

213393

GRAND METROPOLITAN FINANCE PLC

Annual Report 1993



DIRECTORS

D P Nash, Chairman
G J Bull
P E B Cawdron
J B McGrath
D Rickard
N C Rose
Sir Allen Sheppard
D C Stainton

Grand Metropolitan Finance PLC
Secretary and Registered Office
B E Wickham
20 St James's Square, London SW1Y 4RR
Telephone: (071) 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 30th September 1993.

Activities

The company acts as the principal 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 (1992 – £nil). The profit for the year transferred to reserves was £16.1m (1992 – £14.5m).

Directors

The directors during the year were as follows:

P E B Cawdron
D A Defty
C J Evans
J R Hacker (resigned 31st December 1992)
R C Lowes
A F D Macgowan
S Marshall
I A Martin
S D A Martin
R H Myddelton
D P Nash
N C Rose
Sir Allen Sheppard
D C Stainton (appointed 16th June 1993)

Mr D A Defty resigned as a Director of the company on 31st October 1993, Mr I A Martin resigned as a Director of the company on 4th November 1993, Mr S Marshall resigned as a Director of the company on 1st December 1993, Mr S D A Martin, Mr A F D Macgowan and Mr R H Myddelton resigned as Directors of the company on 21st March 1994 and Mr R C Lowes and Mr C J Evans resigned as Directors of the company on 22nd March 1994. Mr G J Bull, Mr D Rickard and Mr J B McGrath were appointed as Directors of the company on 22nd March 1994. Mr C J Evans was appointed as an alternate Director to Mr J B McGrath and Mr I Shaw was appointed as an alternate Director to Mr D P Nash on 22nd March 1994.

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

Auditors

The auditors, KPMG Pear Marwick, have indicated their willingness to continue in office and resolutions concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

Company tax status

The company is not a close company.

By order of the Board

B E Wickham

Secretary

22nd March 1994

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 3, 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 consider that in preparing the financial statements on pages 3 to 8, 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 3 to 8.

Respective responsibilities of directors and auditors

As described on page 2 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 30th September 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

London, 22nd March 1994

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.

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.

PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1993

	Notes	1993 £m	1992 £m
Interest receivable	1	507.1	493.9
Interest payable	2	(478.4)	(468.6)
Net interest receivable		28.7	25.3
Operating costs	4	(4.7)	(3.6)
Profit on ordinary activities before taxation		24.0	21.7
Taxation on profit on ordinary activities	6	(7.9)	(7.2)
Profit for the financial year, transferred to reserves		16.1	14.5

There are no recognised gains or losses other than those disclosed in the profit and loss account.

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 30th September 1993

	1993 £m	1992 £m
Profit for the financial year	16.1	14.5
New share capital issued	250.0	-
Net movement in shareholders' funds	266.1	14.5
Shareholders' funds at beginning of year	79.1	64.6
Shareholders' funds at end of year	345.2	79.1

BALANCE SHEET

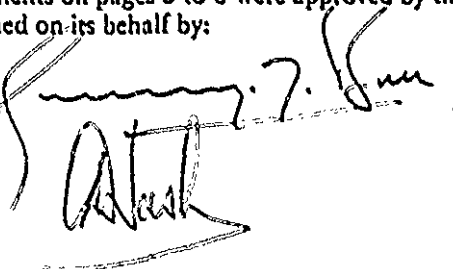
at 30th September 1993

	Notes	1993 £m	1992 £m
Current assets			
Amounts owed by parent company and fellow subsidiary undertakings		5,368.0	5,121.6
Other debtors	7	95.1	50.6
Cash at bank		9.7	19.5
		<u>5,472.8</u>	<u>5,191.7</u>
Creditors – due within one year			
Amounts owed to fellow subsidiary undertakings		(3,215.1)	(3,642.3)
Borrowings	8	(75.1)	(27.1)
Other creditors	9	(40.6)	(41.5)
		<u>(3,330.8)</u>	<u>(3,710.9)</u>
Net current assets		2,142.0	1,480.8
Creditors – due after more than one year			
Borrowings	8	(1,796.8)	(1,401.7)
		<u>345.2</u>	<u>79.1</u>
Capital and reserves			
Called up share capital	10	255.0	5.0
Profit and loss account	11	90.2	74.1
		<u>345.2</u>	<u>79.1</u>

The financial statements on pages 3 to 8 were approved by the Board of Directors on 22nd March 1994 and were signed on its behalf by:

G J Bull, Director

D P Nash, Director



NOTES

1 Interest receivable	1993 £m	1992 £m
On loans to group undertakings	465.5	424.3
Income from currency swaps	36.0	61.6
On other deposits	5.6	8.0
	<u>507.1</u>	<u>493.9</u>
2 Interest payable	1993 £m	1992 £m
On all bank loans, overdrafts and other loans repayable wholly within five years*	477.6	467.7
On all other loans	0.8	0.9
	<u>478.4</u>	<u>468.6</u>

*Included in the above is interest payable to group undertakings of £348.9m (1992 - £342.0m).

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 and 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, legal 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 (1992 - £nil).

Shareholdings

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		Options		
	1993	1992	1992	Granted in year	Exercised in year
D A Defty	-	-	184,483	57,722	59,286
C J Evans*	-	-	42,664	16,290	-
R C Lowes*	-	-	68,073	27,451	-
A F D Macgowan	-	-	46,000	14,000	16,000
S Marshall	-	-	132,292	-	28,000
S D A Martin	-	-	58,129	15,084	8,000
R H Myddelton	21,203	20,610	187,208	-	-
N C Rose	-	-	50,000	42,081	-

*The above directors held options over American Depositary Shares (ADS) each representing four Ordinary shares of 25p each.

The directors held the above options under Grand Metropolitan PLC share option schemes at prices between 243p and 471p per share exercisable by 2003. The ADS options are held at prices between US\$24.04 and US\$34.63 per ADS, exercisable by 2000.

Sir Allen Sheppard, I A Martin, D P Nash and P E B Cawdron are directors of the ultimate holding company, Grand Metropolitan PLC, and details of their interests are dealt with in the annual report of that company.

NOTES

6 Taxation	1993 £m	1992 £m
UK corporation tax at 33% (1992 - 33%)	7.9	7.2

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 Other debtors	1993 £m	1992 £m
Accrued income and prepayments	55.5	50.6
Other debtors	39.6	-
	95.1	50.6

8 Borrowings	Bank loans and overdrafts £m	Other loans £m	1993 Total £m	Bank loans and overdrafts £m	Other loans £m	1992 Total £m
<i>Analysis by year of repayment</i>						
After five years - by instalment	-	5.3	5.3	-	6.2	6.2
From two to five years	293.8	1,497.7	1,791.5	33.0	1,362.5	1,395.5
Due after more than one year	293.8	1,503.0	1,796.8	33.0	1,368.7	1,401.7
Due within one year	75.1	-	75.1	27.1	-	27.1
	368.9	1,503.0	1,871.9	60.1	1,368.7	1,428.8
Amounts repayable by instalment part of which falls due after more than five years	-	8.6	8.6	-	9.3	9.3

Total borrowings include:	Year end interest rates		1993 £m	1992 £m
	Currency	%		
<i>Other loans</i>				
Commercial paper	US dollars	3.09-3.45	1,268.7	1,321.2
Bills of exchange	Sterling	5.75-6.00	214.1	-
Commercial paper	Sterling	5.90-6.09	11.6	37.2
Others	Various	Various	8.6	10.3
			1,503.0	1,368.7

Commercial paper and other borrowings are classified as medium term borrowings to the extent that there are 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 company's borrowings into sterling. The difference in interest arising from these swaps of £36.0m (1992 - £61.6m) is included in interest receivable in the profit and loss account.

None of the company's borrowings are secured.

The company has arranged interest rate swaps which have the effect of fixing the rate of interest at an average rate of 7.69% on US dollar borrowings totalling £1,200m (1992 - 7.93% on US dollar borrowings totalling £1,011m) for a weighted average term of 1.7 years (1992 - 2.5 years). The interest rates shown in the table above are those contracted on the underlying borrowings before taking into account any interest rate protection.

NOTES

9 Other creditors – due within one year	1993 £m	1992 £m
Accrued expenses	33.3	35.1
Taxation based on profits	7.3	6.4
	40.6	41.5

10 Called up Share Capital	Authorised		Allotted, called up and fully paid			
	1993 Number (m)	1992 Number (m)	1993 Number (m)	1993 £m	1992 Number (m)	1992 £m
Ordinary shares 5p each	5,100	100	5,100	255.0	100	5.0

There were 5,000,000,000 ordinary shares of 5p each issued at par during the year. The aggregate consideration received from the issue was £250m. The issue of share capital was required to reflect the increase in scale of the company's operations in recent years.

11 Reconciliation of Movement in Reserves	1993 £m	1992 £m
Profit for financial year	16.1	14.5
Reserves at 30th September 1992	74.1	59.6
Reserves at 30th September 1993	90.2	74.1

12 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.

13 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 entire Grand Metropolitan group is included in the financial statements of Grand Metropolitan PLC.

14 Ultimate holding company

The ultimate holding company is 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.