ANNUAL REPORT 1993

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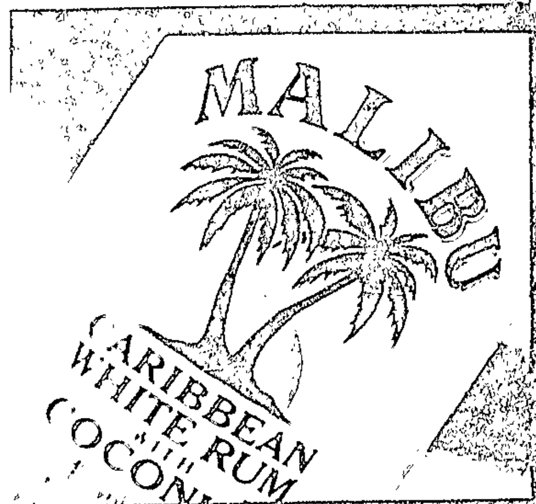
GRAND METROPOLITAN



Grand Metropolitan is one of the world's leading consumer goods companies, specialising in branded food and drinks businesses. Its particular skills lie in brand marketing and the management of worldwide operations. With these skills its aim is to be a major participant in every market in which it has a presence.

The group operates across a small spread of businesses which possess complementary features, thereby ensuring it adds value to the individual parts.

Grand Metropolitan provides a challenging and rewarding working environment for its employees and strives at all times to promote the highest professional standards. Its management style is entrepreneurial, characterised by a determination to win, to innovate and to avoid complacency.

The group contributes to the prosperity of the communities in which it operates and commits itself to programmes which help people achieve self sufficiency.

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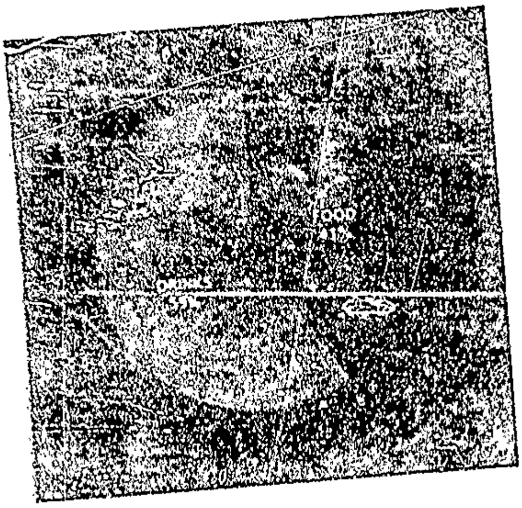
BUSINESS SECTORS AND BRANDS

OPERATING PROFIT
£958m*
ANALYSIS BY SECTOR



GrandMet is now a highly focused, branded food and drinks company

FOOD SECTOR

The group's Food sector comprises GrandMet Foods Americas, headquartered in Minneapolis, USA; GrandMet Foods Europe, based in Paris; and Burger King, the world's second largest fast food restaurant chain. Pearle, the world's largest retail eyewear and eyecare group, with over 1,000 outlets in North America, Europe and the Far East, also reports into this sector.

GrandMet Foods Americas includes Pillsbury baked goods, Green Giant vegetables, Alpo petfoods, GrandMet Foodservice and Häagen Dazs ice cream.

GrandMet Foods Europe produces and markets baked goods, vegetables and ready meals. Its brands include Erasco, Jus-rol, Pillsbury, Green Giant, Brossard and Peter's Savoury Products.

GrandMet holds number one market positions in prepared dough, frozen pizza, frozen vegetables and superpremium ice cream in North America and in cakes in Europe.

Burger King, headquartered in Miami, operates in 50 countries and has 7,120 outlets with systemwide sales of $6.7 billion.

*From continuing operations before exceptional items

DRINKS SECTOR

International Distillers & Vintners (IDV) is the group's worldwide wines and spirits business.

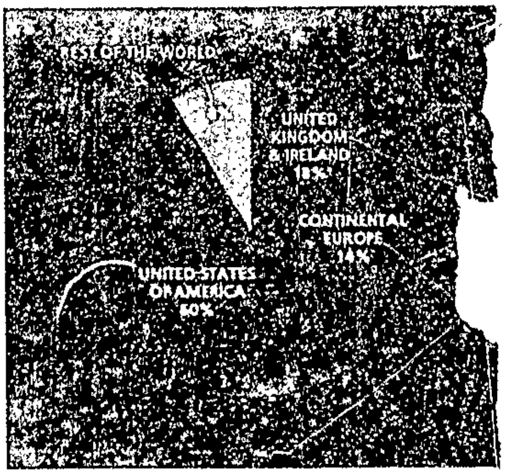
IDV sells in every available market in the world, with operations in more than 50 countries across four geographical regions: North America, Europe, Asia Pacific and Africa with Latin America.

It is one of the world's major wines and spirits companies – developing, producing, marketing and distributing over 100 million cases per year – more than any other drinks company.

IDV has developed a portfolio of over 150 brands, which includes Smirnoff, the world's number one vodka; J&B Rare, the second biggest selling Scotch whisky and Baileys Irish Cream, the world's best selling individual liqueur brand. IDV has more leading brands in the world's top 100 spirits than any other company.

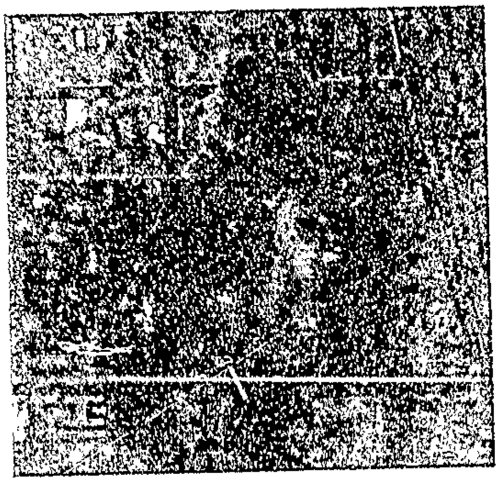
In the last five years, IDV has set up national distribution companies or joint venture partnerships in 20 new countries. IDV now controls 94 per cent of the worldwide distribution of its brands.

OPERATING PROFIT
£958m*
GEOGRAPHICAL ANALYSIS



GrandMet's aim is to be a major participant in every market in which it has a presence

AGENCY BRANDS



GrandMet has developed and implemented a well-defined strategy which will drive the group forward in future years

Dear Shareholder,
In my statement to you last year, I said that we looked forward to 1993 with caution, but also with optimism. I believe that mix was right. Our caution was well placed. Economic conditions in the markets where we operated remained challenging. Recoveries in the US and UK were slower than expected, while many European economies were stalled in recession. Our optimism, however, was also justified. Within this environment, we grew profits before exceptional items to £916 million, up seven per cent. We also substantially improved our cash generation, achieving the highest level in our history – a very pleasing £499 million.

These results reflect strong performances from both IDV and Burger King and significant improvement in our North American food businesses. In European foods the recession again affected our performance, which was disappointing. Inntrepreneur Estates and Pearle both continued well on course to break even this year.

Because the pace of economic recovery remains uncertain, we conducted a detailed review of the structure of our overhead and operating costs. The result was a decision to restructure parts of the group in a way which would substantially reduce our future cost base. We also reviewed our balance sheet and determined that two further provisions were required: one relating to the valuation of our residual UK properties; the other to the deferred consideration owing from William Hill, and the continuing costs of the dispute with this company.

The results of these two measures – the restructuring initiative and the review of our balance sheet – is a considerably reduced cost base and a stronger balance sheet.

BUSINESS DEVELOPMENT

The past year was important for Grand Metropolitan strategically. We again focused on our strategy of building branded food and drinks businesses with significant international potential.

We continued to invest in our established brands, spending almost £900 million on advertising and marketing, and made good progress in the development of new brands and new markets.

We moved decisively to establish or strengthen our presence in high growth and emerging markets, such as India, China, Mexico, Chile, Poland, the Czech Republic and South Africa. In Russia our sales of Smirnoff vodka reached 600,000 cases after just one year.

And, of course, a major strategic move completed just after the year end was the sale of our Chef & Brewer pubs to Scottish & Newcastle for £736 million.

STRATEGIC FOCUS

1993 was my seventh and last year as Group Chief Executive. It seems appropriate, therefore, to look back at the changes in the company since I have been Chief Executive and to assess the strategic direction we have pursued.

In 1986, GrandMet covered a wide variety of businesses including hotels, dairies, betting, gaming, childcare, pubs and nursing services. We were involved in 28 different businesses at that time.

During 1987 we undertook an in-depth review of the group and asked ourselves, "How do we add value?" We determined that our core skills – brand marketing and the management of worldwide operations – were most valuable when applied to businesses which were large, international and complementary.

The outcome is that today the group is markedly changed. It is now a highly focused, branded food and drinks group. It has more than doubled its profits and become truly international. Only Pearle and IEL, which together comprise a small part of the group, fall outside this strategic focus.

Over the past seven years, while increasing profits before exceptional items at a compound growth rate of 14 per cent per year, GrandMet has developed and implemented a well-defined strategy which will continue to drive the group forward in future years.

MANAGEMENT CHANGES

In September, in view of my planned retirement from GrandMet in January 1996 and in a move to allow for senior management succession, I recommended the separation of my roles as Chairman and Chief Executive, which the Board approved. I remain full time Chairman, but have relinquished my day-to-day duties as Group Chief Executive. We have also made other management appointments during the year.

George Bull, with over 30 years experience both in IDV and more recently in the Food sector, became Group Chief Executive in December. A member of the GrandMet Board since 1985, George was the driving force behind IDV, our largest profit contributor. He also led the Food sector to significant profit improvement during the past year. George is a world-class executive with particular skills in marketing, business strategy and leadership.

Ian Martin, who had been Managing Director and Chief Operating Officer of the group, withdrew from his executive duties and joined Dick Giordano as a non-executive Deputy Chairman. Ian has made major contributions to GrandMet since he joined us in 1979, in particular in the US where he led the successful acquisition of Pillsbury.

David Nash, Group Finance Director for the past four years, became Chairman and Chief Executive of the Food sector and John McGrath, Chief Executive, IDV, was additionally appointed Chairman of the Drinks sector. David Tagg, Group Services Director, assumed responsibility for corporate affairs and information services in addition to his responsibility for property, human resources, legal and company secretarial. Peter Cawdron, Group Strategy Development Director, was appointed to the Board. I am also pleased to report that Gerald Corbett, currently Finance Director of Redland PLC, will shortly be joining us as Group Finance Director. Formerly with Dixons Group and The Boston Consulting Group, Gerald is a highly respected executive whose broad experience will be of great value to GrandMet.

Across the world we have a balanced and talented executive team which is well equipped to meet the challenges ahead.

CORPORATE GOVERNANCE

We can again report that we comply with all the provisions of the Code of Best Practice of the Cadbury Committee on Financial Aspects of Corporate Governance with which compliance is possible. This year we comply with 17 of the 19 provisions. The other two are still under review by the accounting profession.

As recommended by Cadbury, you will note in the Operating and Financial Reviews that we have included more detail than previously about the factors affecting our performance. We have also tried to ensure that notes to the accounts are both clear and comprehensive. The length of these notes reflects this intention.

In last year's report, Dick Giordano described the performance criterion which the Appraisal and Remuneration Committee decided should be applied to the 1993 Executive Share Option Schemes, which were approved at the AGM in February 1993. This required that the company's share price must have outperformed the "FTSE 100" Index over a period of three years or more from the date of grant, before the option can normally become exercisable. Options subject to this criterion were granted in June and October, and a similar criterion will be made a condition of future options to be granted under the US Share Option Plan and the Senior Executive Phantom Share Option Scheme. The committee will continue to keep this criterion under review.

Another important task for the non-executive directors is to ensure that the executive directors' terms of service, including remuneration, enable the group to attract and retain the quality of people required while remaining in line with best external practice. Following a review by the Appraisal and Remuneration Committee, changes are being made in executive directors' service agreements. By the end of this financial year, none of the executive directors will be entitled to more than two years' notice of termination.

CORPORATE RESPONSIBILITY

As in past years, GrandMet has contributed to the communities in which we operate in terms of community involvement, protection of the environment and social responsibility. Approximately £18 million was committed to community actions worldwide in the form of sponsorships, donations in kind, secondments and direct donations to charity.

Two initiatives deserve special mention. IDV has again taken a leadership position in producing industry action on the problems of alcohol misuse. As a member of the Amsterdam Group, a pan-European association of 14 companies in the drinks industry, IDV contributed to the report, *Alcoholic Beverages and European Society*, which will aid the European Commission in formulating its policy over alcohol in the European Community.

The other initiative, announced by Burger King, is a five year, $100 million programme aimed at providing financial backing to attract women and individuals from ethnic minorities to be franchisees and suppliers. The objectives are twofold. The first is to remove the barriers which have traditionally impeded minority progress. The second, which is more commercial, is to develop franchisees and suppliers who reflect more closely the make-up of Burger King's customer base.

INTERNATIONAL TRADING

As an international trading company we remain firm proponents of free trade. We were extremely pleased, therefore, with the successful outcomes of both the North American Free Trade Agreement and the GATT negotiations. A world marketplace which fosters open competition, consumer choice and economic growth is important to the continued success of GrandMet.

EMPLOYEES AND BUSINESS ASSOCIATES

In what has been a difficult and demanding year, I would like to thank our employees and business partners for their sheer hard work and commitment. As one element of our cost reduction programme, we have reduced staff numbers throughout the group. Although very difficult for everyone involved, these reductions have been necessary to ensure the future prosperity of GrandMet.

PROSPECTS

After a world recession that was longer and more severe than anyone predicted, we are now encouraged by clear signs of improvement in the US and UK. Overall, as we look ahead, we expect recovery in our major markets but the pace of that recovery remains uncertain.

Despite this uncertainty, we believe we are in a powerful position to compete. With the benefits of our restructuring initiative, with our continued investment in marketing and with our well focused business portfolio, GrandMet is prepared for growth in 1994 and beyond.

Thank you for your support throughout the year.

Yours sincerely,

Sir Allen Sheppard
15th December 1993

Dear Shareholder,

GrandMet is now a highly focused, branded food and drinks company.

This focus comes from the fact that both the Food and Drinks sectors are targeted at similarly motivated consumers. These consumers eat and drink, are international, and above all are selective and choose added value food and drinks brands.

GrandMet has now sold all its hotels, breweries, managed pubs and many other businesses. It is no longer a conglomerate. There is now a clear cut synergy of management purpose aimed at marketing added value food and drinks brands to similar consumers who in turn are largely reached through the same trade customers.

Reflecting this clear focus, I see my mission as:

'Creating a climate within which a devolved, market driven, value added, branded food and drinks business can flourish'.

Steps have already been taken to establish that climate. A £175 million group wide restructuring programme has begun, which will substantially reduce the cost base of our businesses. In addition, the corporate centre has been reduced in size.

To empower the operating units and to enable the sharing of best practice a system of team working has been established. This will be matched by greater accountability for the achievement of goals.

Reflecting the strong market orientation of its operating companies, GrandMet will itself become a 'market oriented' business. All our key decisions will therefore be taken from the perspective of how they will impact the position of our brands in the marketplace.

Well managed brands will continue to drive forward the profit growth of the business. Our management skills and our financial resources will be used to further that end in the future.

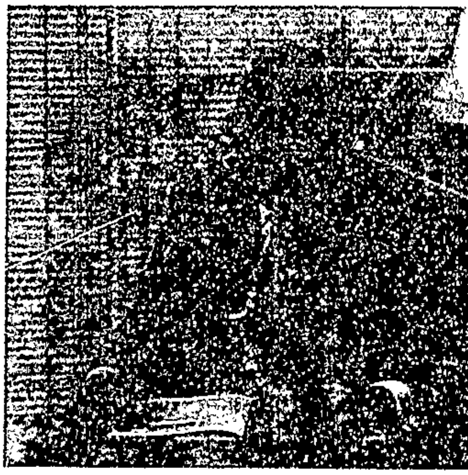
We will continue to drive down overheads and administration. We will increase the marketing spend behind our core brands and thereby reinforce that bridge between our brands and their ultimate user, the consumer.

As a sculptor continually reshapes his clay, so will GrandMet continue to refine its shape, thereby improving its ability to service better those shared customer needs and, by so doing, improve its returns to shareholders.

There is at GrandMet a clear cut management philosophy. We know the business that we are in. Our management can clearly identify with the task. We are confident that the benefits will continue to flow through in the years ahead.

Yours sincerely,

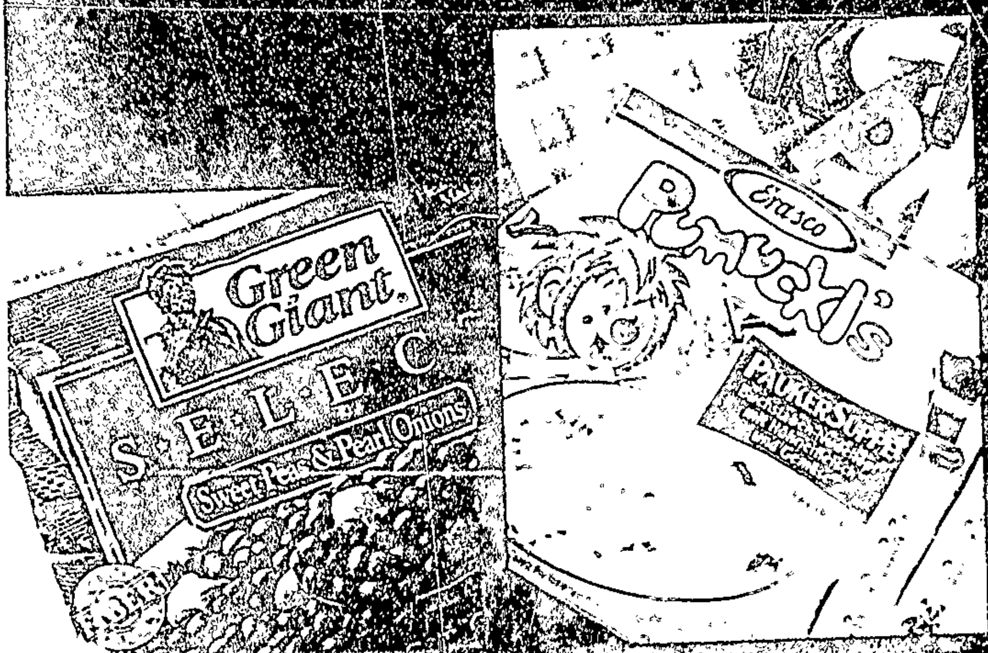
George J Bull
Group Chief Executive

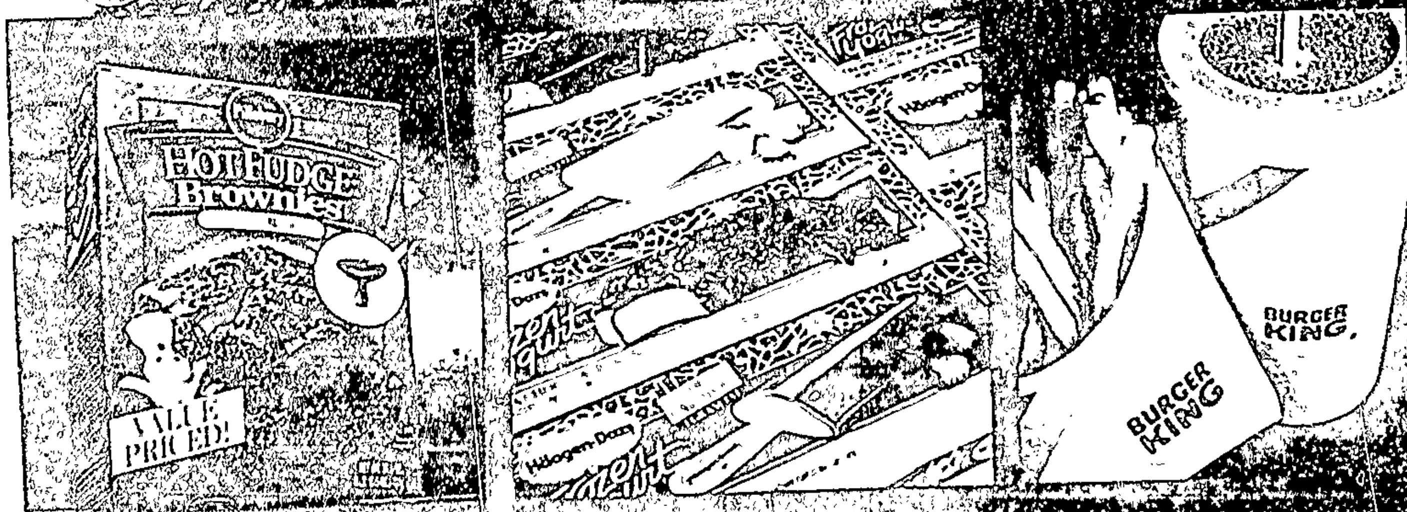


Creating a climate within which a devolved, market driven, value added, branded food and drinks business can flourish

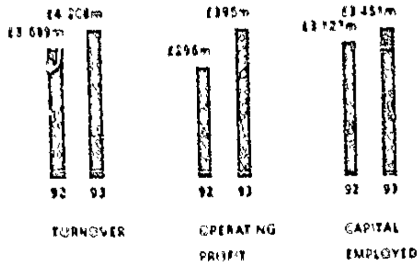
FOOD

- North American food businesses achieved improved results in highly competitive trading.
- Significant progress was made in Europe in strengthening brand positions and improving the efficiency of the manufacturing base.
- Burger King's operating profit was up significantly, mainly through continued margin improvement and new store openings.





FOOD



The Food sector, which for management purposes comprises North American and European food businesses, Burger King and Pearle, increased turnover on continuing businesses by £519 million from £3,689 million to £4,208 million, and increased operating profit by £99 million from £296 million to £395 million. Excluding the effects of currency translation, turnover decreased by two per cent and operating profit increased by 12 per cent.

NORTH AMERICA

The North American food businesses – Pillsbury baked goods, Green Giant vegetables, Alpo petfoods, GrandMet Foodservice and Haagen-Dazs ice cream – achieved improved results in highly competitive trading. Both volumes and market shares were generally maintained and margins were improved through cost reductions, plant consolidations and the successful introduction of new products.

Pillsbury

Pillsbury refrigerated dough products led the US market with a 75 per cent market share. The highly successful Grands! biscuits achieved the number one share in the speciality biscuit category with over $100 million in annual sales.

Pillsbury desserts and baking mixes suffered some market share decline. However, new products, including Deluxe Brownies and Dessert Bars, created a foundation for future growth. This growth will be based on 'bigger taste, better value', emphasising innovative new

GRANDS!, A RESTAURANT-STYLE BISCUIT, CONTINUED ITS US EXPANSION. IT IS THE MOST SUCCESSFUL NEW PRODUCT IN PILLSBURY'S HISTORY

Refrigerated dough products led the US market with a 75 per cent market share

FOOD

DINOSAUR AND TEDDY BEAR COOKIES, NEW REFRIGERATED DOUGH PRODUCTS FROM PILLSBURY, ARE A HIT WITH KIDS AND RETAILERS

Results were achieved through cost reductions, plant consolidations and the successful introduction of new products

products, produced at lower cost.

Green Giant took steps to align manufacturing capacity more with demand, announcing the closure of six facilities. This, plus a more competitive pricing strategy and the effect of the US floods on vegetable supplies, improves Green Giant's outlook for the future.

Despite continued pricing pressure, Green Giant retained its position as overall market leader and grew volumes by two per cent.

Green Giant's value added frozen vegetables, including International Mixtures and Create-A-Stir, were well accepted. These, along with proven successes like Pasta Accents and American Mixtures, led to Green Giant's increased market share in the frozen category.

Pillsbury's national pizza brands – Totino's and Jeno's – performed well, increasing both volumes and profits. The deluxe pizza brand, Pappalo's, became the fastest growing frozen pizza in the US, achieving 52 per cent volume growth and expanding distribution to a third of the country.

Pillsbury continued to build its brands in international markets. Overall volumes grew 21 per cent in Japan, where Green Giant has a growing presence. Pillsbury entered into joint ventures in Mexico and South Africa, two key emerging markets, to distribute both Pillsbury and Green Giant brands.

GrandMet Foodservice

GrandMet Foodservice, the leading US supplier of bakery goods to a variety of commercial customers, achieved significant growth, fully integrating McGlynn's branded frozen dough products during the year. After the year end, Foodservice acquired the Roush Products Company, the leading producer of value added concentrates for foodservice and wholesale bakers.

Alpo Petfoods

Alpo, which manufactures and

markets canned and dry cat and dog food, achieved profit growth of eight per cent, although sales were affected by continued price competition in the US petfood industry. As with other Pillsbury brands, aggressive cost reductions and new product developments contributed to Alpo's results. In particular:

$10 million in savings was achieved through lowering of distribution, inventory and fixed costs;

18 new products, including Alpo Prime Cuts and Senior, generated sales of $31 million.

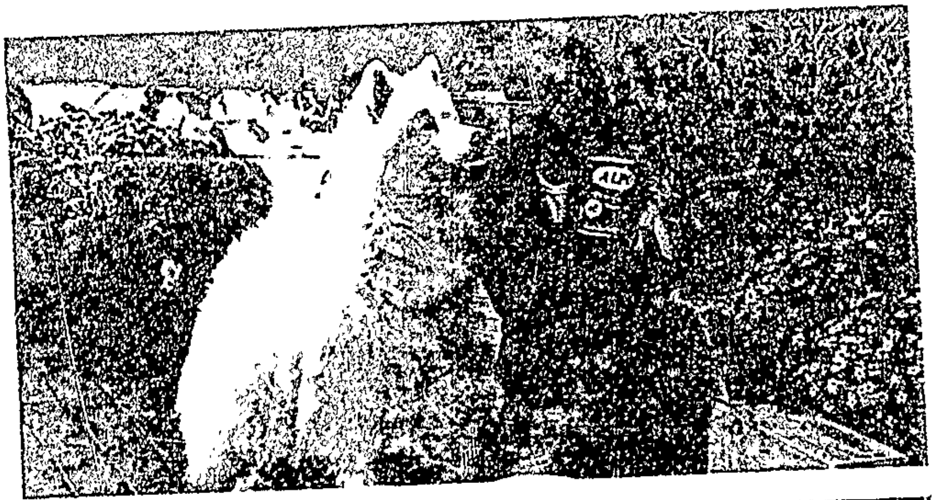
Häagen-Dazs

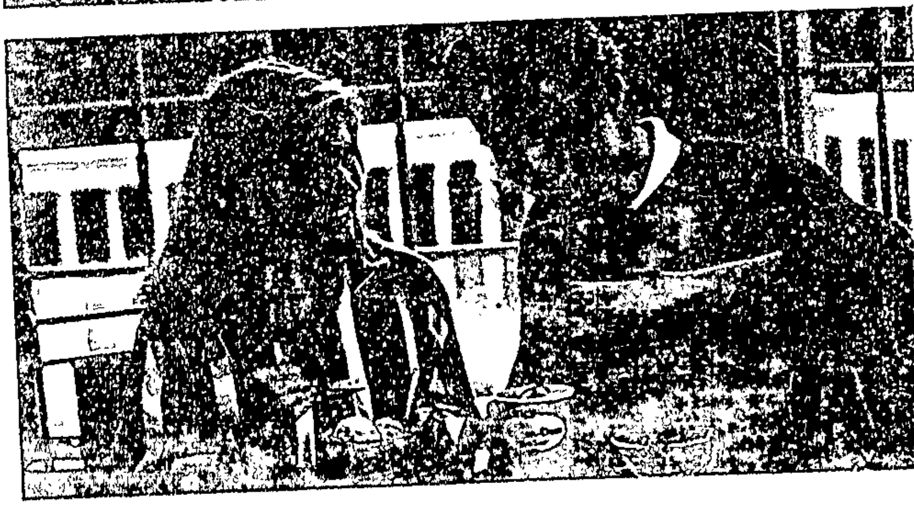
Haagen-Dazs, the leading super-premium ice cream brand in the US and Japan, with a growing presence in Europe and the Far East, manufactures and markets ice cream, frozen yogurt and frozen snacks. Haagen-Dazs continued to grow by developing new products and expanding into new international markets.

In North America, Haagen-Dazs recaptured a decisive market leadership position in superpremium ice cream, with a market share of 58 per cent. The successful launch of Extraas generated increased consumption among existing consumers and introduced the brand to new users as well. In the total ice cream market, Haagen-Dazs achieved a record 8.3 per cent market share. Overall Haagen-Dazs ice cream volumes increased by 10 per cent. The frozen yogurt division, which launched five new flavours in pints and two flavours in its line of sorbet and frozen yogurt novelties, grew by 34 per cent in volumes.

In Europe, Haagen-Dazs entered Norway, Switzerland and Finland, increasing distribution to 14 countries. Volumes in Europe grew by 62 per cent with sales of over £75 million. The new ice cream manufacturing facility in Arras,

ALPO S PRIME CUTS, NAMED ONE OF THE BEST NEW PRODUCTS OF THE YEAR, HELPED LEAD THE COMPANY TO RECORD PROFITABILITY





IN NORTH AMERICA, HÄAGEN-DAZS RECAPTURED A DECISIVE MARKET LEADERSHIP POSITION, WITH 58 PER CENT OF THE SUPERPREMIUM ICE CREAM CATEGORY

FOOD

GREEN GIANT CONTINUED TO INNOVATE WITH VALUE ADDED FROZEN VEGETABLES LIKE CREATE-A-STIR

THE ERASCO CANNED READY MEAL FACTORY AT GERWISCH, NEAR MAGDEBURG, ACQUIRED FROM THE EAST GERMAN AUTHORITIES, UNDERWENT A £20 MILLION TOTAL REBUILD PROGRAMME

France increased capacity and efficiency.

In the Far East, Haagen-Dazs is now in five countries, holding the number one position in Japan in the super-premium category with system sales of £140 million and volume growth of 20 per cent.

Further expansion plans for Haagen-Dazs include Saudi Arabia, Greece and Israel.

GRANDMET FOODS EUROPE

The European food operations produce and market baked goods, vegetables and ready meals under the Pillsbury, Jus-rol, Brossard, Green Giant, Erasco, and Peter's brands. The division was affected by continued recession in Continental Europe which led to weak consumer demand and price pressures from the retail trade. Consequently, operating profit for the year declined versus 1992.

However, significant progress was made in strengthening brand positions and improving the efficiency of the manufacturing base.

Pillsbury Brands Europe performed well. In the UK, Pillsbury refrigerated dough achieved significant volume growth and launched successful new products like Dinner Rolls and Turnovers. In Germany, the recently acquired Knack & Back, the leading refrigerated dough brand, increased volumes by 35 per cent.

Green Giant maintained its leading market position and launched new frozen products in the UK and France.

Erasco maintained profitability and market leadership in Germany in the ambient ready meals category, although some premium products suffered volume decline. The new factory near Magdeburg in eastern Germany was brought into full operation.

Brossard, the European leader in cakes, had a disappointing year, reporting reduced volumes and operating profit. It did, however, expand its leadership in the frozen cake market in France by over nine percentage points.

Peter's Savoury Products, which experienced continuing sales pressures and a downturn in profit, commenced operations at its new pie factory in Bedwas, Wales. This will increase efficiency and reduce costs.

BURGER KING

Burger King is the world's second largest fast food restaurant group. The company and its franchisees own and operate 7,120 outlets in 50 countries across the world.

Burger King turned in another year of strong performance in the highly competitive fast food industry. Operating profit was up significantly over last year, achieved mainly through continued margin improvement and new store openings. Worldwide comparable sales were marginally higher than 1992 and systemwide sales were also ahead of last year.

These results are all the more impressive as Burger King began its financial year only one month after Hurricane Andrew devastated South Florida, inflicting substantial damage to the company's Miami headquarters and rendering some 300 corporate employees temporarily homeless.

Burger King's success was bolstered by a number of marketing, development and management activities:

a new 'back to basics' strategy, focusing on delivering the core menu of 'hamburger, fries and Coke', in high quality restaurants with friendly service;

the latest Kids Club marketing programme: three age-specific Kids Club magazines aimed at increasing loyalty among young consumers. With more than four million Kids Club members, Burger King is the world's largest single circulation publisher of children's magazines;

the Everyday Value Menu, which offers three-tiered pricing and Combo Meals, designed to increase restaurant traffic and sales;

continued savings from Restaurant Services Inc, the US systemwide purchasing agency established in 1992;

new store expansion, with 540 new outlets opened in 1993, an increase of more than 50 per cent over last year. More than 180 of these are new concept restaurants developed in non-traditional sites. Over a third of these new units are located outside the US – in Japan, Poland, Portugal, Saudi Arabia, Mexico and Sweden.

PEARLE VISION

Pearle, the world's largest retail eyewear and eyecare group, substantially reduced its operating loss for 1993, and achieved break-even operating profit in the second half of the year and positive comparable sales in the last quarter. In the US retail eyewear market, where sales continue to be flat, these improved results were achieved through aggressive cost cutting and more efficient operating systems.

Current initiatives being implemented to continue to improve Pearle's performance include:

the restructuring programme, which will close a number of unprofitable stores and write off surplus assets;

marketing programmes focused strategically on local market needs;

national marketing programmes aimed at specific target audiences, such as kidSAFE trademark impact resistant lenses for children;

an increasingly efficient supply system which now includes state-of-the-art warehouse management and inventory control systems.

BELOW
BURGER KING'S SPACE AGE OUTLET IN PICCADILLY, LONDON HAS THE HIGHEST SALES TURNOVER OF ANY BURGER KING SITE IN THE WORLD

OVERLEAF
HÄAGEN DAZS IS KNOWN FOR ITS ADVERTISING THROUGHOUT THE WORLD. THE AWARD-WINNING 'KISS' CAMPAIGN IN JAPAN IS AN EXAMPLE OF ITS INNOVATIVE APPROACH

Burger King opened 540 new outlets in 1993, an increase of more than 50 per cent over last year

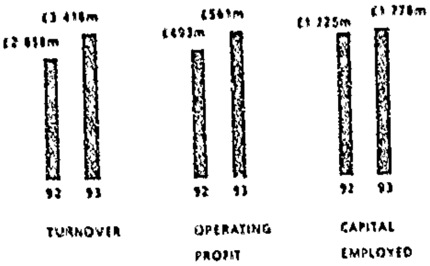
DRINKS

IDV's total sales volume grew to a record 102 million cases.

In the US and Canada, where the spirits industry declined, IDV volumes grew by six per cent.

In Africa and Latin America, sales volumes and operating profit were significantly ahead of last year.

DRINKS



International Distillers & Vintners reported another successful year with operating profit up 14 per cent, in extremely competitive market conditions.

Turnover increased by £560 million, from £2,858 million to £3,418 million, representing growth in local currency of eight per cent. Operating profit increased by £68 million, from £493 million to £561 million, representing growth in local currency of four per cent.

These results were achieved through organic growth, strategic acquisitions and the development of both new brands and new markets. Stringent cost control and improved cash generation underpinned these strategies.

While the worldwide traditional spirits market is predicted to have declined by 1.3 per cent in 1993, IDV's estimated worldwide spirits market share increased from 11.3 per cent to 11.8 per cent during the year.

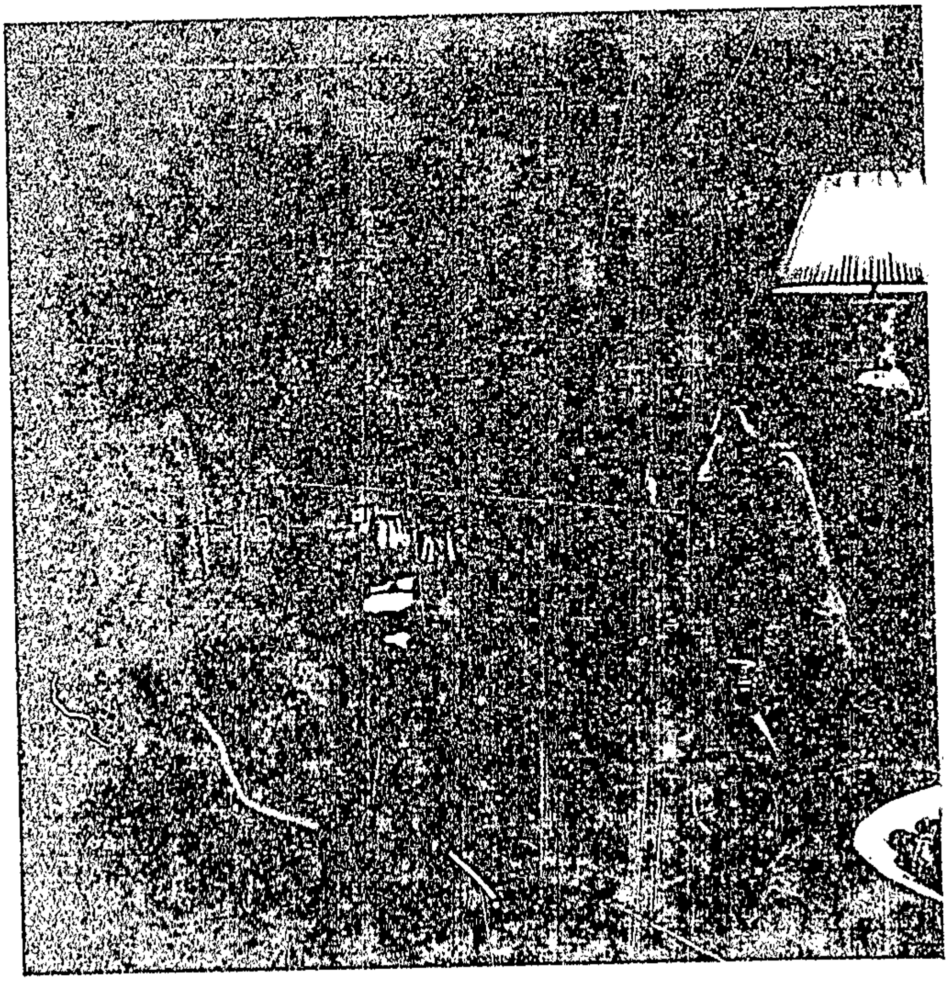
Total sales volumes grew to a record 102 million cases, an increase of four per cent, which strengthened IDV's position as the world's largest wines and spirits company by volume. This was driven particularly by IDV's three major worldwide brands – J&B Rare, Smirnoff and Baileys – which all recorded volume growth.

BRAND STRENGTHS

IDV has more leading brands in the world's top 100 spirits than any other company.

Smirnoff finished four per cent ahead of last year and maintained its

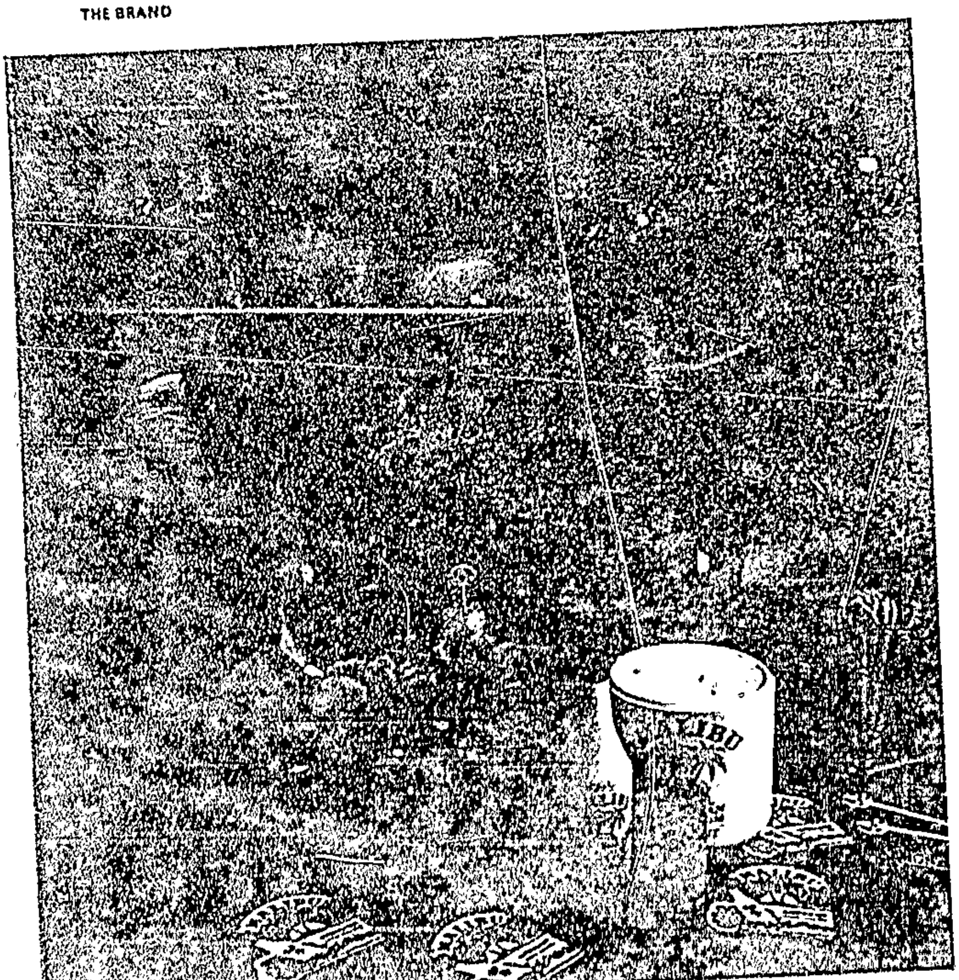
THE ACQUISITION OF BUTON ADDED VECCHIA ROMAGNA BRANDY, ITALY'S LEADING SPIRIT BRAND, TO IDV'S INTERNATIONAL PORTFOLIO



Acquisitions and joint ventures strengthened IDV's brand portfolio and distribution network

DRINKS

WITH PARTICULAR APPEAL TO YOUNGER ADULTS, MALIBU CONTINUED ITS EXCELLENT GROWTH IN THE US – NOW THE WORLD'S LEADING MARKET FOR THE BRAND



IDV has more leading brands in the world's top 100 spirits than any other company

position as the world's leading vodka brand and second largest spirit. Its advance was driven in particular by growth in developing markets, such as Brazil and Eastern Europe. Sales in the US and Canada increased in volume, while Smirnoff is now the leading vodka brand in nine out of the twelve countries of the European Community.

J&B Rare volumes were marginally up on the previous year in a declining Scotch market. The most significant volume gains were in France, Greece and Brazil.

Baileys Original Irish Cream grew sales volumes further and its share of the liqueur category is estimated to have increased to 7.5 per cent. While recession in some markets such as Germany resulted in a marginal volume decline, Baileys Original achieved growth in its key markets – US, UK and Spain. With the successful US launch of Baileys Light, the overall Baileys brand achieved a one per cent volume growth.

BRAND DEVELOPMENTS

IDV's strategy of developing new brands in growth categories continued to meet with great success.

Sheridan's, the new Irish Coffee liqueur from the makers of Baileys, is generating an exciting response in the US, UK and Germany.

Goldschlager, a new cinnamon-flavoured schnapps complete with 24 carat gold flakes, is showing encouraging results in US test markets.

Jose Cuervo 'Ritas, single serve margaritas, were recently rolled out nationally in the US, achieving very positive results, with sales of one million cases during the year.

NORTH AMERICA

In the US and Canada, where the spirits industry declined, overall IDV volumes grew by six per cent, while margins fell slightly due to a higher proportion of wine sales.

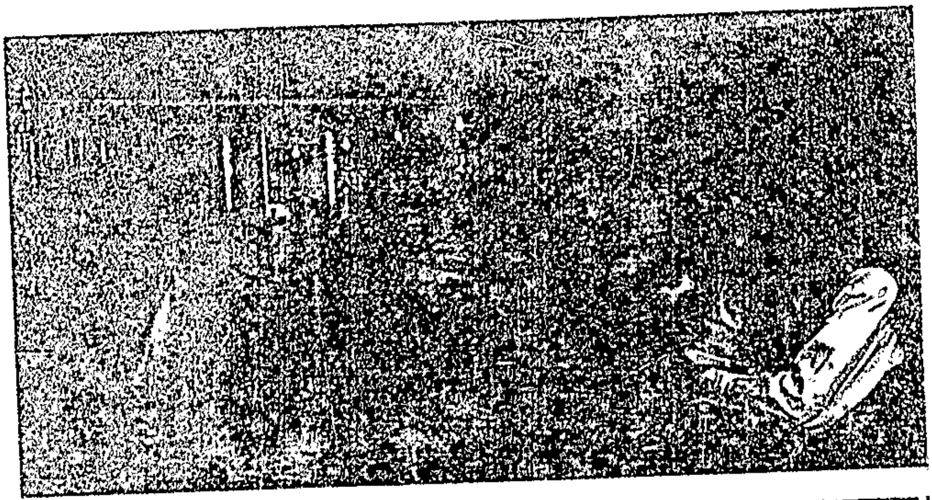
DRINKS

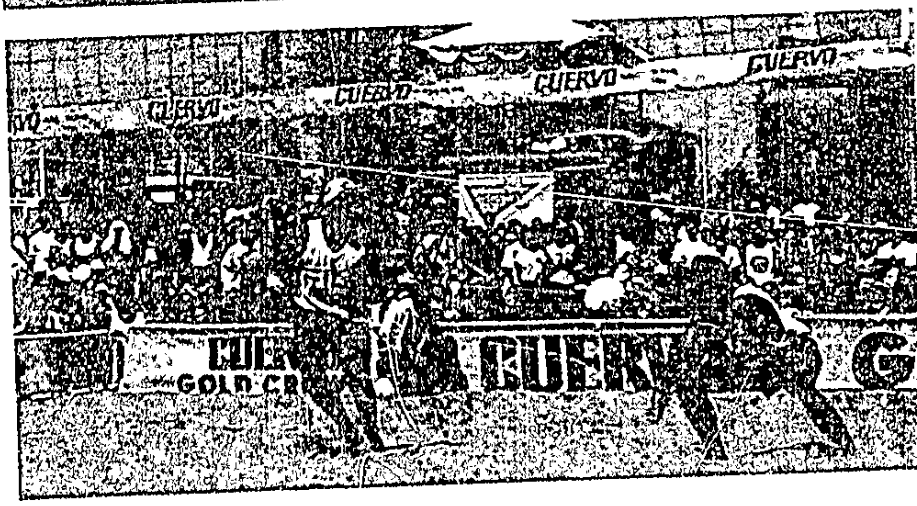
Smirnoff, Popov, Baileys and Jose Cuervo all improved, as did several regional brands such as Yukon Jack and Christian Brothers brandy. Growth in IDV's three major vodka brands – Smirnoff, Popov and Absolut – further consolidated its leading position in the US vodka category.

US wine brands continued their strong growth, with particularly good performances from Inglenook, which was 12 per cent ahead, and Blossom Hill which increased eight per cent over last year.

Just after the year end, Vin & Sprit, the Swedish owners of Absolut vodka, advised IDV that the arrangement for US distribution of Absolut would not be renewed after September 1994. This was surprising after the outstanding growth of the brand over the past 13 years. The loss will not have an adverse impact on IDV until the 1995 financial year.

IDV'S STRIKING NEW J&B JET GAINED INTERNATIONAL ACCLAIM DURING THE YEAR





JOSE CUERVO CONTINUED TO GAIN IN VOLUMES AND MARKET SHARE IN THE US, SUPPORTED BY A PROGRAMME OF HIGHLY POPULAR SPONSORSHIP, INCLUDING BEACH VOLLEYBALL

EUROPE

Although trading conditions in Europe continued to be difficult, with limited pricing flexibility, overall operating profit increased by nine per cent.

In Spain, J&B Rare held volumes in line with last year and maintained its strong market leadership. Baileys, Smirnoff and Malibu each increased volumes.

In both Germany and France, total brand volumes improved, driven by strong performances by Metaxa in Germany, and J&B Rare in France.

In the UK, IDV achieved record profit despite the recession. Baileys grew nine per cent to its highest sales yet, as did agency brand Jack Daniel's, which now holds 70 per cent of the American whiskey market in the UK. Archer's Peach County Schnapps sales were 14 per cent up.

AFRICA AND LATIN AMERICA

Both sales volumes and operating profit in Africa and Latin America

DRINKS

IN BRAZIL, DREHER BRANDY ACHIEVED MAJOR GROWTH, CONFIRMING ITS POSITION AS ONE OF BRAZIL'S LEADING SPIRITS BRANDS

THE ACQUISITION OF GLEN ELLEN, A LEADING US 'VARIETAL' STRENGTHENS IDV'S EXTENSIVE WINE PORTFOLIO

were significantly ahead of last year, despite recessionary conditions in most markets.

In Brazil, IDV continued to strengthen its trading position with volumes up 17 per cent, reaching seven million cases. Dreher brandy, one of the world's top 20 spirit brands, increased volumes by 24 per cent.

In Nigeria, Chelsea gin showed volume growth of more than 30 per cent to half a million cases.

ASIA PACIFIC

IDV today operates in 14 countries in the Asia Pacific region, adding India, Korea and China during the year. Sales volumes were approximately 40 per cent ahead of last year, with significant gains in Japan and the Philippines. In Japan, Le Piat d'Or and Wild Turkey performed well, while in the Philippines, Gilbey's gin volumes increased by nearly 50 per cent.

STRATEGIC DEVELOPMENT

Acquisitions and joint ventures continued to strengthen IDV's brand portfolio and distribution network.

In Europe, the Buton acquisition brought with it Italy's largest spirit brand, Vecchia Romagna and significantly increased IDV's distribution capability in the country. The 30 per cent investment in González Byass further improved IDV's distribution in Spain while building the worldwide distribution of the Tio Pepe sherry brand.

In the UK, IDV's joint venture with Robertson & Baxter to acquire the North British Distillery Company will safeguard the supply of top quality grain whisky for J&B Rare and will enhance earnings.

In the US, the acquisition of two California wine brands, Glen Ellen and M G Vallejo, which are in the growing moderately priced varietal segment, will strengthen further IDV's US wine business.

DRINKS

Elsewhere, distribution agreements were reached through joint ventures in Chile and in the Eastern Caribbean, where IDV also acquired a 50 per cent interest in the Cockspur rum trademark and worldwide distribution for the brand.

IDV has recently announced an agreement to acquire a 21 per cent shareholding in the world's largest independent champagne house, Laurent-Perrier.

DEVELOPING MARKETS

IDV has moved quickly to capitalise on the virtual redefinition of the world spirits market which has occurred in the past year. The new accessibility of Eastern Europe and the growing affluence in both Latin America and Asia has more than doubled the potential world spirits market to an estimated 1.2 billion cases. IDV has already made significant progress in these emerging markets, particularly in Eastern Europe and Asia.

Russia has become IDV's fifth largest world market for Smirnoff, with sales growing to over 600,000 cases in the year. Agreements for vodka production in Russia and Poland, as well as new companies in other Eastern European countries, strengthen IDV's position for further growth in the region.

With joint ventures in Korea and India and a new operating company for China, IDV now has a presence in the key growth markets in Asia. The growing trend in India towards lighter coloured spirits represents particular opportunities for IDV's brand portfolio.

FUTURE STRATEGY

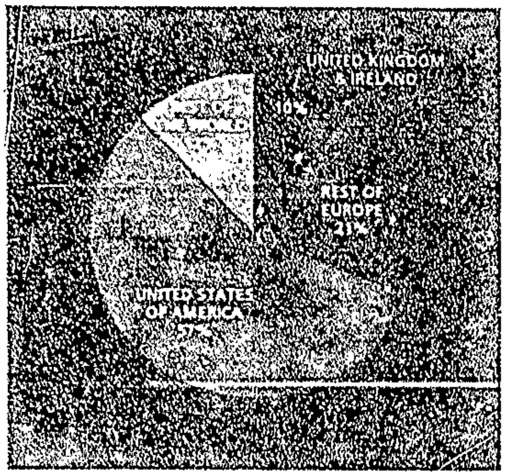
IDV's strategy of developing a portfolio of premium brands and extending its frontiers into new markets has served it well. Continued commitment to these objectives will provide the main source of future development and profit growth.

BELOW:
BOMBAY SAPPHIRE HAS JOINED THE HIGH FLIERS – NOW AVAILABLE ON BRITISH AIRWAYS CONCORDE AND FIRST CLASS SERVICE

OVERLEAF:
SMIRNOFF'S HIGHLY ACCLAIMED GLOBAL ADVERTISING CAMPAIGN IS NOW IN OVER 40 MARKETS AND HAS WON A NUMBER OF AWARDS

IDV's results were achieved through organic growth, strategic acquisitions and the development of new brands and new markets

GEOGRAPHICAL ANALYSIS OF TURNOVER FROM CONTINUING OPERATIONS



The US economic recovery is under way and the UK economy appears to be in the early stages of recovery

1993 was another challenging year for GrandMet, with businesses continuing to experience tough conditions in the major markets of the United States, Continental Europe and the United Kingdom. However, the US economic recovery is underway and the UK economy appears to be in the early stages of recovery, although the Continental European economies, particularly Spain, France and Germany are still in recession. At this stage, the pace of recovery of the major economies remains uncertain.

GrandMet's 1993 results were significantly affected by the strengthening of the US dollar, the average US dollar/sterling exchange rate moving from $1.81 to $1.52. The impact of this and other currency translation movements was to increase operating profit before exceptional items by £114 million and profit before exceptional items and tax by £73 million. The year end US dollar/sterling exchange rate moved from $1.78 to $1.50.

REVIEW OF RESULTS AND SHAREHOLDERS' RETURN

This year's profit and loss account (see page 42) has been presented in a columnar format which separately identifies exceptional items. The directors consider that this presentation gives a useful additional indication of the group's underlying performance.

Change in accounting policy

In June 1993, the Accounting Standards Board issued UITF Abstract No. 9 – Accounting for operations in hyper-inflationary economies. GrandMet's Brazilian drinks company is the only material subsidiary which falls within these guidelines. While GrandMet previously translated this company's results using the dollar as the functional currency, in compliance

OPERATING HIGHLIGHTS	1993	1992
Turnover		
Continuing operations	£7,637m	*£6,575m*
Discontinued operations	£483m	*£1,338m*
	£8,120m	*£7,913m*
Operating profit before exceptional items		
Continuing operations	£958m	*£808m*
Discontinued operations	£77m	*£129m*
	£1,035m	*£937m*
Profit before exceptional items and taxation	£916m	*£859m*
Exceptional (costs)/income before taxation	£(286)m	*£54m*
Profit before taxation	£630m	*£913m*
Earnings per share before exceptional items	29.7p	*28.4p*
Earnings per share including exceptional items	20.0p	*30.3p*
Dividends per share	13.0p	*12.3p*

with the UITF Abstract, the exchange translation movement resulting from this translation process is now charged against operating profit, whereas previously it was taken to reserves. The effect of this change in accounting policy was to reduce 1993 operating profit by £24 million (1992 - £12 million) of which £8 million (1992 - £4 million) related to minority interests. The previous year's profit and loss account has been restated accordingly. The change had no impact on the balance sheets.

Turnover and operating results

Turnover from continuing operations increased by 16 per cent, from £6,575 million to £7,637 million, while operating profit from continuing operations, before exceptional items, increased by 19 per cent from £808 million to £958 million. Excluding the beneficial effects of currency translation, turnover from continuing operations increased by two per cent and operating profit before exceptional items increased by four per cent. A detailed analysis of the group's operating performance is given in the Operating Review on pages 8 to 21.

Interest

The net interest charge, before exceptional items, increased from £94 million to £143 million, due mainly to the unfavourable impact of currency translation.

Excluding the effects of exchange, the interest charge before exceptionals was three per cent higher than last year. This increase resulted from the application of the group's hedging policy to maintain the sterling value of the group's overseas net assets (see 'hedging policies' on page 29). Hedging the group's US assets resulted in a lower benefit than the previous year due to the narrowing of the dollar/sterling interest rate differential, and with sterling interest rates generally falling below European rates, a cost was incurred as a result of hedging the group's European assets. These adverse hedging effects more than offset the interest benefits accruing from proceeds from the sale of businesses, and accounted for the increase in the interest charge at constant currency rates.

Interest cover decreased from 10.1 times to 7.4 times. However, if results were translated using the same exchange rates as the previous year, interest cover would be 9.7 times.

Profit before exceptional items and taxation

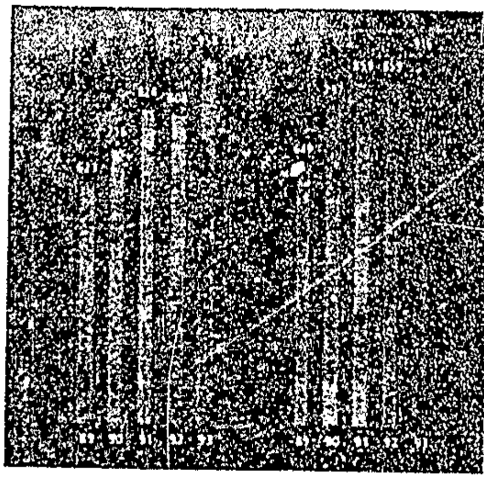
Profit before exceptional items and taxation (PBET) increased by £57 million to £916 million. Excluding the effects of currency translation, PBET decreased by two per cent, due to the short-term dilutive effect of disposals.

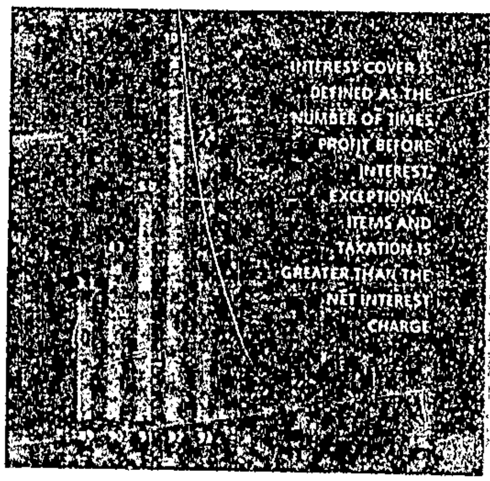
Taxation

The underlying taxation rate on profits before exceptional items was 32.4 per cent, in line with the previous year. The effect of the increase of the US federal tax rate from 34 per cent to 35 per cent on 1st January 1993 was offset by tax settlements in the US which were

OPERATING PROFIT FROM CONTINUING OPERATIONS, BEFORE EXCEPTIONAL ITEMS £ million

PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION £ million





INTEREST COVER times

favourable to the tax provision.

Looking to the future, the new US earnings stripping rules place tight limits on interest deductibility for US foreign-owned companies. On current projections, the limits will not affect any of GrandMet's US subsidiaries, although they could reduce flexibility in financing future acquisitions.

GrandMet continues to have an ACT surplus but, while this has a cash flow effect, the surplus remains significantly less than the deferred tax liability and hence there is no need to write off any ACT.

Exceptional items

Exceptional items comprised three major items and certain other disposals, as shown in the summary table below.

Reorganisation costs of £175 million were charged against operating profit. The reorganisation is expected to reduce significantly the group's cost base, particularly within GrandMet's US businesses. Benefits of the restructuring programme will arise progressively over the next two years, and are expected to give rise to annual savings of £80 million. Of the total £175 million, approximately £80 million will have a cash impact and the remainder relates to asset write downs, particularly within Pearle, where a number of unprofitable stores will be closed.

In addition, the directors reviewed the carrying costs of all the group's assets. Because of the uncertain UK property market, it was considered prudent to provide against certain UK properties which were retained after the businesses for which they were used were sold. The largest of these 'residual' properties was the former brewery site at Brick Lane. A provision of £50 million, representing approximately 50 per cent of the previous book value of these properties, was charged against operating profit.

Provision was also made against amounts owing from The William Hill Group Ltd in respect of the sale in 1989 of the group's former retail betting operations. Part of the consideration for this sale was deferred for approximately one year. As this deferred consideration plus accrued interest remains outstanding, full provision was made against the £66 million due at 30th September 1992, which included £22 million of interest. No credit was taken for interest in the year to 30th September 1993. GrandMet is strongly resisting a separate claim by William Hill that the total consideration should be reduced. The dispute is being considered by an independent expert accountant. No determination of the claim is expected for several months, and £20 million has been charged to sale of businesses to cover costs associated with the dispute, of which £6 million has already been incurred.

Other disposals, which included the group's stake in the US flour milling joint venture with ADM, generated profits of £25 million.

The tax credit on exceptional items was £86 million, representing an effective rate of 30.1 per cent. The tax benefit was reduced by the property write downs having, in general, no tax impact.

	1993 £m	1992 £m
Reorganisation costs	(175)	–
Brick Lane/other UK properties	(50)	–
Retail betting/William Hill	(86)	–
Other disposals	25	54
Total exceptional items	(286)	54

Earnings per share

Earnings per share fell from 30.3p to 20.0p, as a result of this year's exceptional items. Earnings per share before exceptional items increased by 4.6 per cent from 28.4p to 29.7p.

Dividends

Total profit for the financial year after deducting taxation and minority interests was £413 million, compared with £616 million for 1992. The recommended dividend for the year is 13.0p per share, representing an increase of 5.7 per cent over last year. The annual dividend is covered 2.3 times by profit for the year before exceptional items. The total cost of the dividend is estimated at £249 million, leaving £164 million to be transferred to reserves.

REVIEW OF BALANCE SHEET AND FINANCIAL RESOURCES

The group's balance sheet was significantly affected by currency translation effects, particularly the effect of the US dollar. As a result of GrandMet's hedging policy, whereby overseas capital employed is matched by overseas borrowings and currency swaps, the strengthening of the dollar increased both capital employed and borrowings. This had a detrimental effect on the gearing ratio, which moved from 64 per cent to 75 per cent, but had little impact on overall net assets.

The sale of Chef & Brewer since the year end has had a considerable impact on the group's balance sheet and has improved the gearing ratio. The cash proceeds for the disposal were received on 1st November 1993 and these, together with the associated transfer of debt, reduced net borrowings by approximately £700 million.

Despite the adverse economic climate, GrandMet continued to invest considerable amounts in promoting its brands, with advertising, marketing and promotion expenditure for continuing operations reaching £879 million in 1993. The directors have appraised the value of the group's brands as part of the annual review process, and consider that no reduction in value has occurred. Over 75 per cent of the value of intangible assets is represented by just three brands, Pillsbury, Burger King and Smirnoff. Since only major brands acquired after 1st January 1985 are recorded on the balance sheet, brands such as Baileys and J&B Rare are excluded, despite representing considerable value to GrandMet. The increase in intangible assets, from £2,492 million to £2,924 million, was entirely due to exchange factors, no major brands being acquired in the year.

Inntrepreneur Estates Limited

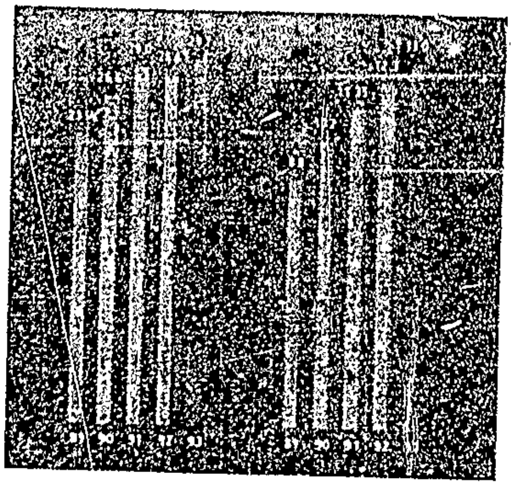
GrandMet has a 50 per cent shareholding in Inntrepreneur Estates Limited (IEL), a joint venture company in which GrandMet and Courage merged their former tenanted pub estates. The group's share of IEL's loss before tax for the year was £9 million compared with £14 million in the previous year.

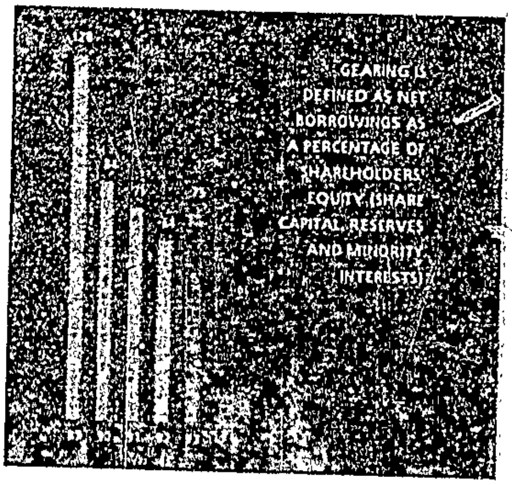
IEL's financing arrangements require an annual property valuation. The valuation as at 30th September 1993 revealed a deficit of £160 million. GrandMet's 50 per cent share of this deficit, amounting to £80 million, was deducted from the group's revaluation reserve relating to IEL pubs and is included in the statement of total recognised gains and losses (see page 45).

IEL is obliged under its financing arrangements to maintain a certain specified loan to asset ratio. On 1st October 1993 this level was reduced from 65 per cent to 57.5 per cent. GrandMet and Courage are required to inject funds if necessary to reduce the loan to asset ratio to the required level and, since 30th September 1993, each shareholder has contributed £85 million to IEL for this purpose.

EARNINGS PER SHARE BEFORE EXCEPTIONAL ITEMS
pence per share

DIVIDENDS PER SHARE
pence per share





GEARING
per cent

Review of cash flow

Net cash flow from operating activities increased from £871 million in 1992 to £1,320 million in 1993. Working capital accounted for approximately £300 million of the improvement, of which approximately £150 million arose from the clearance of temporary 1992 stock increases at Green Giant and drinks businesses in the US. In addition, the improvement in operating cash flow reflected the very strong emphasis that has been put on internal cash generation, as well as the increase in operating profit.

Net interest and tax payments, which includes dividends from associates in the summary table, increased from £345 million to £460 million, due mainly to an increase in US tax settlements which reflected timing differences, together with the higher interest charge.

Capital expenditure was tightly controlled, and decreased from £345 million to £264 million. This was largely due to reduced expenditure within the Food sector, which saw the completion of several projects undertaken following the Pillsbury acquisition. These included the commissioning of a new Häagen-Dazs plant in France, which was progressively utilised in 1993 and has increased capacity and cost efficiency.

Utilisation of acquisition and disposal provisions fell from £164 million to £127 million, reflecting reduced expenditure against the provisions established on the sale of brewing and service restaurants. Following the sale of Chef & Brewer, such provision utilisation is expected to fall further next year.

Cash flow and net borrowings movement	1993 £m	1992 £m
Cash from operating activities	1,320	871
Interest and taxation	(460)	(345)
Capital expenditure	(264)	(345)
Sale of fixed assets	30	77
Acquisition and disposal provision payments	(127)	(164)
Free cash flow	499	94
Dividends paid	(244)	(218)
Net (acquisitions)/disposals	10	269
Net cash inflow before financing	265	145
Shares issued	32	85
Long term borrowings re acquisitions/disposals	–	(58)
Capital element of finance leases	(6)	(4)
Net cash inflow	291	168
Exchange movement	(674)	(10)
(Increase)/decrease in net borrowings	(383)	158

Free cash flow, which represents the cash available for the payment of dividends, net acquisitions and financing items was £499 million, compared to £94 million the previous year.

The group generated net disposal proceeds of £10 million. This reflected cash payments of £269 million in respect of add-on acquisitions such as Buton and González Byass in the Drinks sector and Knack & Back in the Food sector, offset by disposal proceeds of £279 million, of which the largest part related to the sale of Express Foods. This compares to net disposal proceeds of £269 million in 1992, which arose mainly from the disposal of the Express dairy businesses. After deducting £244 million paid in respect of dividends, the net cash inflow before financing was £265 million, compared with £145 million in the previous year.

Movement in net borrowings

After deducting financing items of £26 million, the net cash inflow was £291 million, which reduced net borrowings to £2,150 million before the effects of exchange. Exchange effects added £674 million to borrowings, bringing closing net borrowings to £2,824 million.

Funding

The group's net borrowings of £2,824 million at 30th September 1993 comprised total borrowings of £3,173 million, offset by cash and bank deposits of £349 million. Borrowings due after more than one year totalled £3,032 million, of which £1,661 million were in the form of commercial paper and other borrowings which would otherwise have been treated as due within one year, but were classified according to the maturity of available back-up committed facilities. £991 million of borrowings were due after more than five years.

GrandMet's policy is to diversify its funding by maturity and source. US bond issues in 1991 and 1992 successfully raised $1,700 million to replace shorter term commercial paper and banking facilities.

At 30th September 1993, the group had over £3,000 million of committed credit facilities, with maturities ranging through to 1997, and substantial uncommitted facilities. After allocation to support the commercial paper programme and certain other borrowings, approximately £1,350 million of the committed facilities remained unused. Unused facilities are reviewed regularly and are maintained at a prudent level to cover variability in borrowings due to seasonal factors and to allow for small strategic acquisitions.

HEDGING POLICIES

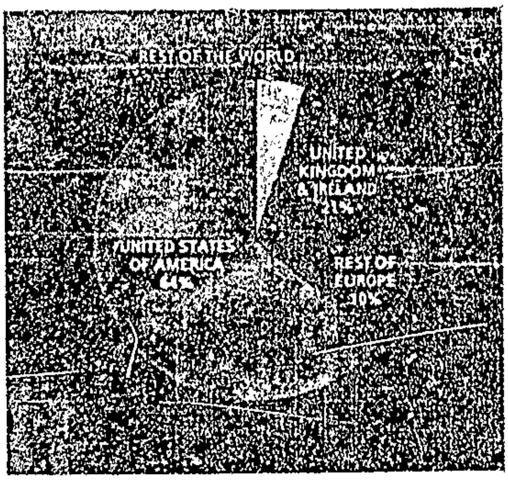
As far as is reasonably possible, the group matches overseas capital employed with actual overseas borrowings and currency swaps, with the result that the majority of the group's net debt is denominated in US dollars. This policy aims to protect the sterling value of shareholders' funds, but, as illustrated in the analyses on pages 25 and 27, results in significant volatility in reported interest cover and gearing.

A large proportion of foreign currency transactional flows are hedged by the group treasury department, usually within a twelve month timeframe, but future foreign currency profits are not hedged.

GrandMet maintains a high percentage of fixed rate debt through issuing long-term fixed rate bonds and utilising interest rate swaps. This serves to increase the accuracy of the business planning process and to help manage the interest cover ratio, which GrandMet aims to maintain at a minimum level of five times on a long term basis. As of 30th September 1993, the group had fixed rate notes and debentures totalling £1,202 million, on which the interest rate was fixed at a weighted average rate of 8.1 per cent for an average term of 10.7 years. In addition, interest rate swaps were responsible for fixing the weighted average interest rate on £1,200 million of borrowings at 7.69 per cent for an average term of 1.7 years.

The directors review and agree the broad policies and guidelines for all significant areas of treasury activity, including key ratios, objectives, group funding and risk management.

GEOGRAPHICAL ANALYSIS OF CAPITAL EMPLOYED



As far as is reasonably possible, the group matches overseas capital employed with actual overseas borrowings and currency swaps

COMMUNITY

THE UK'S FIRST BURGER KING ACADEMY, PROVIDING SPECIALIST EDUCATION FOR TEENAGE TRUANTS IN TOWER HAMLETS, EAST LONDON, OPENED IN JULY 1993

The fundamental aim is to contribute actively to the prosperity of the communities in which we operate

The GrandMet community strategy detailed in last year's Annual Report continued in 1993. The fundamental aim is to contribute actively to the prosperity of the communities in which GrandMet operates, demonstrating a leadership role in helping others to help themselves. The goals are to develop a better educated and more committed workforce for the future, create thriving communities and develop a more prosperous market for potential consumers.

To achieve this aim, GrandMet concentrates the majority of its projects in carefully defined areas of community focus. Charitable donations benefit communities both through direct financial support and donations in kind. Employee volunteer efforts in community activities are also encouraged.

COMMUNITY FOCUS

GrandMet's community focus is to identify, develop and support programmes which empower individuals, particularly young people, to achieve self-sufficiency. The emphasis is on the education of disadvantaged young people and training them for work.

United Kingdom

The GrandMet Trust, since its creation in 1981, has become one of the country's leading employment, training and guidance organisations. In 1993 its one hundred thousandth trainee was enrolled and its network of 100 training centres achieved a 75 per cent positive outcome rate for its 'back to work' programmes.

Burger King Academies provide students who are vulnerable to dropping out of school, with an opportunity to resume their education and become productive members of society. The first Burger King Academy in the UK was opened in partnership with Cities in Schools in July 1993.

The Foyer Federation for Youth was launched by GrandMet and Shelter, the UK charity for the homeless, to help young people at risk of being trapped in the vicious circle of 'no home, no job, no home'. Centres provide living quarters, training and help with finding a job, all under one roof. It is the first national initiative bringing together private, public and voluntary sectors to address the training and accommodation needs of young people.

In October 1993, GrandMet won a 'Dragon Award' for the development of the Foyer Federation. These are awards from the Lord Mayor of London for business initiatives to regenerate local communities in London.

United States

KAPOW (Kids and the Power of Work), an education/volunteer programme, introduces elementary school children to the world of work. The programme reaches over 4,500 students each year, utilises over 300 volunteers and forges partnerships between local schools and businesses.

The Community Job Training Centre, initiated by GrandMet in partnership with the American Indian Opportunities Industrialisation Centre, is an employment and training organisation based in Minneapolis. It offers career counselling, training programmes and employment preparation to young and unemployed people.

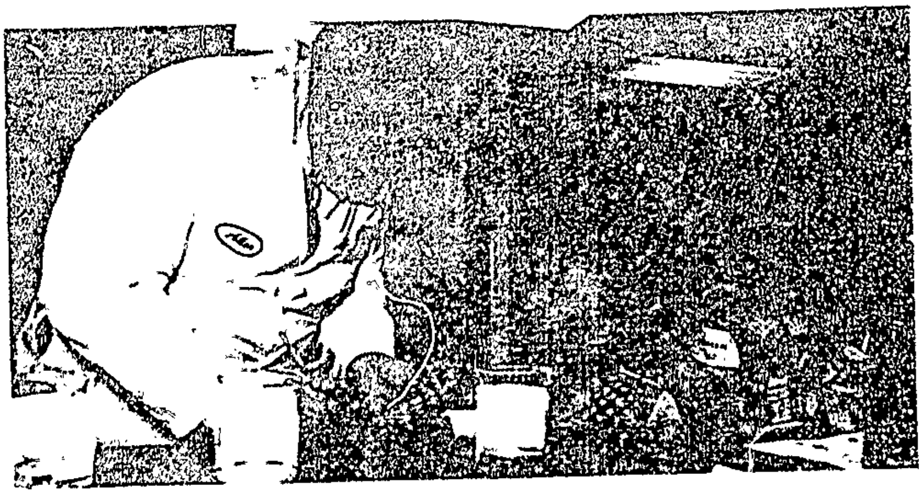
In partnership with Cities in Schools, 32 Burger King Academies have opened in the US.

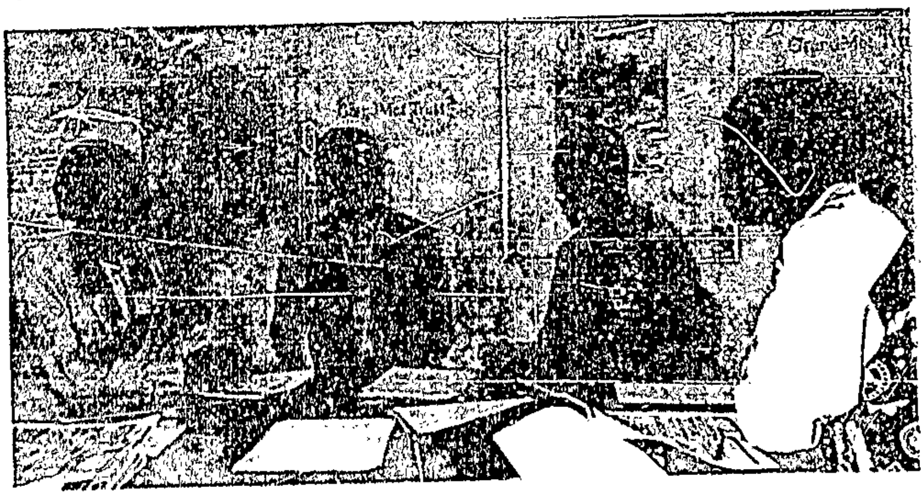
CHARITABLE CONTRIBUTIONS

Charitable contributions form a significant part of the group's community strategy by supporting its self-sufficiency programmes.

In the UK, the GrandMet

ALLEN CHURCH, ANALYTICAL CHEMIST AT HEUBLEIN AND KAPOW VOLUNTEER, USED AN EXPERIMENT IN MIXING COLOURS TO 'DAZZLE' TWO FOURTH-GRADERS FROM MARK TWAIN ELEMENTARY SCHOOL IN HARTFORD, CONNECTICUT

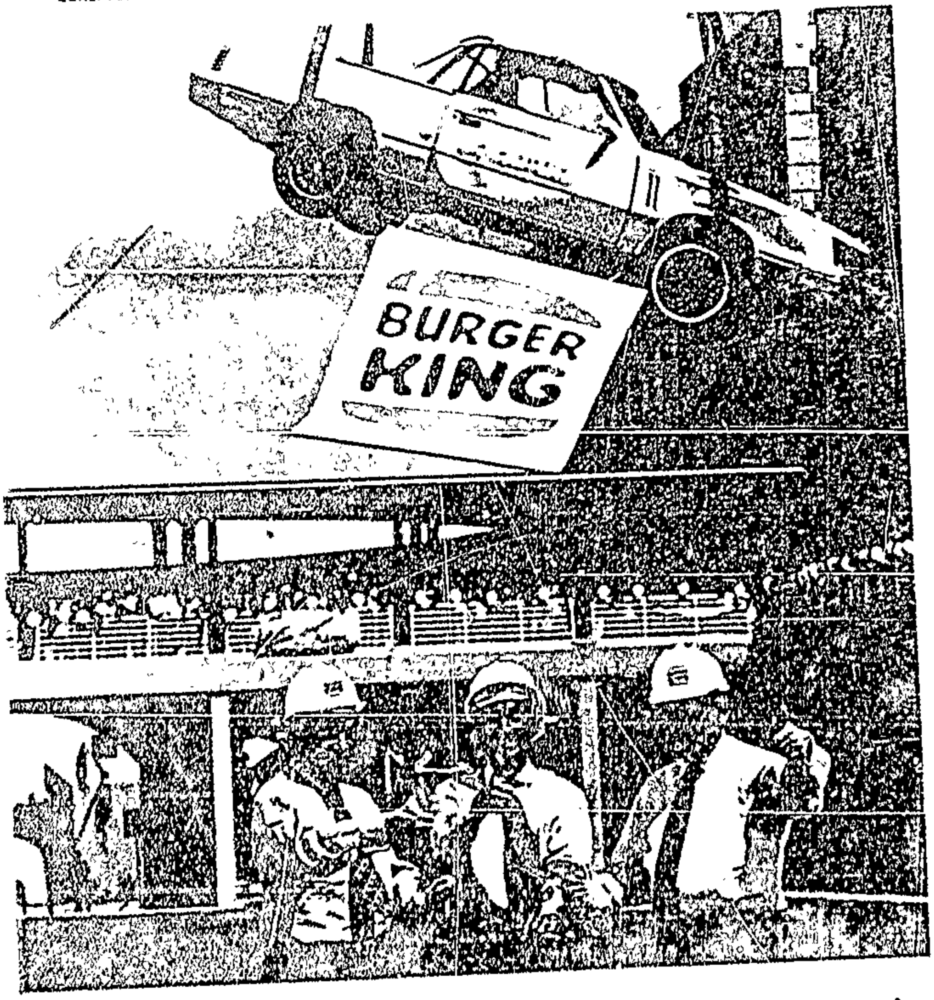




HRH THE PRINCE OF WALES MET RESIDENTS IN THE GRANDMET TRAINING CENTRE AT THE OPENING OF THE GATEWAY PROJECT, A RESIDENTIAL AND TRAINING CENTRE FOR YOUNG PEOPLE IN SOUTHWARK, SOUTH LONDON

AN EMPLOYEE'S CAR, EMBEDDED IN BURGER KING'S HEADQUARTERS BUILDING BY HURRICANE ANDREW IN 1992, IS REMOVED DURING THE REDEDICATION CEREMONY IN SEPTEMBER 1993

PICTURED LEFT TO RIGHT ARE SIR ALLEN SHEPPARD, CHAIRMAN; JIM ADAMSON, CHIEF EXECUTIVE, BURGER KING AND GEORGE BULL, GROUP CHIEF EXECUTIVE



Burger King and its Miami headquarters' employees were leading volunteers in helping the South Florida community recover after Hurricane Andrew devastated the area

Charitable Trust is the primary vehicle for the group's charitable giving. Donations are channelled to a variety of UK charitable organisations. Major recipients include Cities in Schools, the Civic Trust, the Foyer Federation for Youth, the Prince's Youth Business Trust and Business in the Community.

In the US, the Heublein Foundation's contributions have supported the Arts in Education programme for disadvantaged minority youth and the Drugs Don't Work organisation. The GrandMet Food Sector Foundation donates to the United Way, Second Harvest Foodbank and other non-profit organisations that provide vital social services for the disadvantaged.

VOLUNTEERISM

Volunteerism by current and retired employees and their families plays a significant role in community projects. GrandMet believes volunteering offers as much to its staff as it does to the beneficiaries of their initiatives.

In the UK, GrandMet has commenced a three year sponsorship of the national Employees in the Community Awards to recognise companies which support and encourage employee community involvement.

In the US, in addition to KAPOW, programmes include Pillsbury retirees' Golden Ambassadors and REACH, Recognising Employee Actions in Community Help.

GrandMet's initiatives are recognised in both the UK and US as models for corporate volunteerism.

ENVIRONMENT

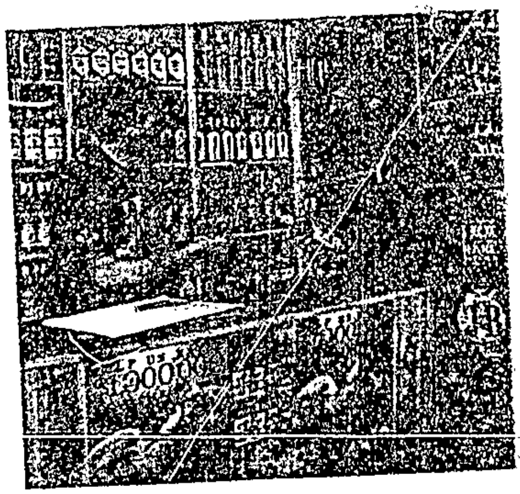
Last year's Annual Report described a number of environmental policy guidelines which were to be introduced for all subsidiaries. These included: every GrandMet company having a published policy; a 'beyond compliance' approach to environmental programmes; the promotion of international best practice in developing sound operating procedures and an on-going examination of all existing operations and processes of manufacturing and distribution. Following is a review of progress made during the year.

- Environmental policies have now been published which cover all subsidiaries.
- The Food sector has evolved its 'beyond compliance' programmes into a new theme of Environmental Excellence focusing on proactive environmental management systems. In the US, chemical releases reported under government programmes continue to decline, assisted by improved control systems at Alpo and Green Giant. The use of gaseous chlorine for water disinfection will have been eliminated at all sites in North America by the end of 1993. European food facilities will have eliminated all gaseous chlorine use in 1994. Solid waste recycling programmes at food manufacturing facilities have resulted in the recycling of 32 per cent of plastics, 81 per cent of cardboard and 94 per cent of metal waste. Overall, waste generation has been reduced 15 per cent year on year.
- The Drinks sector also applies excellence to the management of its environmental initiatives. Reviews have been completed at all major production facilities, leading to improved measurement and management of environmental matters. IDV Europe continues its programme of improving effluent treatment systems, with facilities in Scotland and Portugal recently upgraded. Plans are in place to respond to the stringent regulatory programmes being introduced in Europe. In the US, spirits production facilities are continuously improved in advance of developing regulations on the management and control of volatile compounds.
- Energy policies now exist in all businesses. Although energy tracking data identifies GrandMet businesses as low energy users, further conservation opportunities are being found and applied. Burger King, for example, has targeted energy reduction of up to 30 per cent in its outlets.

In addition to upgrading production systems, the focus has been on preventative programmes that emphasise sound management and training and the avoidance of pollution and waste.

An environmental Task Force, entirely comprising representatives from the businesses, has recently been established. With the environmental framework in place, this new structure will place the management and accountability for environmental matters firmly in the control of the businesses.

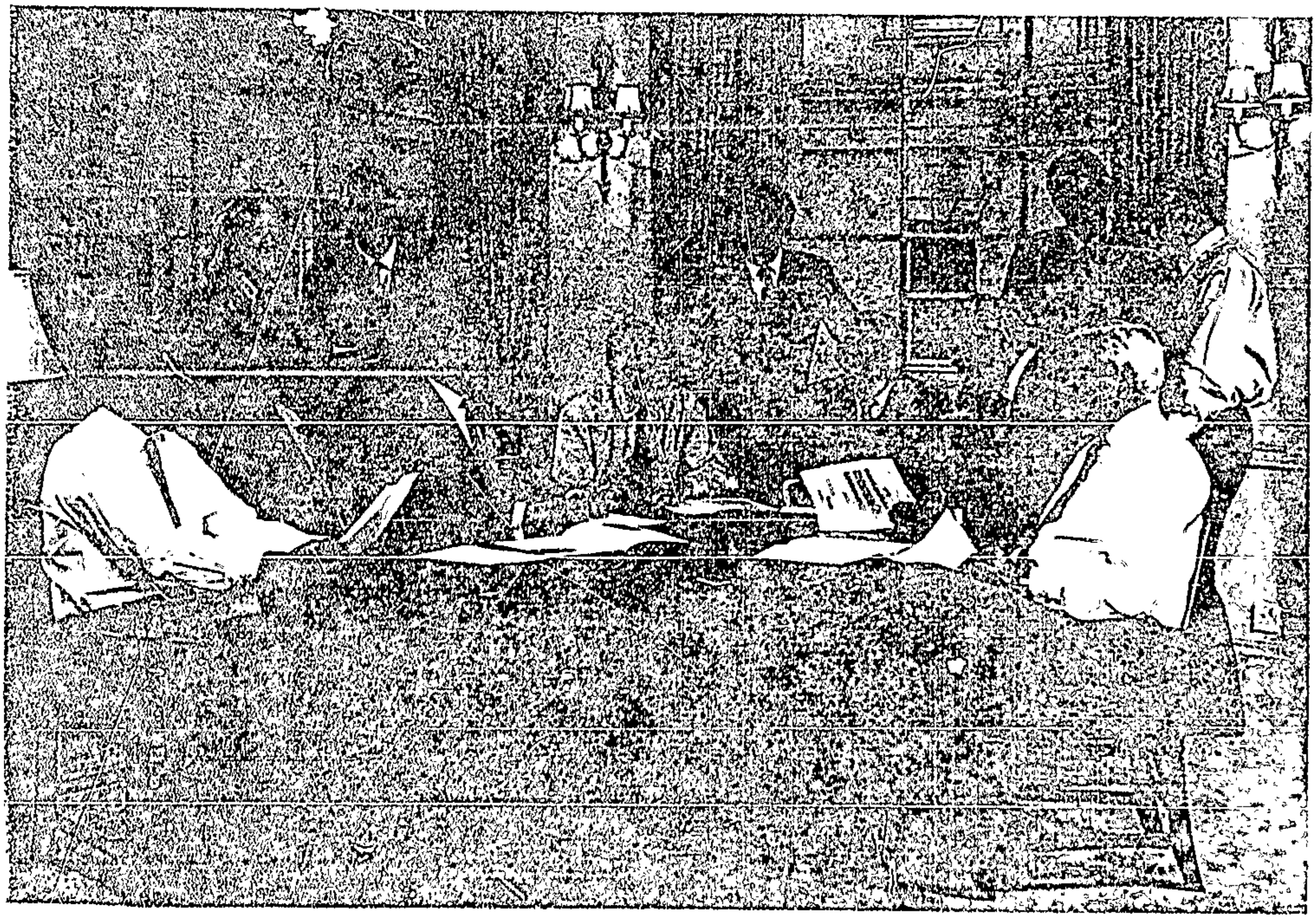
J&B LAUNCHED AN INNOVATIVE PROMOTION, "CARE FOR THE RARE", DESIGNED TO ASSIST IN THE PROTECTION OF ENDANGERED SPECIES AROUND THE WORLD



The focus has been on preventative programmes that emphasise sound management and training and the avoidance of pollution and waste

BOARD OF DIRECTORS

LEFT TO RIGHT, STANDING
PROFESSOR DR GERTRUD HÖHLER,
IAN MARTIN, SIR ALLEN SHEPPARD,
JOHN MCGRATH, DAVID SIMON CBE
LEFT TO RIGHT, SEATED: PETER CAWDRON,
SIR JOHN HARVEY-JONES MBE,
SIR COLIN MARSHALL,
DAVID TAGG, GEORGE BULL,
RICHARD GIORDANO KBE,
DAVID NASH



SIR ALLEN SHEPPARD
Chairman
Joined GrandMet as a director in 1975 after 18 years in the motor industry. He became Group Chief Executive of GrandMet in 1986 and Chairman in 1987. With effect from December 1993 he relinquished the role of Group Chief Executive and remains as full-time Chairman. He is Chairman of The Prince's Youth Business Trust and Deputy Chairman of Business in the Community. He is also Chairman of London First and [illegible]. He is non executive Deputy Chairman of Meyer International and [illegible] Services Group. Age [illegible]
Committees [illegible],4,5

GEORGE J BULL
Group Chief Executive
Joined International Distillers & Vintners in 1962, prior to its acquisition by GrandMet, and became IDV Chief Executive in 1984. Appointed to the Board of GrandMet in 1985. In July 1992 he became Chairman and Chief Executive, Food Sector and in December 1993 was appointed Group Chief Executive. He is also a non executive director of United Newspapers and a director of the British Overseas Trade Board. Age 57
Committees 3*,5

RICHARD V GIORDANO KBE USA
Deputy Chairman
Chief Executive of the BOC Group from 1979 to 1992 and Chairman from 1985 to 1992. He is a non executive director of the BOC Group, RTZ, Reuters Holdings and Lucas Industries. He becomes Chairman of British Gas in January 1994. Appointed a non-executive director of GrandMet in 1984 and Deputy Chairman in 1991. Age 59
Committees 1*,2,4,5

BOARD OF DIRECTORS

IAN A MARTIN
Deputy Chairman
Joined Watney Mann & Truman Brewers in 1979, becoming Chairman and Chief Executive in 1982. Appointed to the Board of GrandMet in 1985 and held the position of Group Managing Director and Chief Operating Officer from 1991 until September 1993 when he was appointed non-executive Deputy Chairman. He is a non-executive director of Granada Group and St Paul Companies (USA) and an International Trustee of the Duke of Edinburgh's Award International Association. Age 58.

DAVID NASH
Chairman and Chief Executive, Food Sector
Joined the GrandMet Board in December 1989, having previously worked in Imperial Chemical Industries and Cadbury Schweppes. He was Group Finance Director until December 1993 when he was appointed Chairman and Chief Executive, Food Sector. He is a non-executive director of Investment Management Regulatory Organisation (IMRO), and Honorary Treasurer of the National Association of Boys' Clubs and the Prince of Wales' Business Leaders Forum. Age 53.
(Committees 3,4)

DAVID E TAGG
Group Services Director
Joined Watney Mann & Truman Brewers as Personnel Director in 1980. Appointed to the Board of GrandMet in 1988. He is responsible for the group's property, corporate affairs, human resources, information systems and legal and company secretarial functions. He is Chairman of Grand Metropolitan Community Services and Chairman of the Group Pension Fund. He is a non-executive director of Storehouse, Chairman of East London Partnership and a director of a number of charitable and other organisations. Age 53.
(Committees 3,4)

JOHN B MCGRATH
Chairman and Chief Executive, Drinks Sector
Joined Watney Mann & Truman Brewers as Group Director in 1985 and appointed Managing Director in 1986. Appointed Joint Managing Director of IDV in 1988 and Managing Director and Chief Operating Officer in 1991. Appointed to the Board of GrandMet and made Chief Executive, Drinks Sector in 1992. Appointed Chairman, Drinks Sector in September 1993. He was a prime mover in the creation of the Portman Group and is a director of The Scotch Whisky Association and a non-executive director of Cookson Group. Age 55.
(Committees 3,4)

PETER E B CAWDRON
Group Strategy Development Director
Joined GrandMet in 1983 as Group Planning Director and became Group Strategy Development Director in 1987. He is responsible for the development of group strategy and for the business development of GrandMet and its subsidiaries. Appointed to the Board of GrandMet in 1993. He is a non-executive director of Compass Group. Age 50.
(Committees 3,4)

SIR JOHN HARVEY-JONES MBE
Was Chairman of Imperial Chemical Industries from 1982 to 1987, having joined that company in 1956 from the Royal Navy. He is non-executive Chairman of The Economist Newspaper and a member of a number of charitable and other organisations whilst being deeply involved in writing and lecturing. Appointed a non-executive director of GrandMet in 1983 and held the position of Deputy Chairman from 1987 to 1991. Age 69.
(Committees 1,2,5)

PROFESSOR DR GERTRUD HÖHLER
(Germany)
Management Consultant, Höhler Consultants
Founded Berlin-based Höhler Consultants in 1985. Her clients include the majority of the 50 largest companies in Germany. Serves on advisory councils for the German Federal Defence Ministry and the German Federal Ministry for Research & Technology. She has written 14 books and received the Konrad Adenauer Prize for Literature. She has been Professor of General Literary Studies and German Studies at the University of Paderborn since 1972. Appointed a non-executive director of GrandMet in 1992. Age 52.
(Committee 1)

SIR COLIN MARSHALL
Chairman, British Airways
Joined British Airways as Chief Executive in 1983 and became Chairman in 1993, having previously held positions in Sears, Avis and Hertz. Currently a non-executive director of HSBC Holdings, IBM United Kingdom Holdings, Qantas Airways and US Air. Appointed a non-executive director of GrandMet in 1988. Age 60.
(Committees 1,2)

DAVID A G SIMON CBE
Group Chief Executive and Deputy Chairman, The British Petroleum Company
Joined BP in 1961 and in 1982 became Chief Executive of BP Oil International – BP's worldwide oil refining and marketing group. In 1986, appointed Managing Director, BP Group, joining the main board with responsibility for finance and Europe. Currently Chairman of BP Exploration, BP Oil and BP Chemicals. He is a member of the International Advisory Council of Deutsche Bank and Allianz AG and has been re-appointed to the Sports Council. Appointed a non-executive director of GrandMet in 1989. Age 54.
(Committees 1,2*)

BOARD COMMITTEES

1. Appraisal and Remuneration
2. Audit
3. Executive
4. Management Development
5. Nomination

* Chairman

DIRECTORS' RESPONSIBILITIES

in relation to financial statements

The following statement, which should be read in conjunction with the report of the auditors set out opposite, 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 and the group as at the end of the financial year and of the profit or loss of the group for the financial year.

The directors consider that in preparing the financial statements on pages 40 to 65, 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 group 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 Public Limited Company

We have audited the financial statements on pages 40 to 65.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described opposite, 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 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 30th September 1993 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 Peat Marwick
Chartered Accountants,
Registered Auditors

KPMG Peat Marwick

London, 2nd December 1993

DIRECTORS' REPORT

The directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 30th September 1993.

BUSINESS ACTIVITIES AND DEVELOPMENT

An overview by the Group Chief Executive of the future development of the group's businesses is included in The Way Forward on page 7.

Detailed comments on the activities and developments during the year and since the year end of both sectors are set out on pages 8 to 21.

The group carried out research and development in support of existing activities, specific new product development and the improvement of production processes.

Details of environmental issues are on page 33.

FINANCIAL

A comprehensive financial review of the year is set out on pages 24 to 29. Profit transferred to reserves was £164 million.

A summary of changes in the group's fixed tangible assets during the year is given in note 14 on page 54 of the financial statements.

DIVIDEND

The directors recommend a final dividend of 8.15p per share. If approved, dividends for the year will total 13.0p per share, an increase of 5.7 per cent.

Subject to approval by members, the final dividend will be paid on 11th April 1994 to ordinary shareholders on the register on 28th January 1994. A share dividend alternative will be offered.

ANNUAL GENERAL MEETING

The AGM will be held at 11.15am in the Great Room, Grosvenor House, Park Lane, London W1 on 1st March 1994.

DIRECTORS

The directors are listed on pages 34 and 35.

The directors retiring by rotation at the AGM in accordance with the articles of association are Sir Allen Sheppard, Mr R V Giordano and Mr G J Bull who, being eligible, offer themselves for re-election.

Mr P E B Cawdron, who was appointed to the Board on 24th September 1993, retires in accordance with the articles of association and, being eligible, offers himself for election. A new Group Finance Director will be appointed to the Board but the timing of the appointment is still uncertain. If the appointment occurs prior to the AGM, the new director will retire at the AGM and be offered for election.

Sir Allen Sheppard has a service contract which expires on 31st January 1996. Under his service contract, Mr G J Bull is entitled to two years and nine months' notice of termination, which will reduce to two years by October 1994. Mr P E B Cawdron is, and the new Group Finance Director will be, entitled to two years' notice of termination under their respective service contracts. Mr R V Giordano does not have a service contract of more than one year's duration.

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

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 AGM. These are set out in the Notice of Meeting in the accompanying AGM document.

CORPORATE GOVERNANCE

The company complies with 17 of the 19 provisions of the Code of Best Practice of the Cadbury Committee on Financial Aspects of Corporate Governance. The other two provisions remain under review by the accounting profession.

EMPLOYMENT POLICIES

GrandMet has ensured that its businesses continue to develop and extend the scope of their employment policies. The aim is for GrandMet and its subsidiaries to be seen as employers of choice by both existing staff and potential new recruits.

The company has continued to increase its level of awareness of equal opportunities and cross-cultural issues through investment in seminars and workshops for managers.

People with disability are given the same opportunity for employment as any other employees subject to their skills and abilities. Workshops have been run for managers to understand the needs and abilities of such people, whether entering employment or becoming disabled during employment. Every attempt is made to give those who become disabled in the workplace an opportunity to be trained and redeployed elsewhere.

Last year, GrandMet reviewed the performance of its progressive Family & Maternity Leave Policy introduced three years ago in the UK. It found a considerable increase in the retention of women returning to work and was able to make improvements to the scheme based upon the views of employees who had benefited.

Following approvals given at the AGMs in 1992 and 1993, employee savings-related share option schemes have been introduced in the United States, Canada and Ireland. All three schemes have achieved high levels of staff participation. Plans are now in hand to launch schemes in France, Spain and Portugal in 1994.

Performance reporting of business results to employees is well established throughout the world. Annual and half-year results are communicated regularly and promptly to all businesses worldwide to provide a basis for onward briefing to all employees. Senior managers continue to receive regular briefings through the medium of the Business Bulletin, an audio cassette tape.

UK PENSION FUND

Events over recent years have focused considerable attention on the security of assets and benefits under company pension schemes in the United Kingdom. The trustees of GrandMet's UK pension fund – who operate independently from the company – have been able to reassure their members on the security and controls in place. In particular it is the trustees' policy, in line with recognised best practice, not to invest in GrandMet shares and not to lend money to GrandMet. The trustees have delegated the investment and safe custody of the fund's assets to independent investment managers and custodians.

COMMUNITY RELATIONS AND CHARITABLE DONATIONS

Approximately £18 million was committed to community activities worldwide in the form of sponsorships, donations in kind, secondments and direct donations to charity.

During the year group companies in the United Kingdom made contributions of £3,765,000 (1992 – £3,792,000) to charitable organisations. In the United States, group companies made charitable donations of £6,719,000 (1992 – £4,804,000).

Details of community programmes are set out on pages 30 to 32.

The group made no political donations.

SHAREHOLDINGS IN THE COMPANY

At 15th November 1993, the following substantial interests (3 per cent or more) in the company's ordinary share capital had been notified to the company:

Morgan Guaranty Trust Company of New York	3.44 per cent

The company is not a close company.

By Order of the Board
Roger H Myddelton
Secretary
2nd December 1993

ACCOUNTING POLICIES

ACCOUNTING CONVENTION
The financial statements are prepared under the historical cost convention, modified by the revaluation of certain land and buildings, and comply with applicable UK accounting standards.

BASIS OF CONSOLIDATION
The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings (subsidiaries) made up to 30th September. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from, the date control passes.

OVERSEAS SUBSIDIARIES
The financial statements of some overseas subsidiaries do not conform with the group's accounting policies because of the legislation and accounting practices of the countries concerned. Appropriate adjustments are made on consolidation in order to present the group financial statements on a uniform basis.

ACQUISITIONS AND DISPOSALS
On the acquisition of a business, including an interest in an associate, fair values are attributed to the group's share of net tangible assets and significant owned brands acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off direct to reserves in the year of acquisition.

The profit or loss on the disposal of a previously acquired business reflects the attributable amount of purchased goodwill relating to that business.

A business is classified as a discontinued operation if it is clearly distinguishable, has a material effect on the nature and focus of the group's activities, represents a material reduction in the group's operating facilities and either its sale is completed or, if a termination, its former activities have ceased permanently prior to the approval of these financial statements.

INTANGIBLE ASSETS
Significant owned brands, acquired after 1st January 1985, the value of which is not expected to diminish in the foreseeable future, are recorded in the balance sheet as fixed intangible assets. No annual amortisation is provided on these assets but their value is reviewed annually by the directors and the cost written down as an exceptional item where permanent diminution in value has occurred.

FIXED ASSETS
Fixed assets are stated at cost or at professional valuation, less appropriate depreciation and provisions. Cost includes interest, net of any tax relief, on the funding of major developments.

No depreciation is provided on freehold land or on freehold and long leasehold public houses (see below). Other leaseholds are depreciated over the unexpired period of the lease. Other fixed assets are depreciated to residual values over their estimated useful lives within the following ranges:

Industrial and other buildings	25 to 100 years
Plant and machinery	3 to 25 years
Fixtures and fittings	3 to 17 years

It is the group's policy to maintain all its public houses to a high standard in order to protect their trade. Because of this, such properties maintain residual disposal values, based on prices prevailing at the date of purchase or subsequent valuation, at least equal to their book values and accordingly no provision for depreciation is made. Any permanent diminution in value is reflected in the profit and loss account.

Profit or loss on sale of property is the difference between the disposal proceeds and the net book value, including any revaluation of the asset. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss account reserve and is not included in the profit for the financial year.

LEASES
Where the group 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 fixed tangible 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.

Amounts receivable under finance leases are included

ACCOUNTING POLICIES

in debtors with income credited to the profit and loss account in proportion to the funds invested.

Operating lease payments and receipts are taken to the profit and loss account on a straight line basis over the life of the lease.

INVESTMENTS IN ASSOCIATES

An associated undertaking (associate) is one in which the group has a long term interest, usually from 20% to 50%, and over which it exercises significant influence.

The group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets other than goodwill is included in investments in the consolidated balance sheet.

INVESTMENTS

Investments, other than in associates, are valued individually at the lower of cost and net realisable value. Net realisable value is estimated by the directors in the case of unlisted investments and is market value in the case of listed investments.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost includes, where appropriate, production and other direct overhead expenses.

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, including the group's interest in the underlying net assets of associates, are translated into sterling at the financial year end exchange rates.

Profits and losses of overseas subsidiaries and associates are translated into sterling at weighted average rates of exchange during the year except for material exceptional items which are translated at the rate on the date of the transaction. The adjustment to financial year end rates is taken to reserves.

Gains and losses arising on the translation of the net assets of overseas subsidiaries and associates are taken to reserves, less exchange differences arising on related foreign currency borrowings. Other exchange differences are taken to the profit and loss account.

The results of operations in hyper-inflationary economies are translated using a relatively stable currency as the functional currency. The exchange translation movement arising from this process is taken to the profit and loss account.

TURNOVER

Turnover excludes inter-company sales and VAT but includes excise duties, rents and royalties receivable.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year in which it is incurred.

POST EMPLOYMENT BENEFITS

The cost of providing pensions and other post employment benefits is charged against profits on a systematic basis, with pension surpluses and deficits allocated 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. The unfunded post employment medical benefit liability is included in provisions in the balance sheet.

EXCEPTIONAL ITEMS

Exceptional items are those that need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss account caption to which they relate, and are separately disclosed either in the notes or on the face of 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.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1993

	Notes	Before exceptional items £m	Exceptional items (note 6) £m	1993 Total £m	*1992 Total £m*
Turnover					
Continuing operations		7,580		7,580	*6,575*
Acquisitions		57		57	
		7,637		7,637	
Discontinued operations		483		483	*1,338*
Total turnover	3	8,120		8,120	*7,913*
Operating costs	4	(7,085)	(225)	(7,310)	*(6,976)*
Operating profit					
Continuing operations		951	(225)	726	*808*
Acquisitions		7	–	7	
		958	(225)	733	
Discontinued operations		77	–	77	*129*
Total operating profit		1,035	(225)	810	*937*
Share of profits/(losses) of associates					
Inntrepreneur Estates Ltd	16	(9)		(9)	*(14)*
Other	5	33		33	*30*
		1,059	(225)	834	*953*
Continuing operations					
Disposal of fixed assets			2	2	*9*
Sale or termination of businesses			(27)	(27)	*10*
Utilisation of prior year provisions			40	40	–
Provisions for loss on sale of businesses			–	–	*(43)*
Discontinued operations					
Disposal of fixed assets			13	13	*4*
Sale or termination of businesses			(52)	(52)	*66*
Utilisation of prior year provisions			43	43	*53*
Provisions for loss on sale of businesses			(58)	(58)	*(45)*
			(39)	(39)	*54*
Interest	7	(143)	(22)	(165)	*(94)*
Profit on ordinary activities before taxation		916	(286)	630	*913*
Taxation on profit on ordinary activities	8	(297)	86	(211)	*(295)*
Profit on ordinary activities after taxation		619	(200)	419	*618*
Minority interests		(6)	–	(6)	*(2)*
Profit for the financial year		613	(200)	413	*616*
Ordinary dividends	9			(249)	*(246)*
Transferred to reserves				164	*370*
Earnings per share	10	29.7p	(9.7)p	20.0p	*30.3p*

CONSOLIDATED BALANCE SHEET

at 30th September 1993

	Notes	1993 £m	1993 £m	1992 £m	1992 £m
Fixed assets					
Intangible assets	13		2,924		2,492
Tangible assets	14		2,681		2,638
Investments	15		717		713
			6,322		5,843
Current assets					
Stocks	17	1,341		1,381	
Debtors (see note below)	18	1,898		1,830	
Cash at bank and in hand		349		309	
		3,588		3,520	
Creditors – due within one year					
Borrowings	19	(141)		(268)	
Other creditors	20	(2,222)		(2,097)	
		(2,363)		(2,365)	
Net current assets (see note below)			1,225		1,155
Total assets less current liabilities			7,547		6,998
Creditors – due after more than one year					
Borrowings	19	(3,032)		(2,482)	
Other creditors	21	(167)		(168)	
			(3,199)		(2,650)
Provisions for liabilities and charges	22		(594)		(561)
			3,754		3,787
Capital and reserves					
Called up share capital	24		530		526
Reserves	25				
Share premium account		628		599	
Revaluation reserve		578		666	
Goodwill reserve		(2,652)		(2,205)	
Profit and loss account		4,631		4,173	
			3,185		3,233
			3,715		3,759
Minority interests			39		28
			3,754		3,787

Debtors and net current assets include debtors recoverable after more than one year of £558m (1992 – £438m).

The financial statements on pages 40 to 65 were approved by a duly appointed and authorised committee of the Board of Directors on 2nd December 1993 and were signed on its behalf by:

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

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30th September 1993

	Notes	£m	1993 £m	*£m*	*1992* *£m*
Net cash inflow from operating activities	28		1,320		*871*
Returns on investments and servicing of finance					
Interest received		88		*106*	
Interest paid		(259)		*(230)*	
Interest element of finance lease payments		(6)		*(7)*	
Dividends received from associates		11		*3*	
Dividends paid		(244)		*(218)*	
Net cash outflow from returns on investments and servicing of finance			(410)		*(346)*
Taxation					
UK corporation tax paid		(100)		*(78)*	
Overseas corporate tax paid		(194)		*(139)*	
Total tax paid			(294)		*(217)*
Investing activities					
Purchase of tangible fixed assets		(264)		*(345)*	
Purchase of subsidiaries	29	(130)		*(229)*	
Purchase of associates		(85)		–	
Purchase of investments		(54)		*(108)*	
Sale of tangible fixed assets		30		*77*	
Sale of subsidiaries	30	109		*539*	
Sale of associates		114		–	
Sale of investments		56		*67*	
Acquisition and disposal provision payments		(127)		*(164)*	
Net cash outflow from investing activities			(351)		*(163)*
Net cash inflow before financing			265		*145*
Financing					
Issue of ordinary share capital		(25)		*(33)*	
Proceeds of long term borrowings		(556)		*(761)*	
Repayment of long term borrowings		751		*940*	
Capital element of finance lease payments		6		*4*	
Net cash outflow from financing	31		176		*150*
Increase/(decrease) in cash and cash equivalents	32		89		*(5)*
			265		*145*

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30th September 1993

	1993 £m	1992 £m
Profit for the financial year	413	*616*
Deficit on revaluation of properties in associate	(80)	*(117)*
Exchange adjustments	(39)	*(11)*
Total recognised gains and losses for the financial year	294	*488*

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 30th September 1993

	1993 £m	1992 £m
Profit on ordinary activities before taxation	630	*913*
Realisation of property revaluation gains of prior years	6	*76*
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	2	*1*
Asset provisions created/(utilised) not required on an historical cost basis	(7)	*(20)*
Historical cost profit on ordinary activities before taxation	631	*970*
Historical cost profit for the year retained after taxation, minority interests and dividends	165	*427*

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 30th September 1993

	1993 £m	1992 £m
Profit for the financial year	413	*616*
Ordinary dividends	(249)	*(246)*
Other recognised gains and losses relating to the year	(119)	*(128)*
New share capital issued	33	*151*
Goodwill written off during year	(146)	*(182)*
Goodwill transferred to the profit and loss account in respect of disposals of businesses	24	*126*
Net movement in shareholders' funds	(44)	*337*
Shareholders' funds at 30th September 1992	3,759	*3,422*
Shareholders' funds at 30th September 1993	3,715	*3,759*

1 CHANGE IN ACCOUNTING POLICY

Since the previous Annual Report, the Accounting Standards Board has issued UITF Abstract No. 9 – Accounting for operations in hyper-inflationary economies. The group translates the results of operations in hyper-inflationary economies using a relatively stable currency as the functional currency. This complies with the Abstract. The principal effect is that cost of goods sold and depreciation reflect the historical exchange rates when the assets were purchased. This treatment is unchanged, but the exchange translation movement arising from this process is now charged to operating profit whereas previously it was taken to reserves.

The effect of this change in accounting policy is to reduce operating profit by £24 million (1992 – £12 million) of which £8 million (1992 – £4 million) relates to minority interests. The profit and loss account for the year ended 30th September 1992 has been restated accordingly. The change has no impact on the balance sheets.

2 SEGMENT ANALYSIS

	1993			1992		
	Turnover £m	Profit £m	Net assets £m	*Turnover £m*	*Profit £m*	*Net assets £m*
Class of business:						
Continuing operations						
Food	3,066	227	2,131	*2,647*	*186*	*1,992*
Drinks	3,418	561	1,778	*2,858*	*493*	*1,725*
Retailing	1,153	170	1,751	*1,070*	*129*	*1,505*
	7,637	958	5,660	*6,575*	*808*	*5,222*
Discontinued operations						
Food	26	1	–	*502*	*40*	*70*
Retailing	457	76	658	*836*	*89*	*648*
	483	77	658	*1,338*	*129*	*718*
	8,120		6,318	*7,913*		*5,940*
Operating profit before exceptional items		1,035			*937*	
Associates		24	260		*16*	*288*
Exceptional items		(286)			*54*	
Interest		(143)			*(94)*	
Profit before taxation		630			*913*	
Capital employed			6,578			*6,228*
Net borrowings			(2,824)			*(2,441)*
Net assets			3,754			*3,787*
Geographical area by country of operation:						
United Kingdom and Ireland	1,343	245	1,312	*1,872*	*319*	*1,356*
Continental Europe	1,550	137	630	*1,292*	*117*	*682*
United States of America	4,499	576	4,058	*4,184*	*445*	*3,644*
Rest of North America	214	26	151	*185*	*19*	*152*
Africa and Middle East	182	15	31	*155*	*7*	*29*
Rest of World	332	36	136	*225*	*30*	*77*
	8,120		6,318	*7,913*		*5,940*
Operating profit before exceptional items		1,035			*937*	
Associates		24	260		*16*	*288*
Exceptional items		(286)			*54*	
Interest		(143)			*(94)*	
Profit before taxation		630			*913*	
Capital employed			6,578			*6,228*
Net borrowings			(2,824)			*(2,441)*
Net assets			3,754			*3,787*

Profit before interest relates to the following activities and geographical areas: Food £184m, Drinks £558m, Retailing £30m and discontinued businesses £23m (1992 – £159m, £517m, £125m and £206m respectively); United Kingdom and Ireland £117m, Continental Europe £135m, United States of America £452m, Rest of World £91m (1992 – £370m, £114m, £453m and £70m respectively).

The group interest expense is arranged centrally and is not attributable to individual activities or geographical areas. The analysis of capital employed by activity and geographical area is calculated on net assets excluding associates, cash and borrowings.

2 SEGMENT ANALYSIS – continued

Turnover between the above classes of business is not material.

Discontinued operations comprise The Chef & Brewer Group, Express Foods and, in the prior period only, the other Express dairy businesses and Burger King Distribution Services.

The weighted average exchange rate used in translation of US dollar profit and loss accounts was £1=\$1.52 (1992 – £1=\$1.81). The exchange rate used to translate US dollar assets and liabilities at the balance sheet date was £1=\$1.50 (1992 – £1=\$1.78).

3 TURNOVER

	Continuing £m	Discontinued £m	1993 Total £m	*Continuing £m*	*Discontinued £m*	*1992 Total £m*
Geographical area by destination:						
United Kingdom and Ireland	787	483	1,270	*802*	*945*	*1,747*
Continental Europe	1,578	–	1,578	*1,324*	*21*	*1,345*
United States of America	4,389	–	4,389	*3,761*	*366*	*4,127*
Rest of North America	239	–	239	*218*	*–*	*218*
Africa and Middle East	221	–	221	*180*	*1*	*181*
Rest of World	423	–	423	*290*	*5*	*295*
	7,637	483	8,120	*6,575*	*1,338*	*7,913*

Exports from the United Kingdom were £298m (1992 – £308m).

4 OPERATING COSTS

	Continuing £m	Discontinued £m	1993 Total £m	*Continuing £m*	*Discontinued £m*	*1992 Total £m*
Raw materials and consumables	2,804	147	2,951	*2,450*	*817*	*3,267*
Other external charges	2,566	130	2,696	*2,329*	*188*	*2,517*
Staff costs (note 11)	1,160	107	1,267	*989*	*183*	*1,172*
Depreciation of tangible fixed assets	201	21	222	*170*	*36*	*206*
Decrease/(increase) in stocks of finished goods and work in progress	18	1	19	*(66)*	*(10)*	*(76)*
Other operating income	(70)	–	(70)	*(106)*	*(4)*	*(110)*
Operating costs before exceptional items	6,679	406	7,085	*5,766*	*1,210*	*6,976*
Exceptional operating costs (note 6)	225	–	225	*–*	*–*	*–*
	6,904	406	7,310	*5,766*	*1,210*	*6,976*

Total operating costs include US excise duties of £366m (1992 – £303m), other excise duties of £425m (1992 – £351m), operating lease rentals for plant and machinery of £32m (1992 – £30m) and for other leases (mainly of properties) of £169m (1992 – £155m), reorganisation costs of £182m (1992 – £33m) of which £175m (1992 – £nil) were classified as exceptional items, and research and development expenditure of £41m (1992 – £35m).

Fees in respect of services provided by the auditors were: statutory audit of the group £5,376,000 (1992 – £4,630,000), other services to UK group companies £5,507,000 (1992 – £1,713,000) and other services to non-UK subsidiaries £899,000 (1992 – £756,000).

Operating costs for continuing operations in 1993 include advertising, marketing and promotion of £879m (1992 – £818m); and £50m relating to acquired businesses as follows: raw materials and consumables £27m, other external charges £17m, staff costs £3m, depreciation of tangible fixed assets £1m and decrease in stocks of finished goods and work in progress £2m.

5 ASSOCIATES

The group's share of the results of associates, other than Inntrepreneur Estates Ltd, was as follows:

	1993 £m	*1992 £m*
Share of profits before taxation	33	*30*
Share of taxation	(13)	*(11)*
Share of profits after taxation	20	*19*
Dividends received by the group	(11)	*(3)*
Retained by associates	9	*16*

6 EXCEPTIONAL ITEMS

(i) Operating costs

The items shown in the profit and loss account as exceptional operating costs comprise £175m of reorganisation costs to restructure the group's overhead and operational base, including plant rationalisation at Green Giant and store closures at Pearle, and a £50m write down in respect of the group's UK properties, most of which relates to the Brick Lane former brewery site in East London. £118m of these costs are included within provisions (note 22) with the balance being applied against asset values.

(ii) Disposal of fixed assets	Continuing £m	Discontinued £m	1993 Total £m	*Continuing £m*	*Discontinued £m*	*1992 Total £m*
Profits on sale of:						
Property	2	4	6	*9*	*4*	*13*
Other fixed assets	–	9	9	–	–	–
	2	13	15	*9*	*4*	*13*

The profits on disposal of fixed assets were after charging £24m (1992 – £nil) of goodwill previously written off.

(iii) Sale or termination of businesses	Profit/ (loss) £m	Provision utilised £m	1993 Provision set up £m	*Profit/ (loss) £m*	*Provision utilised £m*	*1992 Provision set up £m*
Continuing operations						
Food	(27)	40	–	*10*	–	*(40)*
Discontinued operations						
Dairy	(40)	40	–	*160*	–	*(45)*
Brewing and tenanted pub estate	–	–	–	*(23)*	–	–
Off-licences	(3)	3	–	*(53)*	*53*	–
Betting and gaming	(6)	–	(58)	*(11)*	–	–
Other	(3)	–	–	*(7)*	–	–
	(52)	43	(58)	*66*	*53*	*(45)*

Profits or losses on the sale or termination of businesses included losses relating to Express Foods of £40m for which a provision was set up in 1992, as well as adjustments relating to prior years. The net results on sale or termination of businesses were after charging goodwill previously written off attributable to the businesses sold of £nil (1992 – £104m).

The provision of £58m in respect of betting and gaming relates to the sale in 1989 of the group's former retail betting operation. The sale agreement deferred payment of part of the consideration for approximately one year. Payment of this deferred consideration plus accrued interest, due from The William Hill Group Ltd and guaranteed by The Brent Walker Group plc, remains outstanding. Full provision has been set up in respect of the amount outstanding, which at 30th September 1992 amounted to £66m including £22m of interest (see note iv below). In addition, the provision includes £14m for the estimated costs of future professional fees in respect of a dispute over the total consideration (see note 26).

(iv) Interest charges

The exceptional interest charge of £22m is a provision against interest income previously credited in relation to the deferred consideration due from The William Hill Group Ltd (see note iii above).

7 INTEREST

	1993 £m	1992 £m
On bank loans, overdrafts and other loans repayable wholly within five years	184	192
On finance leases	6	7
On all other loans	72	41
	262	240
Less: Interest receivable from associates	(34)	(45)
Income from currency swaps	(36)	(62)
Other interest receivable	(49)	(39)
Interest before exceptional items	143	94
Exceptional interest charge (note 6)	22	–
	165	94

8 TAXATION

	1993 £m	1992 £m
UK corporation tax payable at 33% (1992 – 33%)	88	56
UK deferred taxation	(2)	90
Overseas taxation	167	114
Overseas deferred taxation	(51)	21
Taxation on the group's share of profits of associates	13	12
	215	293
Adjustments to prior year taxation charges	(4)	2
	211	295

The (credit)/charge for deferred taxation relates to accelerated depreciation of £(27)m (1992 – £8m) and other timing differences of £(26)m (1992 – £103m), principally credits in respect of the 1993 exceptional restructuring costs, offset by charges relating to pension prepayments and interest. The tax (credit)/charge on the exceptional items shown on the face of the profit and loss account amounted to £(59)m for continuing operations and £(27)m for discontinued operations (1992 – £4m and £13m respectively).

The table below reconciles the notional charge at the UK corporation tax rate for the year to the actual charge for taxation:

	1993 £m	1992 £m
Profit on ordinary activities before taxation	630	913
Notional charge at UK corporation tax rate 33% (1992 – 33%)	208	301
Exceptional items	8	(1)
Differences in effective overseas tax rate	1	(2)
Deferred tax not provided and other items	(6)	(3)
Actual charge for taxation	211	295

9 ORDINARY DIVIDENDS

	1993 £m	1992 £m
Interim of 4.85p per share (1992 – 4.6p)	91	92
Proposed final of 8.15p per share (1992 – 7.7p)	158	154
	249	246

The dividends shown above comprise the estimated amount payable in cash. Adjustments in respect of shareholders opting for the share dividend alternative reduced the cost of the 1993 dividends by £20m (1992 – £10m).

10 EARNINGS PER SHARE

	1993 pence	1992 *pence*
Earnings per share	20.0	*30.3*
Adjustment in respect of exceptional items	9.7	*(1.9)*
Earnings per share before exceptional items	29.7	*28.4*

Earnings per share is calculated by reference to earnings of £413m (1992 – £616m) and the weighted average number of ordinary shares in issue during the year of 2,063m shares (1992 – 2,036m shares). The dilutive effect of unexercised options and convertible loan stock on earnings per share is not material. Earnings per share is also shown calculated by reference to earnings before exceptional items and related tax of £613m (1992 – £579m) since the directors consider that this gives a useful additional indication of underlying performance.

11 EMPLOYEES

The average number of employees during the year was:

	Full time	Part time	1993 Total	*Full time*	*Part time*	*1992 Total*
Continuing operations						
Food	20,293	2,047	22,340	*22,367*	*2,282*	*24,649*
Drinks	11,612	342	11,954	*12,135*	*458*	*12,593*
Retailing	13,422	22,083	35,505	*12,369*	*29,009*	*41,378*
	45,327	24,472	69,799	*46,871*	*31,749*	*78,620*
Discontinued operations	7,391	9,973	17,364	*15,617*	*8,168*	*23,785*
	52,718	34,445	87,163	*62,488*	*39,917*	*102,405*

The aggregate remuneration of all employees comprised:

	1993 £m	1992 *£m*
Wages and salaries	1,140	*1,073*
Employer's social security costs	156	*138*
Employer's pension and other post employment benefits	(29)	*(39)*
	1,267	*1,172*

(i) Pension plans

The group operates a number of pension plans throughout the world, devised in accordance with local conditions and practices. The plans generally are of the defined benefit type funded by payments to separately administered funds or insurance companies. Valuations of all significant plans were carried out during the year by qualified independent actuaries to determine pension costs. The actuarial method used for these valuations was the projected unit method. The major assumptions were: rate of return on assets 10% (1992 – 10%); wages and salaries increase 7-7½% (1992 – 7-7½%). The market values of the funds at the date of the latest actuarial valuation totalled approximately: UK funds £737m (1992 – £1,024m); US funds £544m (1992 – £433m). The actuarial value of the assets of all the significant plans was sufficient to cover approximately 141% (1992 – 143%) of the benefits that had accrued to members after allowing for expected future increases in wages and salaries.

(ii) Other post employment plans

The group also operates a number of plans, primarily in the United States, which provide employees with other post employment benefits in respect of medical costs. The plans are generally unfunded. The liability in respect of these benefits is assessed by qualified independent actuaries under the projected unit credit method and is included in provisions. The major assumptions were: liability discount rate 10% (1992 – 10%); assumed medical inflation for beneficiaries aged under 65 – 16% reducing by 1% per year to 7%, and for beneficiaries aged 65 and over – 11.5% reducing by 0.5% per year to 7%.

11 EMPLOYEES – continued

(iii) Executive share option schemes

The group operates a share option scheme for executives which was approved by shareholders on 23rd February 1993. Options issued under this executive share option scheme may be exercised, between three and ten years after the date granted, only if a performance criterion is satisfied. In summary, this requires that the company's share price must have outperformed the "FTSE 100" Index over a period of three years or more from the date the option was granted. To avoid an option becoming exercisable through sudden price fluctuation the test must have been met for six successive months at the end of the period. Thereafter the option may be exercised for the rest of its ten year life without further test. If the criterion has not been met during five years following grant, the period over which such performance must occur becomes the five years prior to the test being applied, ie a "five year rolling" basis.

The 1993 executive share option scheme replaced the executive share option scheme approved by shareholders on 4th March 1982, which expired on 31st December 1992. Options issued under that scheme may be exercised between three and seven years after the date granted.

Under both executive share option schemes, options may only be exercised while employees continue in full-time employment with the group. The ordinary shares allotted under the schemes are issued under the same terms as existing ordinary shares at the market price of the ordinary share at the time the option is granted.

(iv) Senior executive option and phantom option schemes

A share price related bonus scheme, the Senior Executive Phantom Share Option Scheme (SEPSOS), was established in 1988 and allows certain senior employees, including executive directors, to benefit from movements in the price of the company's shares over a period of between six and ten years. SEPSOS is designed to encourage senior executives to align their long term career aspirations with the long term interests of the group. For this reason, in normal circumstances, no payments can be made under SEPSOS until the sixth year and payments (which can also be taken in the form of the company's shares) are then spread over the period from exercise to the tenth year of the grant. The exercise of options granted after 1st January 1993 will be subject to satisfaction of a company performance criterion defined at the time of grant by the Appraisal and Remuneration Committee. The first options were granted in 1988 and will be exercisable in December 1993. Provision is made annually for future liabilities under the scheme.

In addition, a long term incentive plan has been established under which options to purchase the company's ordinary shares are granted to senior US executives. The options can be exercised between three and seven years after being granted.

In order to hedge the obligations of the group in respect of options issued under the senior executive schemes, other than those issued to executive directors, an employee share trust has been established. The company's ordinary shares are purchased through the market and financed and held by an independent third party. The trust acquires the shares from the third party so as to be in a position to meet the calls of option holders as and when they are made. The trust rules limit the shareholding to 2.5% of the company's issued share capital. The company has an obligation to fund the purchase of the shares from the third party by the trust at a price which includes the third party's net financing costs. Provision for the group's estimated liability, being the predicted net financing costs of the third party, is accrued over the expected life of the option and is included in other provisions in note 22. The potential unprovided obligation of the company arising in relation to the trust, representing the cost of purchase of the company's shares by the third party, is £102m (1992 – £74m) and is included under guarantees in notes 26 and 41.

(v) Savings related share option schemes

The group also operates savings related share option schemes for UK, US and other employees which were approved by shareholders on 5th March 1985, 25th February 1992 and 23rd February 1993, respectively. The schemes provide a long term savings and investment opportunity for employees.

The UK scheme is open to all employees who have been with the group for at least one year and who work 16 hours or more a week. The options may be exercised after five or seven years, according to the length of the option period chosen, at a price equivalent to not less than 80 per cent of the market value of the shares at the time of the grant.

The US scheme is open to all employees who have been with the group for at least two years and who work 20 hours or more a week. The options may be exercised after 27 months at a price equivalent to 85 per cent of the market value of the shares at the time of the grant.

The other schemes have employment and discount criteria devised in accordance with the local conditions and practices.

12 DIRECTORS

(i) Emoluments

The total emoluments of the directors, including pension contributions, were as follows:

	1993 £	1992 £
Fees to non-executive directors	279,002	206,083
Executive directors – remuneration excluding bonuses	2,677,718	2,241,080
– annual bonus payments	451,933	399,879
– payments under SEPSOS (see note 11 and below)	–	–
– pension contributions	160,300	836,457
	3,568,953	3,683,499

The increase in the fees to non-executive directors reflects Professor Dr G Höhler joining as an additional non-executive director in November 1992 and the remuneration for executive directors includes the first full year on the Board of J B McGrath. The reduction in pension contributions results from an actuarial reassessment following the merger of the Group and Executive pension funds in the UK.

The emoluments, excluding pension contributions, of Sir Allen Sheppard, the Chairman and Group Chief Executive, were £771,884 (1992 – £770,682). Sir Allen took no salary increase at 1st October 1993. I A Martin withdrew from his executive duties and became a Deputy Chairman of the company on 1st October 1993. Under his service agreement he continues to provide services to the Chairman and the Board, and to receive the same basic salary as in 1993.

The following table shows the number of UK based directors whose emoluments, excluding pension contributions, fell into the ranges below:

	1993	1992		1993	1992
£ 0 – £ 5,000	1	–	£355,001 – £360,000	1	–
£ 25,001 – £ 30,000	1	1	£375,001 – £380,000	1	–
£ 35,001 – £ 40,000	1	1	£390,001 – £395,000	–	1
£ 50,001 – £ 55,000	1	–	£410,001 – £415,000	1	–
£ 55,001 – £ 60,000	–	1	£445,001 – £450,000	–	1
£ 60,001 – £ 65,000	1	–	£510,001 – £515,000	1	–
£ 80,001 – £ 85,000	–	1	£550,001 – £555,000	–	1
£ 95,001 – £100,000	1	–	£690,001 – £695,000	1	–
£125,001 – £130,000	–	1	£770,001 – £775,000	1	1
£345,001 – £350,000	–	1			

The emoluments of executive directors are determined by the Appraisal and Remuneration Committee whose members are those non-executive directors indicated on page 35 under the chairmanship of R V Giordano. The directors' remuneration is set by reference to market data including a major annual survey conducted by an independent consultant on the Committee's behalf.

For executive directors, other than the Chairman who does not participate in the annual bonus plan, 19% (1992 – 21%) of emoluments, excluding pension contributions, were in respect of performance related annual bonus payments. The figures included in directors' emoluments are the bonus payments earned in respect of performance in 1993. Bonus payments are based on appropriate group and business sector profit and cash targets and personal business objectives. The structure of the annual bonus plan and awards under it are decided by the Appraisal and Remuneration Committee.

The following table shows the number of options held by the directors under the Senior Executive Phantom Share Option Scheme (see note 11) which were granted between 1988 and 1993 at prices between 223p and 480p:

	1992	Granted in year	1993	Payments received in year†
Sir Allen Sheppard	855,418	177,305	1,032,723	–
G J Bull	324,494	80,378	404,872	–
P E B Cawdron	253,043*	–	253,043	–
I A Martin	386,258	106,383	492,641	–
J B McGrath	197,268	68,558	265,826	–
D P Nash	328,856	73,286	402,142	–
D E Tagg	284,258	68,558	352,816	–
	2,629,595	574,468	3,204,063	–

†See explanation in note 11 concerning exercise and payment.
The starred figure represents interest at the date of appointment.

12 DIRECTORS – continued

(ii) Shareholdings

The beneficial interest of the directors at 30th September 1993 in the share capital of the company were:

	Ordinary shares		Options			
	1993	1992	1992	Granted in year	Exercised in year	1993
Sir Allen Sheppard	278,325	250,000	859,864	87,287	(137,242)	809,909
G J Bull	45,000	45,000	485,967	–	–	485,967
P E B Cawdron	271	271*	238,166*	–	–	238,166
R V Giordano	2,000	2,000	–	–	–	–
Sir Colin Marshall	2,000	2,000	–	–	–	–
I A Martin	50,000	44,400	560,221	–	(173,134)	387,087
J B McGrath	10,625	10,328	299,355	81,255	–	380,610
D P Nash	13,975	12,704	500,036	–	(300,940)	199,096
D A G Simon	2,057	2,000	–	–	–	–
D E Tagg	33,150	30,311	327,070	34,288	(88,972)	272,386
	437,403	399,014	3,270,679	202,830	(700,288)	2,773,221

The starred figures represent interests at the date of appointment.

Non-beneficial interests were: Sir Allen Sheppard – 2,057 ordinary shares (1992 – nil) and G J Bull – 484,692 ordinary shares (1992 – 487,192). The directors held the above options under the share option schemes approved by shareholders on 4th March 1982 and 5th March 1985 at prices between 215p and 471p per share exercisable by 1999.

On 15th November 1993 each of the interests of the directors was unchanged from 30th September 1993, except for the following: beneficial acquisitions of ordinary shares in respect of the share dividend alternative Sir Allen Sheppard – 3,388, P E B Cawdron – 4, J B McGrath – 129, D P Nash – 144, D A G Simon – 25; non-beneficial acquisitions Sir Allen Sheppard – 24; and the granting of options to G J Bull – 12,760, P E B Cawdron – 20,273, J B McGrath – 50,239, D P Nash – 206,093, D E Tagg – 97,405.

Other than the above, no director had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the year in any significant contract with the company or any subsidiary or associate.

13 FIXED ASSETS – INTANGIBLE ASSETS

	Brands £m
Cost	
At 30th September 1992	2,492
Exchange adjustments	432
At 30th September 1993	2,924

The brands are stated at fair value on acquisition, denominated in the currencies of their principal markets. An annual review is carried out by the directors to consider whether any brand has suffered a permanent diminution in value. Although current aggregate values significantly exceed the book value, no increase is made to the original value. The principal brands included above are Smirnoff, Pillsbury, Green Giant and Burger King.

14 FIXED ASSETS – TANGIBLE ASSETS

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost or valuation					
At 30th September 1992	1,848	922	305	280	3,355
Exchange adjustments	133	92	4	35	264
Additions	76	117	37	46	276
New subsidiaries	20	7	–	2	29
Disposals	(80)	(144)	(17)	(16)	(257)
Transfers	71	144	(5)	(210)	–
At 30th September 1993	2,068	1,138	324	137	3,667
Depreciation					
At 30th September 1992	171	412	134	–	717
Exchange adjustments	24	42	1	–	67
Provided during the year	66	124	32	–	222
Exceptional write down	80	18	–	–	98
Disposals	(23)	(86)	(9)	–	(118)
At 30th September 1993	318	510	158	–	986
Net book value					
At 30th September 1993	1,750	628	166	137	2,681
At 30th September 1992	*1,677*	*510*	*171*	*280*	*2,638*

(i) The total at cost or valuation for land and buildings comprises:

	1993 £m	*1992 £m*
At 1988 professional valuation	846	*863*
At cost	1,222	*985*
	2,068	*1,848*

The valuations were made on an open market existing use basis except for specialised properties which were valued on a depreciated replacement cost basis.

(ii) The net book value of land and buildings comprises freeholds of £1,466m (1992 – £1,376m), long leaseholds of £80m (1992 – £86m) and short leaseholds of £204m (1992 – £215m).

(iii) Included in the net book value of freehold property is £521m (1992 – £525m) in respect of public houses, and £272m (1992 – £303m) of land unrelated to those properties. Depreciation is not charged on these amounts.

(iv) Included in the total net book value of tangible assets is £40m (1992 – £31m) in respect of assets acquired under finance leases; depreciation for the year on these assets was £8m (1992 – £10m). There is also included £117m (1992 – £81m) in respect of assets held for the purpose of leasing out under operating leases; depreciation for the year on these assets was £5m (1992 – £1m).

(v) Historical cost figures for land and buildings, ie the original cost to the group of all land and buildings and the related depreciation, were:

	1993 £m	*1992 £m*
Historical cost	1,485	*1,340*
Depreciation	(244)	*(182)*
Net book value	1,241	*1,158*

(vi) Included in the historical net book value is £12m (1992 – £14m) in respect of capitalised interest.

15 FIXED ASSETS – INVESTMENTS

	Investment in IEL (note 16) £m	Investment in other associates £m	Other investments £m	Loans £m	Total £m
Cost					
At 30th September 1992	168	121	58	401	748
Exchange adjustments	–	14	–	7	21
Additions	34	32	62	58	186
Share of retained (losses)/profits	(9)	9	–	–	–
Other reserve movements	(80)	–	–	–	(80)
Disposals	–	(28)	(55)	(38)	(121)
At 30th September 1993	113	148	65	428	754
Less: Provisions					
At 30th September 1992	–	1	10	24	35
Increase in year	–	–	2	–	2
At 30th September 1993	–	1	12	24	37
Net book value					
At 30th September 1993	113	147	53	404	717
At 30th September 1992	*168*	*120*	*48*	*377*	*713*

Investment in IEL and other associates of £260m (1992 – £288m) comprises cost of shares, less goodwill written off on acquisition, of £461m (1992 – £413m) less the group's share of post-acquisition reserves deficit of £201m (1992 – £125m). Loans include £360m (1992 – £334m) due from IEL, of which £71m (1992 – £45m) is accrued interest.

The net book value of listed investments was as follows:	1993 £m	*1992 £m*
Listed on UK stock exchanges	24	*25*
Listed on other stock exchanges	1	*10*
	25	*35*
Market value of listed investments	26	*53*

16 INNTREPRENEUR ESTATES LTD

The group has a 50% shareholding in Inntrepreneur Estates Ltd (IEL), a joint venture company in which the group and Courage merged their former tenanted pub estates. Summarised accounts for the year ended 30th September 1993 based on the audited management accounts of IEL and its subsidiaries are as follows:

Profit and loss account	1993 £m	*1992 £m*
Rental and other operating income	216	*209*
Costs and sundry income	(65)	*(47)*
Operating profit	151	*162*
Profit on sale of property	4	*13*
Interest	(173)	*(203)*
Loss before taxation and property revaluation (see note i)	(18)	*(28)*
Attributable to the group	(9)	*(14)*
Taxation attributable to the group	–	*(1)*

Balance sheet	1993 £m	*1992 £m*
Investment properties	1,769	*1,937*
Other properties	15	*28*
Net current liabilities	(24)	*(21)*
	1,760	*1,944*
Loans from the Grand Metropolitan group	(360)	*(334)*
Bank loans – two to three years	(1,175)	*(1,275)*
Net assets	225	*335*
Group share of net assets	113	*168*

16 INNTREPRENEUR ESTATES LTD – continued

Notes

(i) A sample of IEL's investment properties was professionally valued by external valuers as at 30th September 1993. A valuation of the whole portfolio was extrapolated from these valuations and is incorporated in the above balance sheet. The valuation was made on an open market existing use basis and included an amount in respect of the additional value attainable should the portfolio be offered for sale in discrete packages. The write down of investment properties resulting from this revaluation amounted to £160m. The group's 50% share of this deficit, amounting to £80m, has been deducted from the group revaluation reserve relating to earlier revaluations prior to the transfer of the properties to IEL.

(ii) The group and Foster's Brewing Group Ltd, the ultimate parent of Courage, have a limited joint and several obligation to ensure that IEL does not breach a specified interest coverage ratio. They also have several and equal obligations to ensure that the effective rate of interest borne on the secured loans does not exceed certain levels and have severally and equally guaranteed IEL's obligations under interest rate swap agreements taken out to ensure IEL's compliance with its financial covenants; the estimated contingent liability to the group under these guarantees at 30th September 1993 was £28m (1992 – £nil). IEL is obliged under its financing arrangements to maintain certain specified loan to asset ratios. IEL's bank loans are secured on its investment properties.

(iii) Since the year end the group and Courage have each contributed approximately £85m to IEL, in the form of loans, to ensure that IEL complies with its financial covenants.

17 STOCKS

	1993 £m	*1992 £m*
Raw materials and consumables	199	*185*
Work in progress	495	*445*
Finished goods and goods for resale	647	*751*
	1,341	*1,381*

Certain maturing stock, previously included in raw materials and consumables, is now classified as work in progress. Comparative figures have been restated on this basis.

18 DEBTORS

	1993 £m	*1992 £m*
Trade debtors	972	*906*
Amounts owed by associates	14	*52*
Amounts receivable under finance leases	122	*98*
Other debtors	297	*381*
Pension prepayments	255	*195*
Other prepayments and accrued income	177	*198*
Deferred taxation (note 23)	61	*–*
	1,898	*1,830*

Debtors include £558m (1992 – £438m) which is recoverable after more than one year. This comprises pension prepayments of £255m (1992 – £195m), amounts receivable under finance leases of £118m (1992 – £96m), other debtors of £124m (1992 – £147m) and deferred taxation of £61m (1992 – £nil).

Debtors include £nil, after provision, (1992 – £66m) due from The William Hill Group Ltd (see note 6).

19 BORROWINGS

	1993 Bank loans and overdrafts £m	1993 Other loans £m	1993 Total £m	1992 Bank loans and overdrafts £m	1992 Other loans £m	1992 Total £m
Analysis by year of repayment						
After five years – by instalment	2	7	9	2	11	13
other	–	982	982	–	837	837
From two to five years	308	1,715	2,023	106	1,517	1,623
From one to two years	12	6	18	4	5	9
Due after more than one year	322	2,710	3,032	112	2,370	2,482
Due within one year	116	25	141	160	108	268
	438	2,735	3,173	272	2,478	2,750
Cash at bank and in hand			(349)			(309)
Net borrowings			2,824			2,441
Amounts repayable by instalment part of which fall due after five years	7	9	16	7	14	21

Total borrowings include:		Year end interest rates %	1993 £m	1992 £m
Other loans				
Commercial paper	US dollar	3.09-3.45	1,269	1,321
Guaranteed notes 1996	US dollar	8.125	199	168
Guaranteed notes 1999	US dollar	6.5	199	167
Guaranteed notes 2001	US dollar	8.625	198	167
Guaranteed notes 2004	US dollar	7.125	132	112
Guaranteed debentures 2011	US dollar	9.0	197	166
Guaranteed debentures 2022	US dollar	8.0	197	166
Bills of exchange	Sterling	5.75-6.0	214	–
Debenture stock 2008	Sterling	12.125	50	50
Bonds 1992	Deutschmark	6.625	–	55
Others	Various	Various	80	106
			2,735	2,478

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.

The group hedges its exposure to gains and losses on translation of foreign currency net assets, using foreign currency borrowings and currency swaps. These currency swaps have the same effect as depositing sterling and borrowing, for example, US dollars. Currency swaps are taken into account in the above analysis when translating the group's borrowings into sterling. The difference in interest arising from these swaps of £36m (1992 – £62m) is included in interest income in the profit and loss account.

£75m (1992 – £75m) of borrowings due after more than one year and £8m (1992 – £11m) of borrowings due within one year were secured on assets of the group.

The group had available unused committed bank facilities at 30th September 1993 of approximately £1,350m (1992 – £1,200m) after allocation to support the commercial paper and certain other borrowings.

The group has arranged interest rate swaps which have the effect of fixing the rate of interest at an average 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). In addition, the group has arranged interest rate swaps that have the effect of converting £199m (1992 – £167m) of US dollar guaranteed notes due in 1999 from fixed interest rates of 6.5% to floating rates for one year (after which interest payments revert to 6.5%). The interest rates shown in the tables above are those contracted on the underlying borrowings before taking into account any interest rate protection.

20 OTHER CREDITORS – due within one year

	1993 £m	1992 £m
Trade creditors	677	675
Bills of exchange payable	8	9
Amounts owed to associates	17	13
Corporate taxation	402	385
Other taxation including social security	126	93
Net obligations under finance leases	8	9
Other creditors	224	187
Ordinary dividends payable	249	246
Accruals and deferred income	511	480
	2,222	2,097

21 OTHER CREDITORS – due after more than one year

	1993 £m	1992 £m
Gross obligations under finance leases due:		
After five years	29	22
From one to five years	34	33
	63	55
Less: Future finance charges	(23)	(20)
	40	35
Corporate taxation	4	5
Other creditors	123	128
	167	168

22 PROVISIONS FOR LIABILITIES AND CHARGES

	Post employment provisions £m	Acquisition provisions £m	Disposal provisions £m	Deferred taxation £m	Other £m	Total £m
At 30th September 1992	113	52	213	82	101	561
Exchange adjustments	19	2	3	35	12	71
Acquisition of subsidiaries:						
Balance sheets at acquisition	–	–	–	(9)	4	(5)
Acquisition provisions	–	27	–	(4)	–	23
Transfers from/(to) profit and loss account	11	–	5	(55)	138	99
Utilised:						
Credited to operating profit	–	–	(29)	–	–	(29)
Credited to result on sale of businesses	–	–	(83)	–	–	(83)
Goodwill previously provided	–	–	35	–	–	35
Other utilisations	(4)	(58)	(34)	–	(42)	(138)
ACT recoverable	–	–	–	(1)	–	(1)
Deferred tax asset (note 18)	–	–	–	61	–	61
At 30th September 1993	139	23	110	109	213	594

Provisions at 30th September 1993 comprise:

(i) Post employment provisions of £139m comprising £128m (1992 – £107m) post employment benefits in respect of US medical costs and £11m (1992 – £6m) in respect of unfunded liabilities.

(ii) Acquisition provisions of £23m for integration and reorganisation costs arising on the restructuring of acquired businesses.

(iii) Disposal provisions of £110m comprising:

A beer discount provision of £59m (1992 – £88m). The original provision of £130m was set up in March 1991 to cover the excess cost element relating to the supply agreement entered into with Courage as part of the disposal of the group's breweries. The group's managed pubs were committed to purchase beer from Courage for four years from that date at a price higher than the open market price. £29m (1992 – £27m) of the provision was utilised and credited to operating profit from discontinued operations during the year.

22 PROVISIONS FOR LIABILITIES AND CHARGES – continued

Provisions of £51m (1992 – £72m) arising from commitments in respect of businesses sold or terminated prior to the year end, of which £18m relates to former Food businesses and £33m relates to former Retailing businesses.

Provisions of £nil (1992 – £53m), set up in respect of losses made on the disposal of businesses subsequent to the year end.

(iv) Deferred tax of £109m (see note 23).

(v) Other provisions of £213m, including £118m in respect of the exceptional restructuring costs, plus amounts for potential employee compensation claims and executive incentive schemes (see note 11).

23 DEFERRED TAXATION	1993 £m	*1992 £m*
Accelerated depreciation	87	*100*
Pension prepayments	80	*58*
Other timing differences	4	*46*
ACT recoverable	(123)	*(122)*
	48	*82*
US deferred tax asset (note 18)	61	*–*
Deferred tax liability (note 22)	109	*82*

Provision for tax on chargeable gains payable on the disposal of revalued properties is made only when it is decided in principle to dispose of the asset. The tax effect if all properties had been sold at their book values, and without taking advantage of the law relating to rollover relief, is estimated to be £114m (1992 – £227m). Other deferred taxation not provided, principally in respect of accelerated depreciation amounted to £53m (1992 – £66m). Deferred tax is not generally provided in respect of liabilities which might arise on the distribution of unappropriated profits of overseas subsidiaries and associates, except where distributions of such profits are planned.

24 CALLED UP SHARE CAPITAL

The authorised share capital of the company was £660m (1992 – £660m).

During the year 8,072,154 ordinary shares (aggregate nominal value £2m) were allotted under the share option schemes for an aggregate consideration of £25m (1992 – 12,502,976 shares, nominal value £3m, consideration £33m).

2,338,252 ordinary shares were allotted during the year as a capitalisation of share premium to shareholders who opted for shares instead of cash for dividends (1992 – 1,810,440 shares).

During the year 3,199,998 ordinary shares (aggregate nominal value £1m) were issued to holders of 9% unsecured convertible loan notes who exercised their conversion rights. The aggregate consideration was £8m.

During 1992, 14,140,764 ordinary shares (aggregate nominal value £4m, consideration £66m) were allotted in connection with an acquisition and 15,711,102 ordinary shares (aggregate nominal value £4m, consideration £52m) were issued to the holders of 6¼% subordinated convertible bonds.

The allotted and fully paid share capital at 30th September 1993 was as follows:

	Shares	1993 £m	*Shares*	*1992 £m*
Ordinary shares of 25p each	2,069,567,768	518	*2,055,957,364*	*514*
Cumulative £1 preference shares:				
4¼% (now 3.325% plus tax credit)	1,217,250	1	*1,217,250*	*1*
6¼% (now 4.375% plus tax credit)	3,278,454	3	*3,278,454*	*3*
5% (now 3.5% plus tax credit)	7,739,411	8	*7,739,411*	*8*
		530		*526*

The following potential issues of ordinary shares have not been dealt with in these financial statements:

(i) Under the share option schemes for executives (see note 11), directors and executives hold options to subscribe for up to 29,002,504 (1992 – 29,851,123) ordinary shares at prices ranging between 215p and 471p per share exercisable by 2003.

(ii) Under the savings-related share option schemes for employees (see note 11), employees hold options to subscribe for up to 9,439,499 (1992 – 7,481,094) ordinary shares at prices between 176p and 408p per share exercisable by 2001.

(iii) The holders of £12m 9% unsecured convertible loan notes issued by the company have the option of converting the notes into ordinary shares at a price of 250p per share exercisable up to 1998. These conversion rights could give rise to the issue of up to 4,800,000 (1992 – 8,000,000) ordinary shares.

(iv) Options granted in connection with a joint venture acquisition entitle holders to subscribe for up to 1,890,640 ordinary shares at a price of IR£3.30 per share exercisable between April 1995 and April 1996.

25 RESERVES

	Share premium £m	Revaluation £m	Goodwill £m	Profit and loss £m	Total £m
At 30th September 1992	599	666	(2,205)	4,173	3,233
Retained profit for year	–	–	–	164	164
Exchange adjustments	–	–	(325)	286	(39)
Premiums on share issues, less expenses	29	–	–	–	29
Goodwill written off during the year	–	–	(146)	–	(146)
Transfer of goodwill on disposal	–	–	24	–	24
Deficit on revaluation of properties in associate	–	(80)	–	–	(80)
Realisation of revaluation reserves	–	(8)	–	8	–
At 30th September 1993	628	578	(2,652)	4,631	3,185

Goodwill is stated net of £62m of merger reserve and £426m of special reserve. The merger reserve arose in 1992 on the issue of shares at a premium in connection with an acquisition. The special reserve was created, with shareholder and Court approval, in 1988 by a transfer from the share premium account. Aggregate goodwill written off, net of disposals, is £3,140m (1992 – £2,693m).

Of the £146m goodwill written off during the year, £48m arose on the acquisition of Food businesses, including £24m on Knack & Back, £89m arose on the acquisition of Drinks businesses, including £44m on Buton, and £9m arose on the acquisition of Retailing businesses.

Included in the revaluation reserve is £68m (1992 – £149m) representing the unrealised reserve on the transfer of the tenanted pub estate to Inntrepreneur Estates Ltd. £80m of the reduction in the year arose from the deficit on revaluation of investment properties in IEL (see note 16).

The exchange adjustments include losses of £149m in respect of local currency borrowings by overseas companies and £525m in respect of other currency borrowings.

26 CONTINGENT LIABILITIES

The group has given performance guarantees and indemnities to third parties of £205m (1992 – £183m). These mainly comprise letters of credit arising in the normal course of business, together with the group's potential obligation arising in relation to the employee share trust (see note 11). In addition, the group has certain obligations with regard to Inntrepreneur Estates Ltd (see note 16).

The William Hill Gr. ıp Ltd alleges that the total consideration payable for the sale in 1989 of the group's former retail betting operation should be reduced. As provided in the sale agreement, an independent accountant has been appointed to decide whether any such adjustment should be made. The directors are resisting strongly the allegation made by The William Hill Group Ltd and are satisfied that no provision for it should be made in these financial statements. (See note 6).

There are a number of other legal claims or potential claims against the group, the outcome of which cannot at present be foreseen. Provision is made in these financial statements for all liabilities which are expected to materialise.

27 COMMITMENTS

(i) Capital expenditure authorised and commitments not provided for in these financial statements are estimated at:

	1993 £m	*1992 £m*
Committed	176	*48*
Authorised but not committed	104	*80*

(ii) At 30th September 1993 the group had minimum annual commitments under non-cancellable operating leases as follows:

	Land and buildings £m	Other £m	1993 Total £m	*Land and buildings £m*	*Other £m*	*1992 Total £m*
Operating leases which expire:						
After five years	103	2	105	*105*	*2*	*107*
From one to five years	40	13	53	*34*	*12*	*46*
Within one year	8	3	11	*6*	*5*	*11*
	151	18	169	*145*	*19*	*164*

28 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1993 £m	1992 £m
Operating profit	810	937
Non-cash element of exceptional operating costs	225	–
Depreciation charge	222	206
Other items	65	37
Decrease/(increase) in stocks	86	(143)
Increase in debtors	(48)	(134)
Decrease in creditors and provisions	(40)	(32)
Net cash inflow from operating activities	1,320	871

29 PURCHASE OF SUBSIDIARIES

	Balance sheets at acquisition £m	Acquisition provisions £m	1993 Fair value balance sheets £m	1992 Fair value balance sheets £m
Fixed assets	29	–	29	158
Working capital	(6)	–	(6)	67
Provisions	5	(23)	(18)	(52)
Net borrowings	(2)	–	(2)	(85)
Minority interests	–	–	–	(4)
Shareholders' funds	26	(23)	3	84
Goodwill			125	182
Purchase consideration			128	266
Shares issued			–	(66)
Adjustment for deferred consideration			–	2
Cash and cash equivalents acquired			2	27
Purchase consideration paid			130	229

Acquisitions during the year include Knack & Back in Food and Buton in Drinks.

Provisions of £23m (net of deferred tax of £4m) have been established to cover integration and reorganisation costs arising on the restructuring of the acquired businesses.

30 SALE OF SUBSIDIARIES

	Balance sheets on disposal 1993 £m	1992 £m
Fixed assets	56	266
Working capital and provisions	95	112
(Utilisation)/creation of provisions relating to businesses sold	(43)	53
Goodwill	–	104
(Loss)/profit on sale	(2)	52
Sale consideration	106	587
Adjustment for deferred consideration	3	(48)
Sale consideration received	109	539

Cash received in respect of disposals during the year includes the sale of Express Foods.

31 ANALYSIS OF CHANGES IN FINANCING

	£m	1993 £m	£m	1992 £m
At 30th September 1992		3,779		3,790
Net cash outflow from financing	(176)		(150)	
Borrowings of subsidiaries acquired	–		58	
Shares issued for non-cash consideration	–		66	
New finance leases	6		5	
Exchange adjustments	706		10	
		536		(11)
At 30th September 1993		4,315		3,779

Financing comprises share capital, share premium, the merger reserve and borrowings due after more than one year, together with finance lease obligations of £48m (1992 – £44m) and borrowings due within one year with an original maturity of more than 90 days of £15m (1992 – £66m).

Only the net movement in borrowings under the commercial paper programme is reflected in the constituent elements of the net cash outflow from financing.

32 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	£m	1993 £m	£m	1992 £m
At 30th September 1992		98		103
Increase/(decrease) in cash and cash equivalents	89		(5)	
Exchange adjustments	28		–	
		117		(5)
At 30th September 1993		215		98

Cash and cash equivalents comprise cash at bank and in hand, less bills of exchange of £8m (1992 – £9m) and borrowings due within one year with an original maturity of less than 90 days (including borrowings repayable on demand) of £126m (1992 – £202m).

33 SIGNIFICANT POST BALANCE SHEET EVENTS

On 1st November 1993 the group announced that it had completed the sale of its Chef & Brewer pub retailing business to Scottish & Newcastle plc for a value of £736m, comprising the assumption by the purchaser of the obligations under the beer supply agreement (valued at £28m) and certain loan capital (valued at £86m), together with a cash payment (£622m).

COMPANY BALANCE SHEET

at 30th September 1993

	Notes	£m	1993 £m	£m	1992 £m
Fixed assets					
Tangible assets	35		7		7
Investments	36		1,402		1,273
			1,409		1,280
Current assets					
Debtors	37	2,702		2,175	
Cash at bank		2		1	
		2,704		2,176	
Creditors – due within one year					
Debenture loans		(17)		(26)	
Other creditors	38	(1,063)		(1,353)	
		(1,080)		(1,379)	
Net current assets			1,624		797
Total assets less current liabilities			3,033		2,077
Provisions for liabilities and charges	39		(7)		(14)
			3,026		2,063
Capital and reserves					
Called up share capital	24		530		526
Reserves	40				
Share premium account		628		599	
Other reserves		488		488	
Profit and loss account		1,380		450	
			2,496		1,537
			3,026		2,063

The financial statements on pages 40 to 65 were approved by a duly appointed and authorised committee of the Board of Directors on 2nd December 1993 and were signed on its behalf by:

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

PRINCIPAL GROUP COMPANIES

	Country of incorporation	Country of operation	Percentage of equity owned	Business description
Food				
ALPO Petfoods, Inc	USA	USA	100%	Manufacture and marketing of dog food, cat food and dog treats.
Brossard Surgeles SA	France	France	100%	Manufacture and marketing of frozen bakery products.
Conservas Chistu, SA	Spain	Spain	100%	Manufacture and marketing of fresh and shelf-stable vegetables.
The Häagen-Dazs Company, Inc†	USA	USA, Japan, Canada, Europe	100%	Manufacture and distribution of superpremium ice cream and frozen desserts.
The Pillsbury Company†	USA	USA	100%	Manufacture, marketing and distribution of bakery products, frozen and shelf-stable vegetables and frozen pizza.
Pillsbury Canada Ltd	Canada	Canada	100%	Manufacture, marketing and distribution of vegetables, dough and pizza snacks.
Pillsbury GmbH†	Germany	Germany	100%	Manufacture and marketing of ready meals, canned soups, frozen gateaux and savoury products.
Pilstral SA†	France	Europe	100%	Manufacture of baked goods and co-ordination of the Green Giant vegetable business across Europe.
Drinks				
AFD SA	Spain	Spain	100%	Importation, distribution and marketing of wines and spirits.
R&A Bailey & Company	Ireland	Ireland – exporting worldwide	100%	Production, distribution, marketing and exporting of cream liqueur.
Carillon Importers Ltd	USA	USA	100%	Importation, distribution and marketing of wines, spirits and other adult beverages.
Francesco Cinzano & CIA SpA†	Italy	Worldwide	100%	Production, distribution and marketing of vermouth; local distribution of wines and spirits.
Croft & Ca Lda	Portugal	Portugal – exporting worldwide	100%	Production, distribution, marketing and exporting of port wine.

The companies listed on pages 66 and 67 include those which principally affect the profits and assets of the group.

NOTES

38 OTHER CREDITORS – due within one year

	1993 £m	1992 £m
Amounts owed to subsidiaries	711	1,011
Corporate taxation	66	82
Other creditors	27	6
Ordinary dividends payable	249	246
Accruals and deferred income	10	8
	1,063	1,353

39 PROVISIONS FOR LIABILITIES AND CHARGES

	Post employment provisions £m	Deferred taxation £m	Total £m
At 30th September 1992	5	9	14
Transfers from/(to) profit and loss account	3	(25)	(22)
Utilised	(1)	–	(1)
Transfer to debtors (note 37)	–	16	16
At 30th September 1993	7	–	7

40 RESERVES

	Share premium £m	Other £m	Profit and loss £m	Total £m
At 30th September 1992	599	488	450	1,537
Profit for year	–	–	930	930
Premiums on share issues, less expenses	29	–	–	29
At 30th September 1993	628	488	1,380	2,496

Other reserves comprise a merger reserve of £62m and a special reserve of £426m. The merger reserve arose in 1992 on the issue of shares at a premium in connection with an acquisition. The special reserve was created, with shareholder and Court approval, in 1988 by a transfer from the share premium account.

41 CONTINGENT LIABILITIES

The company has guaranteed certain borrowings, liabilities and commitments of subsidiaries which at 30th September 1993 amounted to £2,477m, £75m and £74m respectively (1992 – £2,441m, £96m and £69m respectively). These include irrevocable guarantees of the liabilities of certain of its Irish and Dutch subsidiaries. In addition, the company has certain obligations with regard to the employee share trust and to Inntrepreneur Estates Ltd – see notes 11 and 16 respectively, and is in dispute with The William Hill Group Ltd – see note 26.

34 COMPANY PROFIT AND LOSS ACCOUNT

The company's results are included in the consolidated profit and loss account so a separate profit and loss account is not presented.

35 FIXED ASSETS – TANGIBLE ASSETS

	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost			
At 30th September 1992	9	–	9
Additions	1	–	1
Disposals	–	(1)	(1)
Transfers from subsidiaries	–	8	8
At 30th September 1993	10	7	17
Depreciation			
At 30th September 1992	2	–	2
Provided during the year	2	–	2
Disposals	–	(1)	(1)
Transfers from subsidiaries	–	7	7
At 30th September 1993	4	6	10
Net book value			
At 30th September 1993	6	1	7
At 30th September 1992	7	–	7

36 FIXED ASSETS – INVESTMENTS

	Investment in IEL £m	Shares in subsidiaries £m	Loans to IEL £m	Total £m
Cost				
At 30th September 1992	–	1,279	–	1,279
Transfers from subsidiaries	142	–	360	502
Disposals	–	(271)	–	(271)
At 30th September 1993	142	1,008	360	1,510
Less: Provisions				
At 30th September 1992	–	6	–	6
Additions	–	102	–	102
At 30th September 1993	–	108	–	108
Net book value				
At 30th September 1993	142	900	360	1,402
At 30th September 1992	–	*1,273*	–	*1,273*

Details of the principal group companies are given on pages 66 and 67.

37 DEBTORS

	1993 £m	*1992 £m*
Amounts owed by subsidiaries	2,537	*1,968*
Other debtors	17	*54*
Pension prepayment	8	*7*
Other prepayments and accrued income	1	*24*
Deferred taxation (note 39)	16	–
ACT recoverable	123	*122*
	2,702	*2,175*

Debtors include £131m (1992 – £129m) which is recoverable after more than one year.

PRINCIPAL GROUP COMPANIES

	Country of incorporation	Country of operation	Percentage of equity owned	Business description
Drinks – continued				
Croft Jerez SA	Spain	Spain – exporting worldwide	100%	Production, distribution, marketing and exporting of sherry.
Gilbey Canada Inc†	Canada	Canada	100%	Production, distribution, marketing and wholesaling of wines and spirits.
Heublein Inc†	USA	Worldwide	100%	Production, importing and marketing of wines and spirits.
International Distillers and Vintners Ltd†	England	Worldwide	100%*	Production, distribution, marketing, exporting and importing of wines, spirits and other adult beverages.
Justerini & Brooks Ltd	England	UK – exporting worldwide	100%	Distillation, marketing and export of Scotch whisky.
S&E&A Metaxa SA†	Greece	Greece	100%	Production, distribution and marketing of spirits.
Sovedi France SA	France	France	100%	Importation, distribution and marketing of wines and spirits.
The Paddington Corporation	USA	USA	100%	Importation, distribution and marketing of wines and spirits.
Retailing				
Burger King Corporation†	USA	USA, Canada, Europe	100%	Fast food retailing.
Grand Metropolitan Estates Ltd†	England	UK	100%	Management of the group's property activity.
Inntrepreneur Estates Ltd	England	UK	50%*	Property investment company.
Pearle Inc†	USA	USA, Netherlands	100%	Retailing of eye care products and services.
Corporate				
Grand Metropolitan Finance PLC	England	UK	100%*	Financing company for the group.

*Directly owned by Grand Metropolitan PLC

†Carries on the business described in the countries listed in conjunction with its subsidiaries and other group companies.

The Chef & Brewer Group Ltd (UK managed pubs) has been sold since the year end.

INFORMATION FOR US SHAREHOLDERS

The group's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable in the United Kingdom, which differ in certain significant respects from those applicable in the United States. The estimated effects of such differences on net income and shareholders' equity are set out below.

Estimated effect on net income of differences between UK and US GAAP	Notes	1993 £m	1992 £m
Net income per UK GAAP		413	616
Adjustment in respect of discontinued operations	(a)	(39)	(144)
		374	472
Adjustments in respect of continuing operations:			
Goodwill and other intangibles	(b)	(143)	(124)
Revaluation of land and buildings	(c)	2	1
Depreciation of certain buildings	(d)	(11)	(12)
Property disposals	(e)	–	(5)
Sale of assets to an associated company	(f)	8	(8)
Deferred taxation	(g)	(1)	(4)
Acquisition accounting	(h)	(19)	(18)
Pensions and other post employment benefits	(i)	(14)	(20)
Other items		(8)	(6)
Estimated net income per US GAAP			
Continuing operations		188*	276
Income from discontinued operations	(a)	45	79
(Loss)/gain on sale of discontinued operations	(a)	(6)	127
Net income before cumulative effect of accounting change		227	482
Cumulative effect of change in accounting from 1st October 1991:			
For post retirement benefits other than pensions (net of tax effect of £10m)		–	(19)
Net income		227	463
Primary earnings per ordinary share in accordance with US GAAP	(j)	pence	pence
Continuing operations		9.1*	13.5
Discontinued operations		1.9	10.1
Net income before cumulative effect of accounting change		11.0	23.6
Cumulative effect of accounting change		–	(1.0)
Net income		11.0	22.6
Primary earnings per American Depositary Share			
Net income		44.0	90.5

*Net income from continuing operations for the year ended 30th September 1993 includes £113m (5.5p per ordinary share) reorganisation costs to restructure the group's overhead and operational base, a £48m (2.3p per ordinary share) write down in respect of the group's UK properties and a £43m (2.1p per ordinary share) provision in respect of the consideration and interest receivable on the sale of the group's former retail betting operation.

Estimated cumulative effect on shareholders' equity of differences between UK and US GAAP	Notes	1993 £m	1992 £m
Shareholders' equity per UK GAAP		3,715	3,759
Estimated adjustments:			
Goodwill and other intangibles	(b)	2,080	1,892
Revaluation of land and buildings	(c)	(578)	(666)
Depreciation of certain buildings	(d)	(66)	(50)
Sale of assets to an associated company	(f)	(440)	(448)
Deferred taxation	(g)	(225)	(224)
Ordinary dividends	(k)	158	154
Pensions and other post employment benefits	(i)	(40)	(23)
Other differences in accounting principles		(107)	(48)
Shareholders' equity per US GAAP		4,497	4,346

Notes on differences between UK and US GAAP

(a) Discontinued operations
The adjustment in respect of discontinued operations represents the UK GAAP gain/loss on dispositions aggregated with the net income attributable to such businesses up to the date of disposal which, under US GAAP, have been disclosed as discontinued operations. These amounts, after giving effect to certain of the adjustments described in (b) to (i) below, are presented for US GAAP purposes as income from discontinued operations and gain/(loss) on sale of discontinued operations in the net income reconciliation.

(b) Goodwill and other intangibles
The group writes off certain intangible assets, which include goodwill and lease, management and franchise agreements, direct to retained surplus in the year of acquisition. Under US GAAP, these intangible assets would be capitalised in the balance sheet and amortised through the statement of income over a period not exceeding 40 years. Significant owned brands acquired by the group after 1st January 1985 are recorded on the balance sheet. The group does not provide amortisation on these assets. Under US GAAP these assets would be considered as part of goodwill and amortised through the statement of income over a period not exceeding 40 years. For the purposes of calculating the effect of capitalising the goodwill on the balance sheet and amortising the goodwill and brands through the statement of income a life of 40 years has generally been assumed.

(c) Revaluation of land and buildings
UK GAAP allows the periodic revaluation of land and buildings. Professional valuations of the majority of the group's properties were carried out at 30th September 1988. The investment properties of Inntrepreneur Estates Ltd are revalued annually. The group calculates depreciation on the revalued basis from the date of the revaluation. Under US GAAP such revaluations of property would not be reflected in the financial statements and depreciation would be based on historical cost

(d) Depreciation of certain buildings
The group does not depreciate freehold and long leasehold public houses. In addition, a small number of industrial buildings are depreciated over periods between 60 and 100 years. This policy does not conform to US GAAP. For the purposes of the reconciliations a life of 60 years has been assumed for these assets.

(e) Property disposals
Applying the differences between UK and US accounting principles results in changes to the carrying values for property. Because of these differences a different gain or loss arises on the disposal of property under UK GAAP from that determined under US GAAP.

(f) Sale of assets to an associated company
Under UK GAAP, where an asset is sold to an associated company, the proportion of the gain or loss relating to the group's share of the equity in the associated company is generally accounted for as unrealised and is taken directly to retained surplus. Under US GAAP, the timing of and accounting treatment for, the sale of assets to an associated company may differ from UK GAAP as it depends on the amount of cash realised and the extent of guarantees given in respect of the associated company's indebtedness. Under US GAAP no gain has been recognised to date on the sale of assets to Inntrepreneur Estates Ltd in the statement of income.

(g) Deferred taxation
UK GAAP requires that no provision for deferred taxation should be made if there is reasonable evidence that such taxation will not be payable within the foreseeable future. Where deferred taxation is provided, provision is made on the liability method. This does not conform to the US practice as set out in Accounting Principles Board Opinion 11 of providing deferred taxation on all timing differences on the deferral basis.

(h) Acquisition accounting
Under UK GAAP there are certain costs which may be provided as part of the purchase accounting adjustments on an acquisition which under US GAAP are included in the statement of income when those costs are incurred. Examples of such items include certain costs in respect of salaries of individuals made redundant, the closure of certain of the group's existing operations and the rectification of inadequate operating systems.

(i) Pensions and other post employment benefits
The group accounts for pension costs under the rules set out in Statement of Standard Accounting Practice 24, Accounting for Pension Costs (SSAP 24). Its objective and principles are broadly in line with those set out in the US accounting standard for pensions, SFAS 87 Employers' Accounting for Pensions. However, SSAP 24 is less prescriptive in its provisions and allows the use of different measurement principles.

Prior to 1st October 1991 there was no difference between the accounting for post employment medical benefits under UK and US GAAP. Effective from 1st October 1991 the group adopted, for US GAAP, SFAS 106, Employers' Accounting for Post Retirement Benefits Other Than Pensions. The application of this standard in 1992, to provide fully for the transitional liability, is included in the net income reconciliation as a cumulative effect adjustment net of income taxes. The provisions of SFAS 106 are more prescriptive than those required by UK GAAP which allows the use of different assumptions and allocation periods for spreading costs.

(j) Earnings per ordinary share
Under UK GAAP basic earnings per ordinary share is computed using the weighted average number of shares in issue during the year. US GAAP also includes in the computation for primary earnings per ordinary share the dilutive effect of all outstanding share options and common share equivalents under the treasury stock method. Under UK GAAP the weighted average number of shares for prior years is restated to reflect the bonus element of rights issues. Under US GAAP no restatement is made.

Primary earnings per American Depositary Share are calculated on the basis of four ordinary shares representing one American Depositary Share.

(k) Ordinary dividends
Under UK GAAP the proposed dividends on ordinary shares, as recommended by the directors, are deducted from shareholders' equity and shown as a liability in the balance sheet at the end of the period to which they relate. Under US GAAP such dividends would only be deducted from shareholders' equity at the date of declaration of the dividend.

SHAREHOLDER ANALYSIS

At 30th September 1993	Number of holders	Percentage of total holders	Number of shares	Percentage of ordinary share capital
Classification of shareholders				
Private holders	91,220	69.98	211,308,517	10.21
Nominee companies	34,482	26.45	1,415,071,647	68.38
Corporate holders	2,142	1.64	83,758,325	4.05
Trusts (pension funds etc)	2,076	1.59	141,066,109	6.81
Insurance companies	435	0.34	218,363,170	10.55
	130,355	100.00	2,069,567,768	100.00
Shareholding range				
1 – 500	27,752	21.29	6,793,797	0.33
501 – 1,000	28,880	22.15	22,142,656	1.07
1,001 – 5,000	60,358	46.30	133,173,927	6.44
5,001 – 50,000	11,481	8.81	128,048,978	6.19
50,001 – 100,000	570	0.44	41,036,218	1.98
100,001 – 500,000	855	0.66	193,352,262	9.34
500,001 and over	459	0.35	1,545,019,930	74.65
	130,355	100.00	2,069,567,768	100.00

SHARE DIVIDEND PLAN

The company's share dividend plan was again in operation during 1993. During the four-year life of the plan, a total of 8,852,529 ordinary shares have been allotted and the number of participants has reached 21,832.

Where the price per share used to calculate entitlement to new shares ("Share Price") differs substantially from the market value on the first day of dealings in the new shares on the London Stock Exchange ("Opening Value"), the Opening Value will be taken when calculating gross income for UK taxation purposes. The inland Revenue normally regards a difference of 15 per cent either way as "substantial". For both dividends paid during 1993 the Share Price did not differ from the Opening Value by more than 15 per cent.

The following table shows how the UK taxable income relating to the receipt of each new share under the share dividend plan is calculated:

	Share Price	Opening Value	Gross income for UK tax purposes
Final dividend 1992 (13th April 1993)	438.4p	425.5p	548p*
Interim dividend 1993 (4th October 1993)	398.4p	419.5p	498p*

*Gross income for UK tax purposes equals Share Price grossed up for tax at the basic rate of 20%.

SHARE SUB-DIVISION

On 15th April 1992, the ordinary shares of 50p each in issue became two shares of 25p each. All entries on the share register were updated but no new share certificates for 25p shares were issued and existing certificates for 50p shares remain valid and represent the increased number of shares.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 1st March 1994 at 11.15 am in the Great Room, Grosvenor House, Park Lane, London W1.

RECENT DIVIDEND HISTORY

Ordinary dividends

Record date	Payment date	Gross dividend	Imputed tax withheld	Net payment
25 Jan 91	8 Apr 91	8·53p*	2·13p*	6·40p*
9 Aug 91	7 Oct 91	5·60p*	1·40p*	4·20p*
24 Jan 92	6 Apr 92	9·53p*	2·38p*	7·15p*
7 Aug 92	5 Oct 92	6·13p	1·53p	4·60p
22 Jan 93	13 Apr 93	9·63p	1·93p	7·70p
6 Aug 93	4 Oct 93	6·06p	1·21p	4·85p
28 Jan 94	11 Apr 94	10·19p†	2·04p	8·15p†

*Adjusted to reflect the two for one ordinary share division on 15th April 1992.
†Proposed dividend

ADRs

Record date	Payment date	Gross dividend	Foreign tax withheld	Net payment
25 Jan 91	23 Apr 91	$.60	$.09	$.51
9 Aug 91	11 Oct 91	$.39	$.06	$.33
24 Jan 92	10 Apr 92	$.67	$.10	$.57
7 Aug 92	9 Oct 92	$.42	$.07	$.35
22 Jan 93	16 Apr 93	$.60	$.09	$.51
6 Aug 93	8 Oct 93	$.36	$.05	$.31
28 Jan 94	18 Apr 94	$.61**†	$.09**	$.52**†

**Using $1.50 per £1.00 for illustration purposes. The actual rate of exchange used in determining the dollar payment to ADR holders will be the exchange rate on 11 April 1994.

UK SHAREHOLDERS

Low-cost share dealing service
This service offered by Hoare Govett allows shareholders to buy and sell GrandMet shares in a simple and low cost manner. For more details contact:
Amanda Hazle or Michelle Savin-Jones
Hoare Govett Corporate Finance Limited,
4 Broadgate, London EC2M 7LE.
Telephone (081) 847 7730.

Personal equity plans (PEPs)
In 1992 GrandMet introduced a General PEP and a Single Company PEP. Details may be obtained from, and queries directed to:
The Plan Manager,
Bradford & Bingley PEPs Limited, PO Box 50,
Main Street, Bingley, West Yorkshire BD16 2LW
Telephone helpline (0274) 555667.

UK tax on capital gains
A leaflet for UK capital gains purposes, which includes details of the rights, capitalisation issues and share sub-division which have occurred since 31st March 1982, is available from the Secretary on request.

Registrar and transfer office
All administrative enquiries relating to shareholdings should, in the first instance, be directed to The GrandMet Registrar and clearly state the registered shareholder's name and address. Please write to:
The GrandMet Registrar, CMG Share Registration Division,
Astra Centre, Edinburgh Way, Harlow,
Essex CM20 2BE.
Telephone (0279) 453366.

US SHAREHOLDERS

ADRs
Grand Metropolitan ADRs were listed on the NYSE on 13th March 1991. One American Depositary Receipt (ADR) is equivalent to four ordinary shares.

The company files reports and other documents with the Securities and Exchange Commission which are available for inspection and copying at the SEC's public reference facilities.

Dividends
Qualifying US and Canadian resident ADR holders are entitled to a refund of the 20/80ths UK tax credit attaching to the 1993 interim and proposed final dividends, less a 15% UK withholding tax charge on the sum of the dividend and the tax credit.

ADR depositary
Morgan Guaranty Trust Company of New York is depositary for Grand Metropolitan American Depositary Shares.

All queries concerning ADR records, certificates, or transfer of ordinary shares into ADRs should be addressed to:
Morgan Guaranty Trust Company of New York – ADR,
PO Box 8205, Boston, MA 02266–8205.
Telephone (617) 774 4237.

US dividend reinvestment plan
All queries should be addressed to:
Morgan Guaranty Trust Company of New York,
GrandMet Dividend Reinvestment Plan,
PO Box 9073, Boston, MA 02205–9948.
Telephone 1-800-428-4237.

Investor relations
For investor inquiries contact:
Grand Metropolitan Inc, 712 Fifth Avenue,
Suite 4600, New York, NY 10019.
Telephone (212) 554 9200.

Balance sheet	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m	1993 $m
Intangible assets	2,652	2,317	2,464	2,492	2,924	4,386
Fixed assets	3,983	3,970	3,615	3,351	3,398	5,097
Other assets/(liabilities)	(152)	28	(26)	385	256	384
	6,483	6,315	[illegible],053	6,228	6,578	9,867
Less: Net borrowings	(3,641)	(2,888)	(2,599)	(2,441)	(2,824)	(4,236)
	2,842	3,427	3,454	3,787	3,754	5,631
Capital and reserves	2,810	3,401	3,422	3,759	3,715	5,573
Minority interests	32	26	32	28	39	58
	2,842	3,427	3,454	3,787	3,754	5,631
Profit and loss account						
Turnover	9,298	9,394	8,748	7,913	8,120	12,180
Operating profit before exceptionals						
Continuing operations	623	716	824	808	958	1,437
Discontinued operations	288	297	196	129	77	116
	911	1,013	1,020	937	1,035	1,553
Share of profits of associates	18	23	10	16	24	36
Interest	(280)	(239)	(171)	(94)	(143)	(215)
Profit before exceptionals and taxation	649	797	859	859	916	1,374
Exceptional items:						
Charged to operating profit and interest	–	–	–	–	(247)	(371)
Disposal of fixed assets	68	54	32	13	15	23
Sale or termination of businesses	502	112	(450)	41	(54)	(81)
Profit before taxation	1,219	963	441	913	630	945
Taxation	(337)	(305)	(223)	(295)	(211)	(317)
Profit after taxation	882	658	218	618	419	628
Minority interests	(7)	(4)	(5)	(2)	(6)	(9)
Profit for the financial year	875	654	213	616	413	619
Ordinary dividends	(167)	(198)	(218)	(246)	(249)	(373)
Transferred to reserves	708	456	(5)	370	164	246
Earnings per share (note 1)						
Before exceptionals	23.5p	26.6p	29.0p	28.4p	29.7p	$0.45
After exceptionals	47.3p	33.1p	10.7p	30.3p	20.0p	$0.30
Ordinary dividends per share	17.75p	20.4p	22.7p	12.3p	13.0p	$0.20
As adjusted (note 1)	8.8p	10.2p	11.35p			

Notes
1 Adjustments have been made to take account of the 1989 rights issue and the 1992 share division.
2 Prior year figures have been restated to reflect subsequent changes in accounting policies.
3 For the convenience of US readers, the 1993 figures have been translated to US dollars at the rate of £1.00=$1.50 (the rate on 30th September 1993).

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FINANCIAL CALENDAR

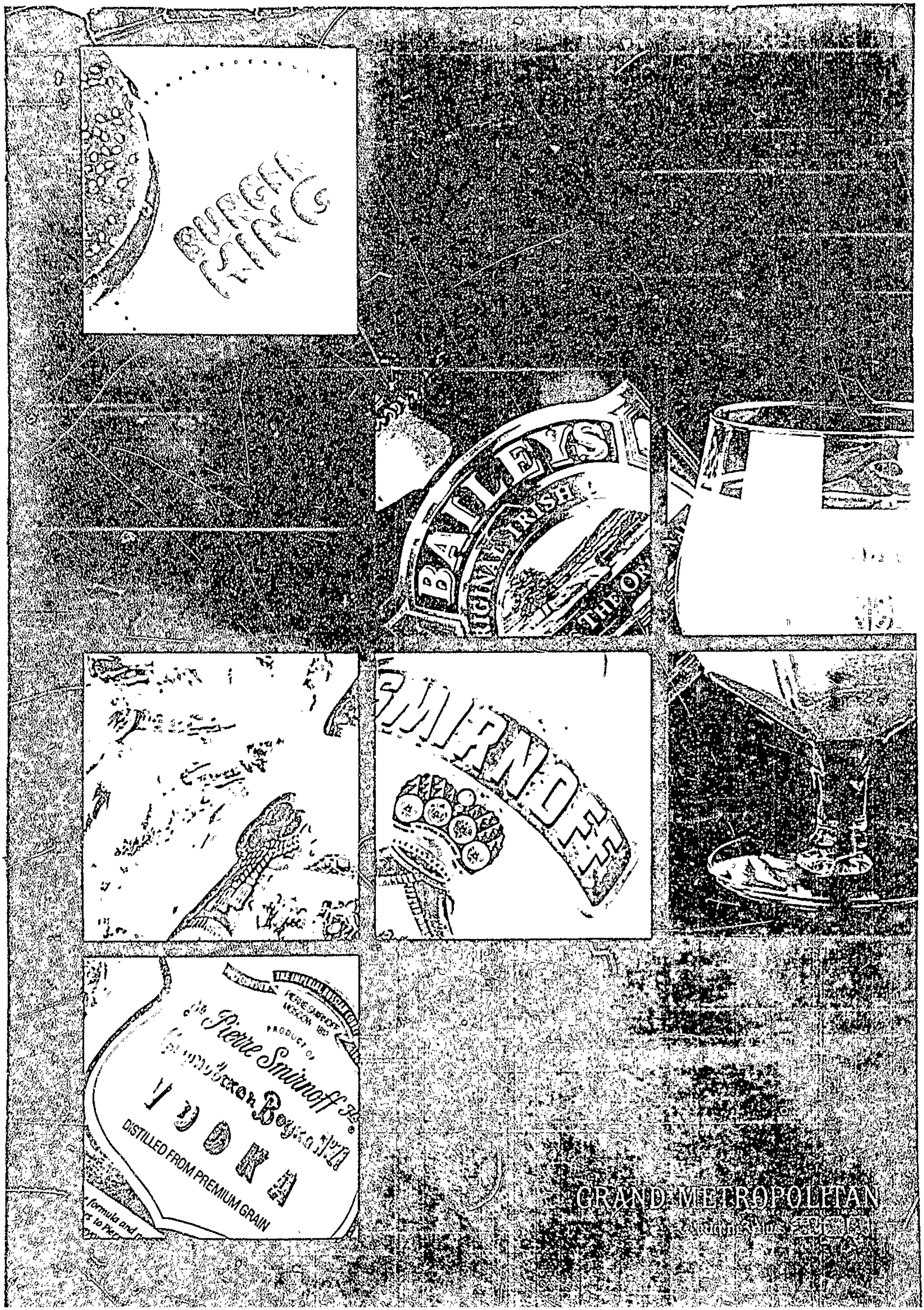
ANNUAL GENERAL MEETING:	1st MARCH 1994
1993 FINAL DIVIDEND TO BE PAID:	
ORDINARY SHARES:	11th APRIL 1994
ADRs:	18th APRIL 1994
1994 INTERIM RESULTS TO BE ANNOUNCED:	12th MAY 1994
1994 INTERIM DIVIDEND TO BE PAID:	
ORDINARY SHARES:	3rd OCTOBER 1994
ADRs:	10th OCTOBER 1994

GRAND METROPOLITAN PLC

Secretary and Registered Office:
Roger H Myddelton
20 St. James's Square
London SW1Y 4RR
Telephone: (071) 321 6000

REGISTRAR

The GrandMet Registrar
CMG Share Registration Division
Astra Centre
Edinburgh Way
Harlow
Essex CM20 2BE
Telephone 0279 453368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