

## **DIRECTORS**

G M N Corbett, Chairman  
Lord Sheppard  
G J Bull  
P K Bentley  
P E B Cawdron  
J B McGrath  
D B Rickard  
N C Rose  
D C Stainton  
D M Waddell  
P S Walsh

**Grand Metropolitan Finance PLC**  
Secretary and Registered Office  
B E Wickham  
20 St James's Square, London SW1Y 4RR  
Telephone: (0171) 321 6000

Company Registration No. 213393



## DIRECTORS' REPORT

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

### *Activities*

The company acts as a financing vehicle for the Grand Metropolitan Group. The results of the company and the development of its business are, therefore, influenced to a considerable extent by Group financing requirements.

### *Dividend and profit*

The directors do not recommend the payment of a dividend (1994 - £nil). The profit for the year transferred to reserves was £23.3m (1994 - £16.1m).

### *Share Capital*

Subsequent to the year end, the authorised and issued share capital of the company was increased by £1,505m in the form of 8,000 million ordinary 5p shares, 50 million "A" £1 cumulative redeemable preference shares and 1,055 million "B" £1 cumulative redeemable preference shares.

### *Directors*

The directors were as follows:

G J Bull  
P K Bentley (appointed 15 September 1995)  
P E B Cawdron  
G M N Corbett  
D F Crowley (appointed 15 September 1995)\*  
C J Evans (resigned 15 September 1995)  
J B McGrath  
D P Nash (resigned 17 October 1995)  
D B Rickard\*  
N C Rose  
I C Shaw (resigned 15 September 1995)  
Lord Sheppard  
D C Stainton  
D M Waddell (appointed 15 September 1995)  
P S Walsh (appointed 20 November 1995)

\*Mr D B Rickard resigned as a director on 15 September 1995 but was re-appointed as an alternate director to Mr J B McGrath in place of Mr C J Evans.

\*Mr D F Crowley was appointed as an alternate director to Mr D P Nash on 15 September 1995 in place of Mr I C Shaw. He resigned as an alternate director on 17 October 1995.

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

By Order of the Board

**B E Wickham**

Secretary

13 February 1996



## **DIRECTORS' RESPONSIBILITIES IN RELATION TO 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 11, 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 use a going concern basis.

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

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

The directors, having prepared the financial statements, have requested the 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 GRAND METROPOLITAN FINANCE PUBLIC  
LIMITED COMPANY**

We have audited the financial statements on pages 5 to 11.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the 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 its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

**KPMG  
Chartered Accountants  
Registered Auditors**

**London, 13 February 1996**

## ACCOUNTING POLICIES

### **Accounting convention**

The financial statements are prepared under the historical cost convention and comply with applicable UK accounting standards.

### **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 are translated into sterling at the financial year end exchange rates, or if hedged forward, at the rate of exchange under the related forward currency contract.

Exchange gains and losses are taken to the profit and loss account.

### **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. Provision is made for taxation deferred if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 September 1995

	Notes	1995 £m	1994 £m
Interest receivable	1	678.9	493.3
Interest payable	2	(653.9)	(461.7)
Net interest receivable		25.0	31.6
Other operating income		11.1	-
Operating costs	4	(1.0)	(7.6)
<b>Profit on ordinary activities before taxation</b>		<b>35.1</b>	<b>24.0</b>
Taxation on profit on ordinary activities	6	(11.8)	(7.9)
<b>Profit for the financial year, transferred to reserves</b>	<b>13</b>	<b>23.3</b>	<b>16.1</b>

The results in the above profit and loss account relate entirely to continuing operations.

There are no realised gains or losses other than those presented in the above profit and loss account. Accordingly no statement of recognised gains and losses is presented.

There is no material difference between the company's profit and loss account and the historical cost profits and losses. Accordingly no note of the historical profits and losses for the period has been presented.

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**  
for the year ended 30 September 1995

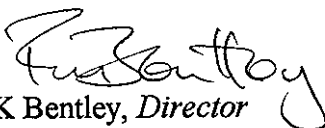
	1995 £m	1994 £m
Profit for the financial year	23.3	16.1
Shareholders' funds at beginning of year	361.3	345.2
Shareholders' funds at end of year	384.6	361.3

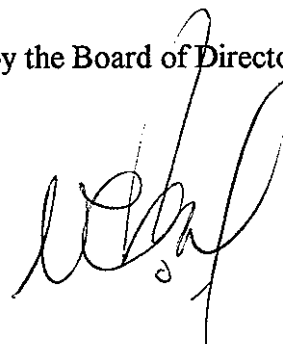
**BALANCE SHEET**  
at 30 September 1995

	Notes	1995 £m	1994 £m
<b>Current assets</b>			
Debtors (see note below)	7	8,383.1	5,126.3
Investments	8	162.9	-
Cash at bank		300.6	484.2
		<b>8,846.6</b>	<b>5,610.5</b>
<b>Creditors - amounts due within one year</b>			
Borrowings	9	(131.5)	(234.5)
Other creditors	10	(4,944.0)	(1,876.9)
		<b>(5,075.5)</b>	<b>(2,111.4)</b>
<b>Net current assets (see note below)</b>		<b>3,771.1</b>	<b>3,499.1</b>
<b>Creditors - amounts due after more than one year</b>			
Borrowings	9	(278.8)	(36.5)
Other creditors	11	(3,107.7)	(3,101.3)
		<b>(3,386.5)</b>	<b>(3,137.8)</b>
		<b>384.6</b>	<b>361.3</b>
<b>Capital and reserves</b>			
Called up share capital	12	255.0	255.0
Profit and loss account		129.6	106.3
		<b>384.6</b>	<b>361.3</b>

Debtors and net current assets include debtors recoverable after more than one year of £3.2 billion (1994: £3.2 billion).

The financial statements on pages 5 to 11 were approved by the Board of Directors on 13 February 1996 and were signed on its behalf by:

  
 P K Bentley, *Director*  
 N C Rose, *Director*



## NOTES

<b>1 Interest receivable</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
On loans to group undertakings	<b>618.0</b>	443.8
Income from currency swaps	<b>20.5</b>	34.5
On other deposits	<b>40.4</b>	15.0
	<b>678.9</b>	<b>493.3</b>

<b>2 Interest payable</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
On all bank loans, overdrafts and other loans repayable wholly within five years	<b>645.2</b>	460.9
On all other loans	<b>8.7</b>	0.8
	<b>653.9</b>	<b>461.7</b>

Included in the above is interest payable to Group undertakings of £624.2m (1994 - £382.3m).

### 3 Operations

The company is engaged in treasury management for Grand Metropolitan PLC and its subsidiary undertakings. The business and geographical segments that it lends to are as disclosed in the statutory accounts of Grand Metropolitan PLC. The company's operations are based in the United Kingdom. It raises the external funds it requires principally using the London and New York financial markets.

### 4 Operating costs

The company has no employees. The principal components of operating costs are committed facility fees, bank and commercial paper charges. The auditors' remuneration was borne by the ultimate holding company.

### 5 Directors

#### *Emoluments*

None of the directors received any remuneration during the year in respect of their services as directors of the company (1994 - £nil).



## NOTES

### 5 Directors (continued)

#### *Shareholdings*

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

	Ordinary Shares		1994 or date of appointment	Options		1995
	1995	1994		Granted in year	Exercised in year	
P K Bentley	-	-	-	-	-	-
D F Crowley*	-	-	28,946	-	-	28,946
D B Rickard*	2,712	2,712	64,822	33,022	-	97,844
N C Rose	3,000	-	161,056	36,069	-	197,125
D C Stainton	-	-	138,056	26,916	-	164,972
D M Waddell	1,200	6,447	153,070	-	-	153,070

The starred directors held American Depository Shares (ADS) and/or options over ADS's each representing four Ordinary shares of 25p each. The numbers quoted are in respect of the ADS's.

The directors held the above options under Grand Metropolitan PLC share option schemes at prices between 314p and 474p per share exercisable by 2005. The ADS options are held at prices between US\$24.59 and US\$32.05 per ADS, exercisable by 2005.

Lord Sheppard, G J Bull, P E B Cawdron, G M N Corbett, J B McGrath and P S Walsh are directors, and at the year end D P Nash was a director of the ultimate holding company, Grand Metropolitan PLC, and details of their interests are dealt with in the annual report of that company.

6 Taxation	1995 £m	1994 £m
UK corporation tax at 33% (1994 - 33%)	11.6	8.1
Deferred tax	0.2	(0.2)
	<b>11.8</b>	<b>7.9</b>

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

7 Debtors	1995 £m	1994 £m
Amounts owed by parent company and fellow subsidiary undertakings	8,306.5	5,074.8
Accrued income and prepayments	76.5	51.2
Other debtors	0.1	0.1
Deferred taxation	-	0.2
	<b>8,383.1</b>	<b>5,126.3</b>

Amounts owed by parent company and fellow subsidiary undertakings include £3.2 billion due after more than one year (1994 : £3.2 billion).

## NOTES

<b>8 Investments</b>	<b>1995</b>	<b>1994</b>
	<b>£m</b>	<b>£m</b>
Certificates of deposit and Euro commercial paper	<b>162.9</b>	-

### 9 Borrowings

	Bank loans and overdrafts £m	Other loans £m	1995 Total £m	Bank loans and overdrafts £m	Other loans £m	1994 Total £m
<i>Analysis by year of repayment</i>						
Greater than 5 years: by instalment	-	19.2	19.2	-	21.9	21.9
: other		198.7	198.7			
From one to five years	45.3	15.6	60.9	3.5	11.1	14.6
<b>Due after more than one year</b>	<b>45.3</b>	<b>233.5</b>	<b>278.8</b>	<b>3.5</b>	<b>33.0</b>	<b>36.5</b>
<b>Due within one year</b>	<b>121.2</b>	<b>10.3</b>	<b>131.5</b>	<b>197.7</b>	<b>36.8</b>	<b>234.5</b>
	<b>166.5</b>	<b>243.8</b>	<b>410.3</b>	<b>201.2</b>	<b>69.8</b>	<b>271.0</b>
Amount repayable by instalment part of which falls due after five years	-	35.6	35.6	-	33.6	33.6

Other loans comprise:

	Currency	Year end interest rates %	1995 £m	1994 £m
Guaranteed bonds 2005	Sterling	9	198.7	-
Commercial paper	US dollars	7.62-7.75	5.8	26.2
Commercial paper	Sterling	7.94	3.7	10.0
Others	Various	Various	35.6	33.6
			<b>243.8</b>	<b>69.8</b>

None of the company's borrowings is secured.

The company has access to a number of committed bank facilities of which approximately £981 million was unused at 30 September 1995.

The company has arranged interest rate swaps and forward rate agreements to manage the Grand Metropolitan group's interest rate exposure. The interest rates shown above are those contracted on the underlying borrowings before taking into account any interest rate protection.

### 10 Other creditors - amounts due within one year

	1995 £m	1994 £m
Amounts owed to fellow subsidiary undertakings	4,884.6	1,859.3
Accrued expenses	48.1	10.4
Corporate taxation	11.3	7.2
	<b>4,944.0</b>	<b>1,876.9</b>

## NOTES

### 11 Other creditors - amounts due after more than one year

Other creditors due after more than one year comprise amounts owed to fellow subsidiary undertakings of £3.1 billion which are repayable on 31 October 1996 (1994: £3.1 billion repayable 31 October 1995) and which bear interest at variable rates.

### 12 Called up share capital

	Authorised		Allotted, called up and fully paid			
	1995 Number (m)	1994 Number (m)	1995 Number (m)	1995 £m	1994 Number (m)	1994 £m
Ordinary shares 5p each	5,100	5,100	5,100	255.0	5,100	255.0

### 13 Reconciliation of movement in reserves

	1995 £m	1994 £m
Profit for the financial year	23.3	16.1
Reserves at 30 September 1994	106.3	90.2
Reserves at 30 September 1995	129.6	106.3

### 14 Contingent liabilities

The company enters into various forward dated transactions to manage the Grand Metropolitan Group's interest and exchange rate exposures. It is not anticipated that any material losses will arise from these transactions.

### 15 Cash flow statement

A cash flow statement is not presented as the company is a wholly owned subsidiary undertaking of Grand Metropolitan PLC. A cash flow statement for the Grand Metropolitan Group is included in the financial statements of Grand Metropolitan PLC.

### 16 Ultimate holding company

The company is a directly owned subsidiary of Grand Metropolitan PLC, a company registered in England, whose accounts may be obtained from the Company Secretary, Grand Metropolitan PLC, 20 St James's Square, London SW1Y 4RR.

### 17 Post balance sheet events

Subsequent to the year end, the authorised and issued share capital of the company was increased by £1,505 million in the form of 8,000 million ordinary 5p shares, 50 million "A" £1 cumulative redeemable preference shares and 1,055 million "B" £1 cumulative redeemable preference shares. The proceeds have been used for general financing purposes.