

# Grand Metropolitan Finance

Annual Report 1991

COMPANY NUMBER: 213393

## DIRECTORS

D P Nash, Chairman  
P E B Cawdron  
D A DeG  
J R Hacker  
R C Lowes  
A F D Macgowan  
S Marshall  
S D A Martin  
M D McCann  
R H Myddelton  
Sir Allen Sheppard  
R P Thorne

## SECRETARY

B E Wickham

## AUDITORS

KPMG Peat Marwick  
Chartered Accountants,  
PO Box 486,  
1 Puddle Dock,  
Blackfriars,  
London EC4V 3PD

## REGISTERED OFFICE

20 St. James's Square,  
London SW1Y 4RR  
Telephone: 071-321 6000  
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Company Registration No. 213393

# DIRECTORS' REPORT

to the members of Grand Metropolitan Finance Public Limited Company

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th September 1991.

## Activities

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

During the year the company's assets and creditors increased primarily in connection with the refinancing of certain fellow subsidiary companies.

## Dividend and Profit

The directors do not recommend the payment of a dividend (1990-£nil). The profit for the year transferred to reserves is £11.2m (1990-£7.3m)

## Directors

The directors during the year (together with subsequent resignations) were as follows:

P E B Cawdron	
D A Defty	(Appointed 11th July 1991)
J R Hacker	
K T Kantor	(Appointed 11th July and resigned 5th November 1991)
R C Lowes	(Appointed 11th July 1991)
A F D Macgowan	
S Marshall	(Appointed 20th February 1991)
S D A Martin	
M D McCann	
R C Mitchell	(Resigned 1st February 1991)
R H Myddelton	
D P Nash	
Sir Allen Sheppard	
R P Thorne	

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		
	At end of year	At beginning of year (or date of appointment if later)	At beginning of year (or date of appointment if later)	Granted in year	Exercised in year	At end of year
P E B Cawdron	126	125	124,980	43,844	(31,499)	137,325
D A Defty	—	—	124,172	—	—	124,172
J R Hacker	—	—	69,011	21,148	(30,290)	59,869
K T Kantor	—	—	75,000	—	—	75,000
R C Lowes	—	—	—	—	—	—
A F D Macgowan	—	—	8,000	8,000	—	16,000
S Marshall	—	—	24,000	26,797	—	50,797
S D A Martin	—	—	19,503	8,000	(3,074)	24,429
M D McCann	23,058	—	84,861	9,540	(23,058)	71,343
R H Myddelton	10,115	3,055	112,316	8,924	(51,240)	70,000
R P Thorne	—	—	30,000	43,545	—	73,545

The above directors held the above options under Grand Metropolitan PLC share option schemes, at prices between 430p and 760p per share exercisable by 1998.

Sir Allen Sheppard and Mr D P Nash 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. None of the directors who held office at the end of the financial year had any interests in the shares of the company.

## Auditors

The auditors, KPMG Peat Marwick, are willing to continue in office and resolutions concerning their re-appointment and remuneration will be submitted to the annual general meeting.

By order of the Board

B E Wickham

Secretary

5th December 1991

# 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 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 at 30th September 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick  
Chartered Accountants  
Registered Auditor  
London, 5th December 1991



## 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

of Grand Metropolitan Finance Public Limited Company for the year ended 30th September 1991

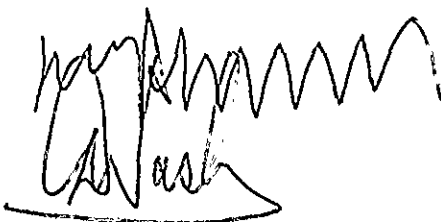
	Notes	1991 £m	1990 £m
Interest receivable	1	499.0	519.3
Interest payable	2	(479.8)	(505.3)
Net interest receivable		19.2	14.0
Operating costs	3	(2.4)	(2.7)
Profit before taxation		16.8	11.3
Taxation	4	(5.6)	(4.0)
Profit for the financial year, transferred to reserves		11.2	7.3
<b>Movements in reserves</b>			
Reserves at beginning of year		48.4	41.1
Retained profit for year		11.2	7.3
Reserves at end of year		59.6	48.4

# BALANCE SHEET

of Grand Metropolitan Finance Public Limited Company at 30th September 1991

	Notes	1991 £m	1990 £m
<b>Current assets</b>			
Amounts owed by fellow subsidiary companies		4,558.7	4,072.7
Other debtors	5	30.5	22.2
Cash at bank		4.0	21.1
		<u>4,593.2</u>	<u>4,116.0</u>
<b>Creditors – due within one year</b>			
Amounts owed to holding and fellow subsidiary companies		(2,977.4)	(2,324.7)
Borrowings	8	(63.1)	(68.4)
Other creditors	6	(33.8)	(24.5)
		<u>(3,074.3)</u>	<u>(2,417.6)</u>
<b>Net current assets</b>		<b>1,518.9</b>	<b>1,698.4</b>
<b>Creditors – due after more than one year:</b>			
Borrowings	8	(1,454.3)	(1,645.0)
		<u>64.6</u>	<u>53.4</u>
<b>Capital and reserves</b>			
Called up share capital	7	5.0	5.0
Profit and loss account		59.6	48.4
		<u>64.6</u>	<u>53.4</u>

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



# SOURCE AND APPLICATION OF FUNDS

of Grand Metropolitan Finance Public Limited Company for the year ended 30th September 1991

	£m	1991 £m	£m	1990 £m
<b>Funds generated</b>				
Profit before taxation		16.8		11.3
Tax paid		(4.0)		(4.5)
Funds derived from operations		12.8		6.8
<b>Funds applied</b>				
Decrease/(increase) in working capital:				
Accruals	7.7		15.3	
Other debtors	(8.3)		(22.2)	
		(0.6)		(6.9)
		12.2		(0.1)
Decrease/(increase) in net balances due from group companies		166.7		(128.1)
Decrease/(increase) in net borrowings		178.9		(128.2)
<b>Analysis of movement in net borrowings</b>				
Medium and long term loans		190.7		(151.1)
Short term loans		5.3		8.0
Cash at bank		(17.1)		14.9
Decrease/(increase) in net borrowings		178.9		(128.2)

# NOTES TO THE ACCOUNTS

of Grand Metropolitan Finance Public Limited Company for the year ended 30th September 1991

1 Interest receivable	1991 £m	1990 £m
On loans to group companies	429.8	451.1
On other deposits	69.2	68.2
	<u>499.0</u>	<u>519.3</u>

2 Interest payable	1991 £m	1990 £m
On all bank loans, overdrafts and other loans repayable wholly within five years	479.0	504.4
On all other loans	0.8	0.9
	<u>479.8</u>	<u>505.3</u>

Included in the above is interest payable to group companies of £319.7m (1990-£299.9m)

## 3 Operating costs

The company has no employees. None of the directors received any remuneration during the year (1990-£nil). The auditors' remuneration was borne by the ultimate holding company.

4 Taxation	1991 £m	1990 £m
UK corporation tax at 33.5% (1990-35%)	5.6	4.0

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

5 Other debtors	1991 £m	1990 £m
Accrued income and prepayments	30.5	22.2

6 Other creditors	1991 £m	1990 £m
Accrued expenses	28.2	20.5
Taxation based on profits	5.6	4.0
	<u>33.8</u>	<u>24.5</u>

7 Called up share capital	1991 £m	1990 £m
Authorised:		
100 million shares of 5p each	5.0	5.0
Allotted, called up and fully paid:		
100 million shares of 5p each	5.0	5.0



# NOTES TO THE ACCOUNTS

of Grand Metropolitan Finance Public Limited Company for the year ended 30th September 1991

continued

## 8 Borrowings

	1991			1990		
	Bank loans and overdrafts £m	Other loans £m	Total £m	Bank loans and overdrafts £m	Other loans £m	Total £m
Analysis by year of repayment						
After five years—by instalment	—	6.0	6.0	—	6.6	6.6
From two to five years	159.8	1,287.2	1,447.0	7.8	844.6	852.4
From one to two years	—	1.3	1.3	166.4	619.6	786.0
Due after more than one year	159.8	1,294.5	1,454.3	174.2	1,470.8	1,645.0
Due within one year	63.1	—	63.1	68.4	—	68.4
	222.9	1,294.5	1,517.4	242.6	1,470.8	1,713.4
Amount repayable by instalment part of which falls due after five years	—	8.4	8.4	—	8.8	8.8

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 is included in interest receivable in the profit and loss account.

Bank loans and overdrafts	Interest rates %	1991 £m	1990 £m
Drawn under facilities expiring ultimately in the year to 30th September 1992	9.54	34.2	157.0
Other loans of less than £10million, uncommitted loans and overdrafts	Various	188.7	85.6
		222.9	242.6
Other loans			
Commercial paper - US dollars	5.40-6.46	1,111.3	1,459.3
Commercial paper - Pounds sterling	10.21-11.38	173.0	—
Other loans of less than £10million	Various	10.2	11.5
		1,294.5	1,470.8

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 8.23% on US dollar and Deutschmark borrowings totalling £1,269m (1990-8.6% on US dollar and Deutschmark borrowings totalling £616m) for a weighted average term of 2.7 years (1990-2.5 years). The interest rates shown in the tables above are those contracted on the underlying borrowings before taking into account any interest rate protection.

## 9 Segment analysis

The company is engaged in treasury management for Grand Metropolitan PLC and its subsidiaries. The business and geographical segments that it lends to are as disclosed in the consolidated 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.

## 10 Contingent liabilities

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

## 11 Ultimate holding company

The ultimate holding company is Grand Metropolitan PLC, a company registered in England, whose accounts can be obtained from Grand Metropolitan PLC, 20 St. James's Square, London SW1Y 4RR.

## 12 Approval of financial statements

These financial statements were approved by the Board of Directors on 5th December 1991.