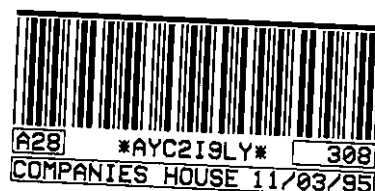


## DIRECTORS

G M N Corbett, Chairman  
Lord Sheppard  
G J Bull  
P E B Cawdron  
C J Evans  
J B McGrath  
D P Nash  
D B Rickard  
N C Rose  
I C Shaw  
D C Stainton

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 1994.

### 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.

During the year the Grand Metropolitan group continued the restructuring of its borrowings in the United States and the United Kingdom. As a consequence of this, the company has used funds provided by other members of the Grand Metropolitan group to repay approximately £1.5 billion of commercial paper and bills of exchange. Also during the year the company renegotiated its bilateral bank facilities to provide a total committed facility for the company and certain other members of the Grand Metropolitan group of \$3.1 billion.

### Dividend and profit

The directors do not recommend the payment of a dividend (1993 - £nil). The profit for the year transferred to reserves was £16.1m (1993 - £16.1m).

### Directors

The directors during the year were as follows:

G J Bull (appointed 22 March 1994)  
P E B Cawdron  
G M N Corbett (appointed 31 May 1994)  
D A Defty (resigned 31 October 1993)  
C J Evans\*  
R C Lowes (resigned 22 March 1994)  
A F D Macgowan (resigned 21 March 1994)  
S Marshall (resigned 1 December 1993)  
I A Martin (resigned 4 November 1993)  
S D A Martin (resigned 21 March 1994)  
J B McGrath (appointed 22 March 1994)  
R H Myddelton (resigned 21 March 1994)  
D P Nash

D B Rickard (appointed 22 March 1994)  
N C Rose  
I C Shaw\* (appointed 22 March 1994)  
Lord Sheppard  
D C Stainton

\*Mr C J Evans resigned as a director on 22 March 1994 but was re-appointed as an alternate director to Mr J B McGrath on the same date.

Mr I C Shaw was appointed as an alternate director to Mr D P Nash on 22 March 1994.

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

### Auditors

On 6 February 1995, our auditors changed the name under which they practise and, accordingly, have signed their report in their new name. In accordance with s384 of the Companies Act 1985, a resolution concerning the reappointment and remuneration of KPMG 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

20 February 1995

## **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, in preparing the financial statements on pages 4 to 9, 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 4 to 9.

## **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 30 September 1994 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, 20 February 1995

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

### Adoption of new accounting standards

These financial statements comply with the accounting standard Financial Reporting Standard 4 (FRS4) - Capital Instruments, which was issued by the Accounting Standards Board during the year.

FRS4 requires that borrowings should generally be classified according to the maturity of the financial instrument and not according to the maturity of the available committed facilities. Consequently, the analysis of borrowings at 30 September 1993 has been restated to reclassify £1,661 million of commercial paper and other borrowings as due within one year. The equivalent figure at 30 September 1994 was £36 million, which has been classified as due within one year. There was no impact on the profit and loss account for the current or preceding years.

## PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1994

	Notes	1994 £m	1993 £m
Interest receivable	1	493.3	507.1
Interest payable	2	(461.7)	(478.4)
Net interest receivable		31.6	28.7
Operating costs	4	(7.6)	(4.7)
Profit on ordinary activities before taxation		24.0	24.0
Taxation on profit on ordinary activities	6	(7.9)	(7.9)
Profit for the financial year, transferred to reserves	12	16.1	16.1

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. The adoption of FRS4 has not affected the recognised gains and losses brought forward.

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 1994

	1994 £m	1993 £m
Profit for the financial year	16.1	16.1
New share capital issued	-	250.0
Net movement in shareholders' funds	16.1	266.1
Shareholders' funds at beginning of year	345.2	79.1
Shareholders' funds at end of year	361.3	345.2

# BALANCE SHEET

at 30 September 1994

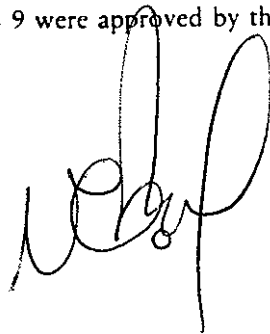
	Notes	1994 £m	Restated 1993 £m
<b>Current assets</b>			
Debtors	7	5,126.3	5,463.1
Cash at bank		484.2	9.7
		<u>5,610.5</u>	<u>5,472.8</u>
<b>Creditors - due within one year</b>			
Borrowings	8	(234.5)	(1,736.6)
Other creditors	9	(1,876.9)	(3,255.7)
		<u>(2,111.4)</u>	<u>(4,992.3)</u>
		<u>3,499.1</u>	<u>480.5</u>
<b>Net current assets</b>			
<b>Creditors - due after more than one year</b>			
Borrowings	8	(36.5)	(135.3)
Other creditors	10	(3,101.3)	-
		<u>(3,137.8)</u>	<u>(135.3)</u>
		<u>361.3</u>	<u>345.2</u>
<b>Capital and reserves</b>			
Called up share capital	11	255.0	255.0
Profit and loss account	12	106.3	90.2
		<u>361.3</u>	<u>345.2</u>

Debtors, current assets and net current assets include £3.2 billion (1993: £3.3 billion) due after more than one year.

The financial statements on pages 4 to 9 were approved by the Board of Directors on 20 February 1995 and were signed on its behalf by:

N C Rose, *Director*

G M N Corbett, *Director*

## NOTES

<b>1 Interest receivable</b>	<b>1994</b>	<b>1993</b>
	<b>£m</b>	<b>£m</b>
On loans to group undertakings	443.8	465.5
Income from currency swaps	34.5	36.0
On other deposits	15.0	5.6
	<u>493.3</u>	<u>507.1</u>
<b>2 Interest payable</b>	<b>1994</b>	<b>1993</b>
	<b>£m</b>	<b>£m</b>
On all bank loans, overdrafts and other loans repayable wholly within five years	460.9	477.6
On all other loans	0.8	0.8
	<u>461.7</u>	<u>478.4</u>

Included in the above is interest payable to group undertakings of £382.3m (1993 - £348.9m).

### 3 Operations

The company is engaged in treasury management for Grand Metropolitan Public Limited Company and its subsidiary undertakings. The business and geographical segments that it lends to are as disclosed in the statutory accounts of Grand Metropolitan Public Limited Company. 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 (1993 - £nil).

#### Shareholdings

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

	Ordinary shares		1993 or date of appointment	Options		1994
	1994	1993		Granted in year	Exercised in year	
C J Evans*	-	-	33,354	25,757	-	59,111
D B Rickard*	-	-	64,822	-	-	64,822
N C Rose	-	-	92,081	68,975	-	161,056
I C Shaw	-	-	105,809	40,245	-	146,054
D C Stanton	-	-	-	138,056	-	138,056

The starred directors held options over American Depository Shares (ADS) each representing four Ordinary shares of 25p each.

The directors held the above options under Grand Metropolitan group share option schemes at prices between 243p and 471p per share exercisable by 2004. The ADS options are held at prices between US\$26.09 and US\$34.63 per ADS, exercisable by 2001.

Lord Sheppard, G J Bull, P E B Cawdron, G M N Corbett, J B McGrath and D P Nash are directors of the ultimate holding company, Grand Metropolitan Public Limited Company, and details of their interests are dealt with in the annual report of that company.



## NOTES

6 Taxation	1994 £m	1993 £m
UK corporation tax at 33% (1993 - 33%)	8.1	7.9
Deferred tax credit for year	(0.2)	-
	<u>7.9</u>	<u>7.9</u>

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	1994 £m	1993 £m
Amounts owed by parent company and fellow subsidiary undertakings	5,074.8	5,368.0
Accrued income and prepayments	51.2	55.5
Other debtors	0.1	39.6
Deferred taxation	0.2	-
	<u>5,126.3</u>	<u>5,463.1</u>

The deferred tax balance at 30 September 1994 is the amount provided during the year in respect of short term timing differences.

Amounts owed by parent company and fellow subsidiary undertakings include £3.2 billion due after more than one year (1993: £3.3 billion).

8 Borrowings	1994			1993		
	Bank loans and overdrafts £m	Other loans £m	Total £m	Bank loans and overdrafts £m	Other loans £m	Total £m
<i>Analysis by year of repayment</i>						
After five years by instalment	-	21.9	21.9	-	5.3	5.3
From one to five years	3.5	11.1	14.6	127.3	2.7	130.0
Due after more than one year	3.5	33.0	36.5	127.3	8.0	135.3
Due within one year	197.7	36.8	234.5	241.6	1,495.0	1,736.6
	<u>201.2</u>	<u>69.8</u>	<u>271.0</u>	<u>368.9</u>	<u>1,503.0</u>	<u>1,871.9</u>
Amount repayable by instalment part of which falls due after five years	-	33.6	33.6	-	8.6	8.6

Other loans comprise:	Currency	Year end interest rates %	1994 £m	1993 £m
Commercial paper	US dollars	5.22-5.24	26.2	1,268.7
Bills of exchange	Sterling	-	-	214.1
Commercial paper	Sterling	4.98	10.0	11.6
Others	Various	Various	33.6	8.6
			<u>69.8</u>	<u>1,503.0</u>

In the analysis by year of repayment above, the effect of currency swaps is taken into account when translating the company's borrowings into sterling. These currency swaps have the same effect as depositing sterling and borrowing, for example, US dollars. The difference in interest arising from these swaps of £34.5m (1993 - £36.0m) is included in interest receivable in the profit and loss account.

None of the company's borrowings is secured.

The company has access to a number of committed bank facilities under which approximately £1,350 million was unused at 30 September 1994 after allocation to support the commercial paper and certain other borrowings of Grand Metropolitan group companies.

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.

## NOTES

9 Other creditors – due within one year	1994 £m	1993 £m
Amounts owed to fellow subsidiary undertakings	1,859.3	3,215.1
Accrued expenses	10.4	33.3
Corporate taxation	7.2	7.3
	<u>1,876.9</u>	<u>3,255.7</u>

### 10 Other creditors – 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 (1993: £nil) which are repayable on 31 October 1995.

11 Called up share capital	Authorised		Allotted, called up and fully paid			
	1994 Number (m)	1993 Number (m)	1994 Number (m)	1994 £m	1993 Number (m)	1993 £m
Ordinary shares 5p each	<u>5,100</u>	<u>5,100</u>	<u>5,100</u>	<u>255.0</u>	<u>5,100</u>	<u>255.0</u>

12 Reconciliation of movement in reserves	1994 £m	1993 £m
Profit for the financial year	16.1	16.1
Reserves at 30 September 1993	<u>90.2</u>	<u>74.1</u>
Reserves at 30 September 1994	<u>106.3</u>	<u>90.2</u>

### 13 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.

### 14 Cash flow statement

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

### 15 Ultimate holding company

The ultimate holding company is Grand Metropolitan Public Limited Company, a company registered in England, whose accounts may be obtained from the Company Secretary, Grand Metropolitan Public Limited Company, 20 St James's Square, London SW1Y 4RR.