

General Mills Holding (UK) Limited

Directors' report and consolidated financial statements

Registered number 4111739

30 April 2005



LD3
COMPANIES HOUSE

LXF1FD7X

428
24/02/2006

Contents

Directors' report	1
Statement of directors' responsibilities	5
Independent auditor's report to the members of General Mills Holding (UK) Limited	6
Consolidated profit and loss account	7
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Notes	10

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 April 2005.

Principal activity

The Company acts as a UK holding Company for the UK trading affiliates of its ultimate parent General Mills, Inc. The principal activity of the group was the marketing, distribution and sale of super premium ice cream, ambient packaged foods, pre-packed frozen and chilled pastry and dough products, canned vegetable products, baking mix branded products and other foods. The Group also acts as a consignment manufacturer of pre-packed frozen and chilled pastry and dough products, primarily for the Jus-Rol/Pillsbury branded range of products.

Results

The results for the year for the group are shown on page 7. The Company recorded a loss of £3,063,000 for the year (2004: £2,799,000). The directors do not recommend the payment of a dividend.

Directors

The directors who served during the year were as follows:

E Harper Jr
JC Anderson (resigned 30th June 2005)
RJ Gardner
JG Moseley

None of the directors had any beneficial or non-beneficial interest in the share capital of the Company or had a material interest during the period of any significant contract with the Company.

E Harper Jr is also a director of General Mills International Businesses, Inc a fellow group Company of General Mills Inc and his interests are disclosed in their accounts.

Directors' report (continued)

Details of the other directors who held office at the end of the year who held share options in General Mills Inc., the Company's ultimate parent are as follows:

	At beginning of the period	Granted during the period	Exercised during the period	At end of period
Roger Gardner	4,500*	-	-	4,500
	3,600**	-	-	3,600
	-	7,150****	-	7,150
James Moseley	16,250*	-	-	16,250
	13,000**	-	-	13,000
	8,125***	-	-	8,125

* On 17 December 2001 these Directors received General Mills Inc's stock options at a price of US\$49.61. These options have a four-year vesting period and are therefore not exercisable until December 2005.

** On 16 December 2002, these directors received General Mills Inc's Stock Options at a price of US\$43.86. These options have a four-year vesting period and are therefore not exercisable until December 2006.

*** On 15 December 2003 these Directors received General Mills Inc's stock options at a price of US\$46.11.

These options have a four-year vesting period and are therefore not exercisable until December 2007.

**** On 13 December 2004 these Directors received General Mills, Inc's stock options at a price of US\$46.97.

These options have a four-year vesting period and are therefore not exercisable until December 2008.

Details of the other directors who held office at the end of the year who held restricted stock units in General Mills Inc are as follows:

	At beginning of period	Granted during the period	Exercised during the period	At end of period
Roger J. Gardner	1,125*	-	-	1,125
	-	990**	-	990
James G. Moseley	2,031*	-	-	2,031
		1,788**		1,788

* On 15 December 2003 these Directors received General Mills Inc's restricted stock units at a price of US\$46.11. These units have a four-year vesting period and are therefore not exercisable until December 2007.

** On 13 December 2004 these Directors received General Mills, Inc's restricted stock units at a price of US\$46.97. These units have a four-year vesting period and are therefore not exercisable until December 2008.

Directors' report (continued)

Employee Involvement

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

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

Consultation is achieved both on a formal basis in conjunction with trade unions and employee committees and also through more informal briefing sessions and discussions with wider groups of employees.

Employment of Disabled Persons

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

Supplier Payment Policies

The group agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier. The number of days' purchases included in creditors and trade accruals as at 30 April 2005 in respect of the Company is £nil (2004: £nil).

Community Relations and Charitable Donations

During the year the group made donations of £18,894 (2004: £73,541) to charitable organisations. The group has not given any money for political purposes.

Directors' report (continued)

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



R Gardner
Director

22nd February 2006

100 New Bridge Street
London
EC4V 6JA

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of General Mills Holding (UK) Limited

We have audited the financial statements on pages 7 to 30.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit 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 group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the group as at 30 April 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

Date 23 February 2006

Consolidated profit and loss account

for the year ended 30 April 2005

	<i>Note</i>	2005 £000	2004 £000
Group Turnover	<i>1,2</i>	147,957	172,745
Operating costs	<i>3</i>	(145,084)	(167,947)
Group operating profit	<i>3</i>	2,873	4,798
Net Interest payable	<i>6</i>	(951)	(2,337)
Profit on ordinary activities before taxation		1,922	2,461
Tax on profit on ordinary activities	<i>7</i>	(1,092)	(1,112)
Profit on ordinary activities after taxation		830	1,349
Retained profit for the year for the group	<i>18</i>	830	1,349

The results all relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 30 April 2005


	2005 £000	2004 £000
Profit for the financial year	830	1,349
Currency translation on foreign divisions	(11)	-
Total recognised gains and losses relating to the financial year	819	1,349

Consolidated balance sheet

at 30 April 2005

	<i>Note</i>	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Intangible assets	8		20,422		21,886
Goodwill					
Tangible assets	9		9,830		8,891
			<hr/>		<hr/>
			30,252		30,777
Current assets					
Stocks	11	692		216	
Debtors	12	86,123		88,248	
Cash at bank and in hand		1,534		1,719	
		<hr/>		<hr/>	
		88,349		90,183	
Creditors: amounts falling due within one year	14	(44,930)		(46,624)	
		<hr/>		<hr/>	
Net current assets			43,419		43,559
Total assets less current liabilities			<hr/>		<hr/>
			73,671		74,336
Creditors: amounts falling due after more than one year	15	(45,498)		(48,297)	
Provisions for liabilities and charges	16	(1,626)		(311)	
		<hr/>		<hr/>	
Net assets			26,547		25,728
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17	10,291		10,291	
Share premium account	18	7,507		7,507	
Profit and loss account	18	8,749		7,930	
		<hr/>		<hr/>	
Shareholders funds	19	26,547		25,728	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 22 February 2006 and were signed on its behalf by:



R Gardner
Director

Company balance sheet

at 30 April 2005

	<i>Note</i>	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Investments	10		60,498		60,498
Creditors: amounts falling due within one year	14	(1,403)		(1,396)	
Net current liabilities			(1,403)		(1,396)
Creditors: amounts falling due over one year	15		(51,353)		(48,297)
Net assets			7,742		10,805
Shareholders' funds					
Called up share capital	17		10,291		10,291
Share premium account	18		7,507		7,507
Profit and loss account	18		(10,056)		(6,993)
Shareholders funds	19		7,742		10,805

These financial statements were approved by the board of directors on ^{22nd February 2006} and were signed on its behalf by:


R Gardner
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. The group has followed transitional arrangements of FRS17 'Retirement Benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

Under Financial Reporting Standard 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

The Company is a wholly owned subsidiary of General Mills Inc., the Company has taken advantage of the exemption provided in FRS 8 under which transactions or balances with entities forming part of the group (or investees of a group qualifying as related parties) do not require disclosure.

The Company has amended its accounting policy regarding revenue recognition and the amended policy is shown in (f). The prior years comparative figures have not been restated. If the accounting policy had been applied consistently, the 2004 turnover figure would be restated from £172,745,000 to £161,131,000 and the operating costs figure would be restated from £167,947,000 to £156,333,000. There would be no impact on operating profit, retained earnings or net assets.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 April 2005. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years. Any impairment charge is included within operating profits.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

Intangible fixed assets

Intangible fixed assets purchased separately from a business are capitalised at their cost and are amortised over their useful economic lives.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Long Leasehold	-	50 years
Short lease improvements	-	3 to 10 years
Plant and machinery	-	3 to 25 years
Fixtures and fittings	-	3 to 10 years

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial period end exchange rates, or if hedged forward, at the rates of exchange under the related forward currency contract.

The trading results of overseas divisions are translated at the average exchange rates for the year. Exchange adjustments arising from the retranslation of the opening net investment, and from the translation of the profits or losses at average rates, are taken to reserves. Other exchange differences, including those arising from currency conversions in the usual course of trading, are taken into account in determining profit on ordinary activities before taxation.

Leases

Where the Company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset values recorded in tangible fixed 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. Operating lease payments and receipts are taken to the profit and loss account on a straight-line basis over the life of the lease.

Post retirement benefits

The Company operates a pension scheme providing benefits based mainly on final pensionable pay but also on a defined contribution basis. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

Stocks

Stock is valued at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover is recognised upon shipment to customers. Reported sales, including royalties recoverable, are exclusive of VAT and net of certain trade promotion and other costs. Trade promotions are included, based on estimated levels of participation and performance.

2 Analysis of turnover and profit before taxation

The turnover and profit before taxation are principally attributable to the marketing, distribution and sale in the UK, Ireland and other countries of super premium ice cream, ambient packaged goods, pre-packed frozen and chilled pastry and dough products, canned vegetable products, baking mix products and other food products. In addition the group acts as a consignment manufacturer to General Mills Europe Sàrl, for which payments are received for the services provided.

3 Operating costs

	Group	
	2005	2004
	£000	£000
(Increase)/decrease in stocks	(476)	6,800
Raw materials and consumables and other manufacturing costs	84,439	94,363
Other external charges (i)	39,191	45,029
Staff costs (note 5) (ii)	18,681	18,516
Depreciation of tangible fixed assets (note 9)	1,785	1,775
Amortisation of goodwill (note 8)	1,464	1,464
	<hr/>	<hr/>
	145,084	167,947
	<hr/>	<hr/>

Notes (continued)

3 Operating costs (continued)

- i) Included in the above analysis are operating lease rentals of £1,769,000 (2004: £1,716,000). Operating costs include auditor's remuneration of £78,300 (2004: £73,000) for the Group. Also included in the current year's other external charges is a provision of future costs relating to onerous leases on used property (see note 16). The auditor's remuneration for the Company is borne by one of its subsidiaries.
- ii) Staff costs include an exceptional credit of £617,321 in respect of pension costs. See note 21 for further details.

4 Remuneration of directors

Emoluments (including benefits in kind and pension contributions) received were £482,667 (2004: £415,868). Further information on share interests and share options during the period is included in the Directors' Report on pages 1 and 2.

The emoluments of the highest paid director were £263,950 (2004: £259,646) and pension contributions of £25,658 (2004: £24,654). At the year end his accrued annual pension was £6,427 (2004: £3,825) per annum. Two (2004: two) of the directors are members of the UK group Pension Plan, within the defined benefit part of the scheme.

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Part time	551	524
Full time	86	89
	<hr/>	<hr/>
	637	613
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	16,350	15,612
Social security costs	1,450	1,357
Other pension costs (note 21)	881	1,547
	<hr/>	<hr/>
	18,681	18,516
	<hr/>	<hr/>

Notes *(continued)*

6 Net interest payable

	2005 £000	2004 £000
Interest receivable on loans to group undertakings	986	-
Bank interest receivable	3	18
	<hr/> 989	<hr/> 18
Interest payable on loans from group undertakings	(1,912)	(2,353)
Bank interest payable	(28)	(2)
	<hr/> (1,940)	<hr/> (2,355)
Total	<hr/> (951) <hr/>	<hr/> (2,337) <hr/>

Notes (continued)

7 Taxation

Analysis of charge in period

	2005 £000	£000	2004 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	1,075		795	
Adjustments in respect of prior periods	(30)		110	
	<hr/>		<hr/>	
Total current tax		1,045		905
<i>Deferred tax (see note 13)</i>				
Origination/reversal of timing differences	43		546	
Adjustment in respect of previous years	4		(339)	
	<hr/>		<hr/>	
Total deferred tax		47		207
		<hr/>		<hr/>
Tax on profit on ordinary activities		1,092		1,112
		<hr/>		<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below.

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,922	2,461
	<hr/>	<hr/>
Current tax at 30% (2004: 30 %)	577	738
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation	(233)	(223)
Expenses not deductible for tax purposes (primarily goodwill amortisation)	541	601
Other timing differences	190	(321)
Adjustments to tax charge in respect of previous periods	(30)	110
	<hr/>	<hr/>
Total current tax charge (see above)	1,045	905
	<hr/>	<hr/>

Notes (continued)

8 Intangible fixed assets

Group	Goodwill
	£000
	2005
<i>Cost</i>	
At beginning and end of year	29,277
	<hr/>
<i>Amortisation</i>	
At beginning of year	7,391
Charged in year	1,464
	<hr/>
At end of year	8,855
	<hr/>
<i>Net book value</i>	
At end of year	20,422
	<hr/>
At beginning of year	21,886
	<hr/>

Notes (continued)

9 Tangible fixed assets

	Land and Buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000
Group					
<i>Cost or valuation</i>					
At beginning of year	2,009	9,810	351	1,006	13,176
Additions	140	2,560	11	37	2,748
Transfers	28	72	-	(100)	-
Disposals	-	(34)	-	(4)	(38)
At end of year	2,177	12,408	362	939	15,886
<i>Depreciation</i>					
At beginning of year	200	3,948	137	-	4,285
Charge for year	112	1,600	73	-	1,785
On disposals	-	(14)	-	-	(14)
At end of year	312	5,534	210	-	6,056
<i>Net book value</i>					
At end of year	1,865	6,874	152	939	9,830
At beginning of year	1,809	5,862	214	1,006	8,891

The net book value of land and buildings are:

	2005 £000	2004 £000
Freehold	141	141
Long leasehold	1,329	1,374
Short leasehold	395	294
Total	1,865	1,809

The amount on which depreciation of freehold and long leasehold properties is based is £3,085,000 (2004: £3,085,000).

Notes (continued)

9 Tangible fixed assets (Continued)

The net book value of long leasehold properties determined according to historical cost convention is as follows:

	2005	2004
	£000	£000
Cost	2,930	2,930
Deprecation	(1,601)	(1,556)
	<hr/>	<hr/>
Net book value	1,329	1,374
	<hr/>	<hr/>

Included in the net book value of freehold properties is £105,000 (2004: £105,000) in respect of land on which no depreciation is charged.

Company

The Company has no tangible fixed assets.

10 Fixed asset investments

	Shares in group undertakings
	£'000
Company	
<i>Cost</i>	
At beginning and end of year	<u>60,498</u>

At the beginning and end of the year the Company owned the entire share capital of General Mills Berwick Limited and General Mills UK Ltd, trading companies incorporated in the UK, and the entire share capital of General Mills Pension Trustee Limited, a non trading Company incorporated in the UK.

Notes (continued)

11 Stocks

Group	2005	2004
	£000	£000
Raw materials and consumables	236	209
Finished goods and goods for resale	456	7
	<hr/> 692 <hr/>	<hr/> 216 <hr/>

12 Debtors

Group	2005	2004
	£000	£000
Trade debtors	21,006	21,287
Amounts owed by group undertakings	60,880	61,797
Corporation tax	-	85
VAT recoverable	2,163	3,121
Others debtors	108	-
Prepayments and accrued income	964	1,059
Deferred tax assets (see note 13)	1,002	899
	<hr/> 86,123 <hr/>	<hr/> 88,248 <hr/>

Total group debtors includes deferred tax assets of £1,002,000 (2004:£899,000) due after more than one year.

Also included in debtors is amounts owed by group undertakings of £60,880,000 of which £55,898,000 relates to interest bearing cash deposits.

Notes (continued)

13 Deferred tax

An analysis of group deferred tax assets is as follows:	2005	2004
	£000	£000
Accelerated depreciation	(112)	160
Other short term timing differences	964	739
	<u>852</u>	<u>899</u>
Deferred tax asset (note 12)	1,002	899
Deferred tax liability (note 16)	(150)	-
	<u>852</u>	<u>899</u>

The movement in the deferred tax account is set out below:	2005
	£000
At beginning of year	899
Credit for the year	(43)
Adjustment in respect of prior years	(4)
	<u>852</u>
At end of year	<u>852</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade creditors	4,510	4,196	-	-
Amounts owed to group undertakings	24,266	23,673	1,403	1,396
Corporation tax	816	252	-	-
VAT payable	377	-	-	-
Taxation and social security	75	65	-	-
Accruals and deferred income	14,886	18,438	-	-
	<u>44,930</u>	<u>46,624</u>	<u>1,403</u>	<u>1,396</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£000	£000
Amounts owed to group undertakings	45,498	48,297	51,353	48,297

16 Provisions for liabilities and charges

	Opening balance	Increase in provision	Utilisation and transfer	Closing balance
	£000	£000	£000	£000
Onerous leases in unused property	311	1,202	(37)	1,476
Deferred tax liability	=	<u>150</u>	=	<u>150</u>
Provisions for liabilities and charges	<u>311</u>	<u>1,352</u>	<u>(37)</u>	<u>1,626</u>

- i) The onerous lease provision provides against future rental obligations on property that is no longer used and will be utilised to meet any remaining claims over the unexpired period of the leases. The leases expire between 2009 and 2017.
- ii) The deferred tax liability is included in note 13.

17 Called up share capital

	2005	2004
	£000	£000
Authorised		
Equity: Ordinary shares of £1 each	40,000	40,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	10,291	10,291

Notes (continued)

18 Reserves

Group	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	7,507	7,930	15,437
Currency translation differences on foreign divisions	-	(11)	(11)
Profit for the year	-	830	830
	<hr/>	<hr/>	<hr/>
At end of year	7,507	8,749	16,256
	<hr/>	<hr/>	<hr/>
 Company	 Share premium account £000	 Profit and loss account £000	 Total £000
At beginning of year	7,507	(6,993)	514
Loss for the year	-	(3,063)	(3,063)
	<hr/>	<hr/>	<hr/>
At end of year	7,507	(10,056)	(2,549)
	<hr/>	<hr/>	<hr/>

The Company's loss for the financial year was £3,063,000 (2004: £2,799,000).

Notes (continued)

19 Reconciliation of movement in shareholders funds

	Group	Group	Company	Company
	2005	2004	2005	2004
	£000	£000	£000	£000
Opening shareholder's funds	25,728	24,379	10,805	13,604
Currency translation differences on foreign divisions	(11)	-	-	-
Profit/(Loss) for the year	<u>830</u>	<u>1,349</u>	<u>(3,063)</u>	<u>(2,799)</u>
Closing shareholder's funds	<u>26,547</u>	<u>25,728</u>	<u>7,742</u>	<u>10,805</u>

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and	Other	Land and	Other
Group	buildings		buildings	
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	-	4	-	71
In the second to fifth years inclusive	1,136	103	521	37
Over five years	462	-	1,135	-
	<u>1,598</u>	<u>107</u>	<u>1,656</u>	<u>108</u>

Company

The Company has no operating lease commitments.

Notes (*continued*)

21 Pension scheme

On 31 October 2001, General Mills Berwick Limited (the group's sole trading entity at the time) was sold by Diageo to General Mills Inc. As part of the sale agreement the Company's employees remained members of the Diageo schemes until 31 October 2002. As from 1 November 2002 a new scheme, General Mills UK Pension Plan was established.

In order to cover the cost of providing the pension benefit for the twelve months following the sale to the commencement of the new scheme, the group held an accrual of £2,087,321 in relation to pension contributions.

At the year end the transfer value of the assets and liabilities of the proportion of the Diageo scheme had not been settled and had not been transferred to the General Mills UK Pension Plan. As the group was unable to identify its share of the underlying assets and liabilities in the Diageo scheme and the resulting transfer value to the General Mills Pension Plan, the group accounted for contributions to the scheme as if it were a defined contribution scheme.

Contributions by the group were based on pension costs across the Diageo plc group as a whole. The schemes are of the defined benefit type funded by payments to trustee administered funds. The cost of providing pensions and other post employment benefits is charged against profits on a systematic basis, with pension surpluses and deficits allocated on a straight line basis over the expected remaining service lives of current employees.

Differences between the amounts charged in the profit and loss account and payments made to the plans are treated as assets or liabilities in the balance sheet. Contribution rates are determined by independent actuaries and the latest valuation of the scheme under a SSAP24 basis was taken on 30 June 2002. The actuarial valuation of the assets of the scheme was sufficient to cover approximately 123% of the benefits that had accrued to members after allowing for expected future increases in wages and salaries. Further particulars of the valuations of the schemes are contained in the financial statements of Diageo plc.

2005 Update

In July 2005, the assets and related liabilities of the Diageo scheme to be transferred to the General Mills UK Pension Plan were finalised. In settlement, Diageo transferred £5.4 million to the scheme on 11th October 2005. These assets and liabilities of circa £5.4 million are not included in the FRS 17 disclosures on pages 27 to 30.

In addition, the Company settled the amount that was owing to Diageo to cover the cost of providing the pension benefit for the twelve months following the sale to the commencement of the new scheme. This amount was £1,470,000 and was paid on 11th October 2005. The excess accrual of £617,321 has been credited to the P&L with a corresponding deferred tax debit of £185,196.

Notes (*continued*)

21 Pension scheme (*continued*)

General Mills scheme established 1st Nov 2002

Defined contribution schemes

The group is the principal employer in a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £76,000 (2004: £52,000). In addition, the Company makes certain contributions to other pension schemes that its employees participate in.

There were outstanding contributions held in creditors at the end of the financial year of £7,500 (2004: £6,000).

Defined benefit schemes

SSAP 24

The group is also the principal employer in a pension scheme providing benefits based on final pensionable pay, contributions are charged to the profit and loss account in a way such that the cost of pensions is spread over employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the project unit method. The most recent valuation was at 30 April 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The most recent actuarial valuation showed that the market value of the scheme's assets was £917,000 at 30 April 2003 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the group and employees will remain at 16.5 % for the group and 4%, 5% or 6% for employees, depending on which section of the Plan the employee belongs to, for year ending 30 April 2006.

There were outstanding contributions held in creditors at the end of the financial year of £114,000 (2004: £95,000). The group expensed £1,422,000 in the year (2004, £1,495,000) as its contribution to the pension fund.

Notes (*continued*)

21 Pension scheme (*continued*)

FRS 17

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

A full actuarial valuation was carried out at 30 April 2003 and updated using approximate roll forward techniques to 30 April 2005 by a qualified independent actuary. The major assumptions used by the actuary in this valuation were:

	2005	2004	2003
Rate of increase in salaries			
- General Mills UK Ltd employees	4.00%	4.50%	4.25%
- General Mills Berwick Ltd employees	3.50%	4.50%	4.25%
Rate of increase in pensions in payment and deferred pensions	2.75%	2.75%	2.25%
Discount rate applied to scheme liabilities	5.25%	5.75%	5.25%
Inflation assumption	2.75%	3.00%	2.25%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes (continued)

21 Pension scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2005	Value at 2005 £000	Long term rate of return 2004	Value at 2004 £000	Long term rate of return 2003	Value at 2003 £000
Equities	8.50%	2,620	9.0%	1,686	-	-
Bonds	5.25%	1,187	5.5%	705	-	-
Cash	4.00%	567	5.0%	391	4.25%	915
		<hr/>		<hr/>		<hr/>
		4,374		2,782		915
Present value of scheme liabilities		(5,131)		(3,296)		(1,098)
		<hr/>		<hr/>		<hr/>
Deficit in the scheme		(757)		(514)		(183)
Related deferred tax asset		227		154		-
		<hr/>		<hr/>		<hr/>
Net pension liability		(530)		(360)		(183)
		<hr/>		<hr/>		<hr/>

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year

	2005 £000	2004 £000
Deficit in scheme at beginning of year	(514)	(183)
Current service cost	(1,762)	(1,859)
Contributions paid	1,422	1,495
Other finance cost	(27)	(82)
Actuarial gain/(loss)	124	115
	<hr/>	<hr/>
Surplus/(deficit) in the scheme at end of year	(757)	(514)
	<hr/>	<hr/>

Notes (continued)

21 Pension scheme (continued)

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2005 £000	2004 £000
Current service cost	(1,762)	(1,859)

Analysis of amounts included in other finance income/costs

	2005 £000	2004 £000
Expected return on pension scheme assets	265	77
Interest on pension scheme liabilities	(292)	(159)
	(27)	(82)

Analysis of amount recognised in statement of total recognised gains and losses

	2005 £000	2004 £000
Actual return less expected return on scheme assets	(143)	20
<i>Percentage of year end scheme assets</i>	(3%)	1%
Experience gains and losses arising on scheme liabilities	639	(16)
<i>Percentage of present value of year end scheme liabilities</i>	12%	0%
Changes in assumptions underlying the present value of scheme liabilities	(372)	111
<i>Percentage of present value of year end scheme liabilities</i>	(7%)	3%
Actuarial gain loss recognised in statement of total recognised gains and losses	124	115
<i>Percentage of present value of year end scheme liabilities</i>	2%	3%

Notes (continued)

21 Pension scheme (continued)

Reconciliation to balance sheet

	2005	2004
	£000	£000
Net assets	26,547	25,728
Pension accrual under SSAP 24	114	95
Net Pension Liability under FRS 17	(530)	(360)
	<hr/>	<hr/>
Net assets including pension liability	26,131	25,463
	<hr/>	<hr/>

Analysis of reserves

	2005	2004
	£000	£000
Profit and loss reserve	8,749	7,930
Pension accrual under SSAP 24	114	95
Net Pension Liability under FRS 17	(530)	(360)
	<hr/>	<hr/>
Profit and loss reserve including pension liability	8,333	7,665
	<hr/>	<hr/>

22 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

General Mills Holding (UK) Limited is part of the world-wide group of companies whose ultimate parent Company is General Mills, Inc., incorporated in the USA. Copies of the ultimate parent Company's financial statements may be obtained from General Mills, Inc., PO Box 1113, Minneapolis, Minnesota 55440.

The immediate holding Company is General Mills Canada Corp, a Company incorporated and registered in the Canada.