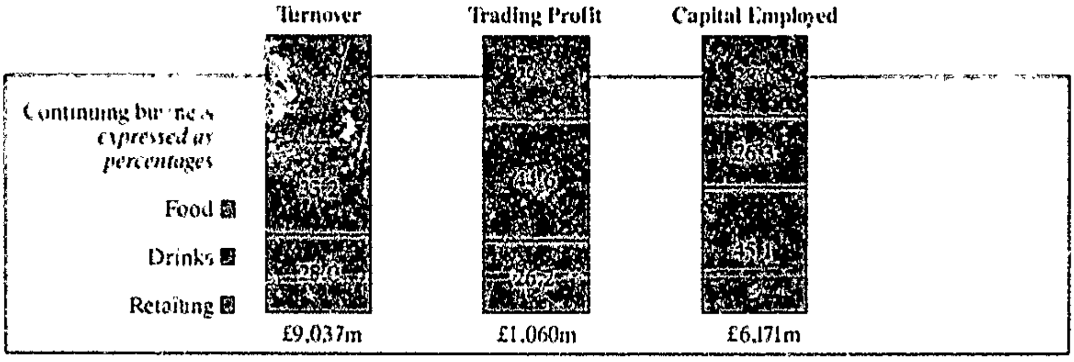
29 Post balance sheet events

On 26th November 1990 the group disposed of 150 Berni restaurants to Whitbread and Company PLC for a consideration of approximately £120m.

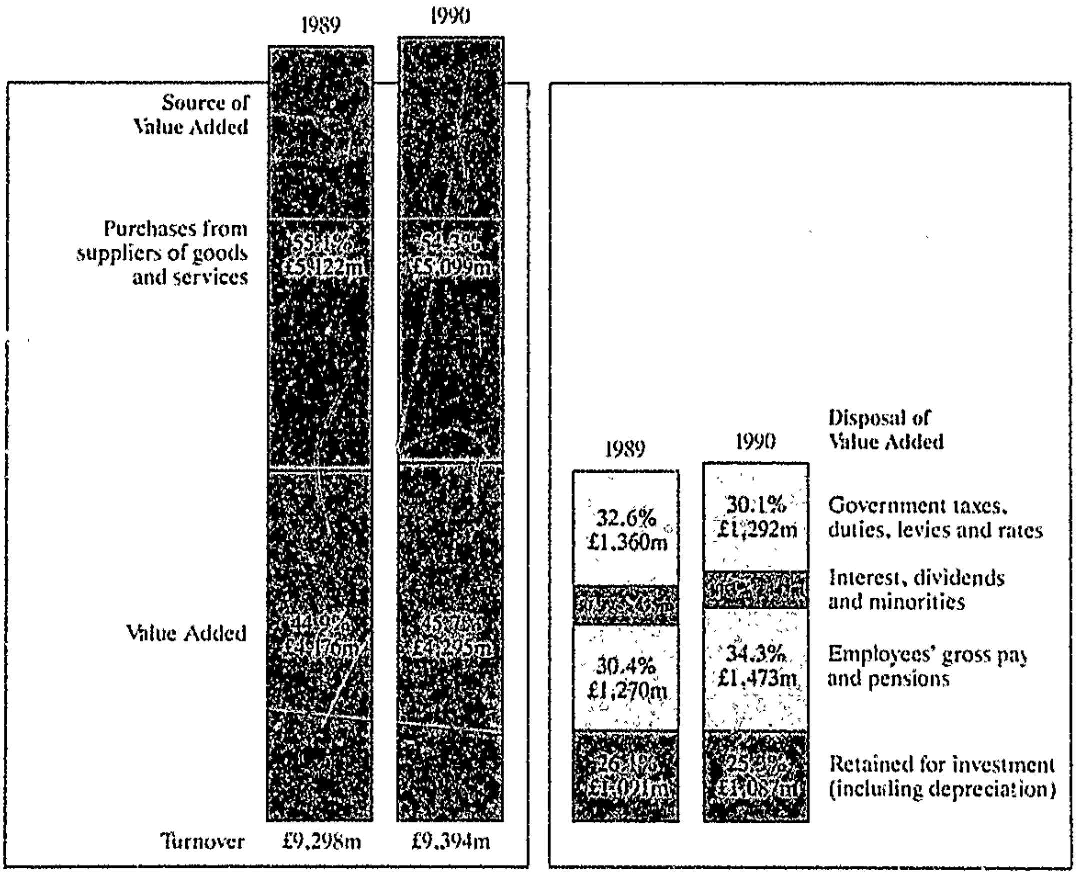
30 Approval of financial statements

These financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 7th December 1990.

ANALYSIS OF GROUP ACTIVITIES



SOURCE AND DISPOSAL OF VALUE ADDED



PRINCIPAL GROUP COMPANIES

The companies listed on these two pages include those which principally affect the profits and assets of the group.

	Country of Incorporation	Country of Operation	Percentage of Equity Owned	Business Description
Food				
ALPO Petfoods, Inc	USA	USA	100%	Manufacture and marketing of dog food, cat food, puppy food and dog treats.
Express Dairy Company Ltd†	Eire	Eire	100%	Manufacture of cheese, cream base for Baileys liqueur and fat filled powder.
Express Foods Group (International) Ltd†	England	UK	100%	Manufacture of fresh chilled dairy products, cheese, butter and milk powder; processor, packer and distributor of liquid milk.
The Häagen-Dazs Company Inc†	USA	USA, Japan, Canada, Europe	100%	Premium ice cream manufacturing and distribution.
The Pillsbury Company†	USA	USA	100%	Manufacturing and marketing of bakery products, frozen and shelf-stable vegetables and frozen pizza.
Pillsbury Canada Ltd	Canada	Canada	100%	Vegetable and pizza snack production and packing.
Pillsbury GmbH†	Germany	Germany	100%	Manufacture of ready meals, canned soups, frozen gateaux and savoury products.
Pilstral SA†	France	Europe	100%	Manufacture of baked goods and co-ordination of the Green Giant vegetable business across Europe.
Drinks				
R&A Bailey & Company Ltd	Eire	Eire-exporting worldwide	100%	Production, distribution, marketing and exporting of cream liqueur.
Carillon Importers Ltd	USA	USA	100%	Importation, distribution and marketing of wines, spirits and other adult beverages.
Cinzano International SA†	Luxembourg	Worldwide	25%	Production, distribution and marketing of vermouth; local distribution of wines and spirits.
Gilbey Canada Inc†	Canada	Canada	100%	Production, distribution, marketing and wholesaling of wines and spirits.
Grand Metropolitan Brewing Ltd†	England	UK	100%	Brewing, marketing and distribution of ales, lagers, ciders and mineral waters.
Heublein Inc†	USA	Worldwide	100%	Production, importing and marketing of wines and spirits.
Holsten Distributors Ltd	England	UK	51%*	Importing, marketing and distribution of Holsten lagers.

PRINCIPAL GROUP COMPANIES

	Country of Incorporation	Country of Operation	Percentage of Equity Owned	Business Description
Drinks – continued				
International Distillers and Vintners Ltd†	England	Worldwide	100%*	Production, distribution, marketing, wholesaling, exporting and importing of wines, spirits and other adult beverages.
International Distillers and Vintners UK Ltd†	England	UK	100%	Production, distribution, marketing and wholesaling of wines, spirits and other adult beverages.
Justerini & Brooks Ltd	England	UK-exporting worldwide	100%	Distillation, marketing and export of Scotch whisky.
S&E&A Metaxa Distilleries SA†	Greece	Greece	100%	Production, distribution and marketing of spirits.
The Paddington Corporation	USA	USA	100%	Importation, distribution and marketing of wines and spirits.
Ruddles Brewery Ltd†	England	UK	100%*	Brewing and distribution of ales.
Samuel Webster & Wilsons Ltd	England	UK	100%	Brewing, marketing and distribution of ales, lagers, ciders and mineral waters.
Watney Truman Ltd	England	UK	100%	Brewing, marketing and distribution of ales, lagers, ciders and mineral waters.
Wyvern International Ltd	England	UK-exporting worldwide	100%	Marketing and export of wines, spirits and other adult beverages.
Retailing				
Burger King Corporation†	USA	USA, Canada, Europe	100%	Fast food retailing.
Grand Metropolitan Estates Ltd†	England	UK	100%	Management of the group's property activity.
Grand Metropolitan Retailing Ltd†	England	UK	100%	Management of branded pubs and restaurants.
Pearle Inc†	USA	USA, Holland	100%	Retailing of eye care products and services.
The Dominic Group Ltd	England	UK	100%*	Specialist off-licences.
Wienerwald GmbH	Germany	Germany	100%	Chicken restaurants.
Grand Metropolitan Cardholders Ltd	England	UK	100%*	Administration of group credit card scheme.
Corporate				
Grand Metropolitan Finance PLC	England	UK	100%*	Principal financing company for the group.
Grand Metropolitan Information Services Ltd	England	UK	100%	Provision of information technology services to group companies.

*Directly owned by Grand Metropolitan PLC.
†Carries on the business described in the countries listed in conjunction with its subsidiaries and other group companies.

SHAREHOLDER INFORMATION

at 30th September 1990

	Number of holders	Percentage of total holders	Number of shares	Percentage of ordinary share capital
Classification of shareholders				
Men	36,844	32.41	42,027,336	4.24
Women	39,243	34.52	49,277,355	4.97
Joint Accounts (Individuals)	12,137	10.68	22,118,414	2.23
Banks & Insurance Companies	14,340	12.61	401,077,830	40.45
Pension Funds	108	0.10	53,354,589	5.38
Nominee Companies	8,463	7.44	350,446,095	35.34
Other Companies	2,549	2.24	73,225,427	7.39
	113,684	100.00	991,527,046	100.00
Shareholding range				
1-100	10,252	9.02	467,088	0.05
101-500	30,565	26.88	9,174,410	0.93
501-1,000	29,131	25.62	21,618,409	2.18
1,001-5,000	37,657	33.13	75,459,359	7.61
5,001-10,000	2,990	2.63	20,673,102	2.08
10,001-50,000	1,898	1.67	41,646,152	4.20
50,001-100,000	354	0.31	25,793,625	2.60
100,001-250,000	408	0.36	65,361,530	6.60
250,001-500,000	178	0.16	63,417,773	6.39
500,001-and over	251	0.22	667,915,598	67.36
	113,684	100.00	991,527,046	100.00

Share price information
The latest Grand Metropolitan share price is available on the Financial Times Cityline Service: telephone 0836 432759 (calls charged at 38p per minute at peak and 25p per minute off peak including VAT).

Dividends in shares instead of cash
The company's share dividend plan was in operation during 1990 for the final dividend for 1989 paid on 9th April and the interim dividend for 1990 paid on 1st October.
Where the price per share used to calculate entitlement to new shares ("Share Price") differs substantially from the market value on the first day of dealings in the new shares on The International Stock Exchange ("Opening Value"), the Opening Value will be taken when calculating gross income for UK taxation purposes. The Inland Revenue normally regards a difference of 15 per cent either way as "substantial". The Opening Value for the interim dividend for 1990 paid on 1st October was less than the Share Price by more than 15 per cent
The following table shows how the UK taxable income relating to the receipt of each new share under the share dividend plan is calculated.

Dividend	Share price	Opening value	Gross income for UK tax purposes
9th April 1990 (Final 1989)	596.2p	575p	794.9p*
1st October 1990 (Interim 1990)	643.6p	538.5p	718p**

* Gross income for UK tax purposes equals 596.2p grossed up for tax at the basic rate of 25 per cent.
** Gross income for UK tax purposes equals 538.5p grossed up for tax at the basic rate of 25 per cent.

FIVE YEAR RECORD

based on the consolidated financial statements for years ended 30th September

Balance Sheet	1986 £m	1987 £m	1988 £m	1989 £m	1990 £m
Fixed assets	2,875	3,510	4,074	6,635	6,287
Other assets	249	221	115	(152)	28
	3,124	3,731	4,189	6,483	6,315
Less: Net borrowings	(933)	(1,358)	(751)	(3,641)	(2,888)
	2,191	2,373	3,438	2,842	3,427
Capital and reserves	2,165	2,345	3,407	2,810	3,401
Minority interests	26	28	31	32	26
	2,191	2,373	3,438	2,842	3,427
Profit and Loss Account					
Turnover	5,291	5,706	6,029	9,298	9,394
Trading profit	487	571	654	967	1,082
Property profits	9	14	39	80	79
Net exceptional items	(27)	(9)	(25)	(35)	(3)
Interest	(101)	(120)	(93)	(280)	(239)
Profit before taxation	368	456	575	732	919
Taxation	(92)	(120)	(155)	(216)	(279)
Profit after taxation	276	336	420	516	640
Minority interests	(3)	(3)	(8)	(8)	(6)
Profit before extraordinary items	273	333	412	508	634
Extraordinary items	(12)	128	290	560	435
Profit for the financial year	261	461	702	1,068	1,069
Ordinary dividends	(87)	(103)	(129)	(167)	(198)
Transferred to reserves	174	358	573	901	871
Earnings per share (see note 1 below)	31.4p	38.1p	46.9p	55.6p	64.1p
Ordinary dividends per share	10.25p	12.0p	15.0p	17.75p	20.4p
As adjusted (see note 1 below)	10.02p	11.73p	14.66p	17.60p	20.4p
Dividend cover	3.1	3.2	3.2	3.0	3.2

Notes

1 Adjustments have been made to take account of the 1989 rights issue.

2 Prior year figures have been restated to reflect subsequent changes in accounting policies.

SUBJECT INDEX

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