

LEISURE INTERNATIONAL LIMITED

Company No 970624

FINANCIAL STATEMENTS

30 SEPTEMBER 1995



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 30 September 1995.

Activities

The company acts as a holding company.

Financial

The loss for the year is £14,324,614 (1994 profit of £94,477,753) and has increased the deficit on reserves. The directors are unable to recommend the payment of a dividend (1994 - £nil).

The following significant transactions took place in the year:

Grand Metropolitan PLC sold its shareholding in the company to Grand Metropolitan Holdings Limited by means of a share for shares exchange.

The Alpo Petfoods business was disposed of to Nestlé Holdings Inc for \$510 million.

The Pillsbury Company acquired Pet Incorporated for a consideration of approximately £1.7 billion.

The company acquired Selviac Nederland BV.

Directors

The directors during the year were as follows:

DP Nash (resigned 17 October 1995)
RH Myddelton
GMN Corbett

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

	Ordinary shares of 25p each			Options		1995
	1995	1994	1994	Granted in year	Exercised in year	
RH Myddelton	27,019	21,849	221,278	38,162	4,338	255,102

RH Myddelton held the above options under the Grand Metropolitan PLC share option schemes at prices between 270p and 474p per share exercisable by 2005.

GMN Corbett and DP Nash are and were respectively directors of the ultimate holding company at 30 September 1995, Grand Metropolitan PLC, and their interests are disclosed in the annual report of that company.

DIRECTORS' REPORT (continued)

Directors (continued)

None of the directors who held office at the end of the financial year had any interests in the shares of the company.

During the year the group maintained directors and officers liability insurance for the directors and officers of the company.

Post balance sheet event

On 20 December 1995, the company changed its name to Grand Metropolitan International Holdings Limited.

Auditors

On 6 February 1995, the auditors changed their name to KPMG and they have signed their report in their new name.

By order of the board



S M ADAMS
Secretary
1 July 1996

8 Henrietta Place
London
W1M 9AG

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditors set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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

The directors, in preparing the financial statements on pages 5 to 10, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed, and that it is appropriate to prepare the financial statements on the going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF LEISURE INTERNATIONAL LIMITED**

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of the directors and auditors

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

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1995 and of the loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



KPMG

Chartered Accountants

Registered Auditors

London

21 July 1996

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 30 SEPTEMBER 1995**

	Note	1995 £	1994 £
Foreign exchange (losses)/profits		(14,324,614)	94,152,826
Income from shares in group companies		—	<u>305,493</u>
Operating (loss)/profit from continuing operations		(14,324,614)	94,458,319
Sale of businesses		—	19,434
(Loss)/profit on ordinary activities before taxation		(14,324,614)	<u>94,477,753</u>
Tax on (loss)/profit on ordinary activities	3	—	—
(Loss)/profit on ordinary activities after taxation transferred to reserves		<u>(14,324,614)</u>	<u>94,477,753</u>

There are no recognised gains or losses other than those disclosed in the Profit and Loss Account and accordingly a Statement of Recognised Gains and Losses is not presented.

BALANCE SHEET AS AT 30 SEPTEMBER 1995

	Note	1995 £	1994 £
Fixed assets			
Investments	4	<u>4,176,077,791</u>	<u>1,760,917,791</u>
Current assets			
Debtors	5	103,558	103,558
Creditors - due within one year	6	<u>(4,284,161,193)</u>	<u>(1,854,676,579)</u>
Net current liabilities		<u>(4,284,057,635)</u>	<u>(1,854,573,021)</u>
Total assets less current liabilities		<u><u>(107,979,844)</u></u>	<u><u>(93,655,230)</u></u>
Capital and reserves			
Called up share capital	7	9	9
Share premium	9	66,037,930	66,037,930
Profit and loss account	9	<u>(174,017,783)</u>	<u>(159,693,169)</u>
		<u><u>(107,979,844)</u></u>	<u><u>(93,655,230)</u></u>

These financial statements were approved by the board of directors on 1 July 1996 and were signed on its behalf by:



GMN Corbett
Director

The notes on pages 7 to 10 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Accounting convention

The financial statements are prepared under the historical cost convention and on a going concern basis as the ultimate holding company has agreed to provide funds to enable the Company to meet its obligations during the next financial year. They have been drawn up to comply with applicable UK accounting standards.

The financial statements present information about the undertaking as an individual company and not about the group as a whole.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rate. All exchange gains and losses are taken to the profit and loss account.

Investments

Fixed asset investments are stated individually at cost less, where appropriate, provision for diminution in value where such diminution is expected by the directors to be permanent.

2. Operating costs

In 1995 and 1994 none of the directors received any emoluments in respect of their services to the company. The company has no employees.

The auditors' remuneration was borne by the holding company.

3. Taxation

The effective taxation rate for the year is affected by the fact that the foreign exchange gains and losses are not taxable.

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. Investments**

	Shares in subsidiary undertakings £
Cost	
At beginning of year	1,760,917,791
Addition in year	<u>2,415,160,000</u>
At end of year	<u>4,176,077,791</u>
Net Book Value	
30 September 1995	<u>4,176,077,791</u>
30 September 1994	<u>1,760,917,791</u>

During the year the company acquired Selviac Nederland BV.

The company's principal subsidiary undertakings, which are all wholly owned unless otherwise stated, are as follows:

	<u>Country of Incorporation</u>	<u>Principal Activities</u>
<u>Direct subsidiaries</u>		
Grand Metropolitan Incorporated	USA	Holding company
Selviac Nederland BV	Holland	Holding company
<u>Indirect subsidiaries</u>		
Pearle Inc	USA	Retailing of eyecare products and services
Heublein Inc	USA	Production, importing and marketing of spirits and wines

NOTES TO THE FINANCIAL STATEMENTS (continued)**4. Fixed assets - investments (continued)**

The Pillsbury Company	USA	Manufacturing, marketing and distribution of refrigerated dough products, breakfast and dessert products, frozen pizza, frozen and canned vegetables, Mexican foods, canned soups, superpremium ice cream, and foodservice baking mixes and frozen products
Burger King Corporation	USA	Fast food retailing
Grand Metropolitan Investment Corporation	USA	Financing company for the US group

Under s228 of the Companies Act 1985, the company is exempt from preparing group accounts as it is a wholly owned subsidiary undertaking of Grand Metropolitan PLC, which is registered in England and whose accounts can be obtained from Grand Metropolitan PLC, 8 Henrietta Place, London W1M 9AG.

5. Debtors

	1995 £	1994 £
Amounts owed by subsidiary undertakings	35,284	35,284
Group relief receivable	19,783	19,783
Withholding tax receivable	47,961	47,961
Other debtors	530	530
	<u>103,558</u>	<u>103,558</u>

All amounts are due within one year.

6. Creditors - due within one year

	1995 £	1994 £
Amounts owed to parent undertaking	1,869,001,193	1,854,676,579
Amounts owed to fellow subsidiary undertaking	2,415,160,000	-
	<u>4,284,161,193</u>	<u>1,854,676,579</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**7. Called up share capital**

	1995 £	1994 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
9 Ordinary shares of £1 each	<u>9</u>	<u>9</u>

8. Reconciliation of movements in shareholders' funds

	1995 £	1994 £
(Loss)/profit for the financial year	(14,324,614)	94,477,753
Net (decrease)/increase in shareholders' funds	(14,324,614)	94,477,753
Shareholders' funds at beginning of year	(93,655,230)	(188,132,983)
Shareholders' funds at end of year	<u>(107,979,844)</u>	<u>(93,655,230)</u>

9. Reserves

	Share Premium £	Profit and loss account £	Total £
At 30th September 1994	66,037,930	(159,693,169)	(93,655,239)
Retained loss for the year	-	(14,324,614)	(14,324,614)
At 30th September 1995	<u>66,037,930</u>	<u>(174,017,783)</u>	<u>(107,979,853)</u>

10. Post balance sheet event

On 20 December 1995, the company changed its name to Grand Metropolitan International Holdings Limited.