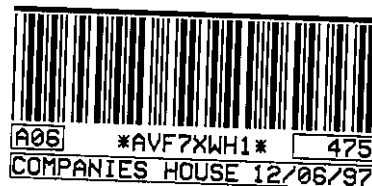


**Grand Metropolitan Estates
(Developments) Limited**

Directors' report and financial statements

30 September 1996

Registered number 694994



Grand Metropolitan Estates (Developments) Limited

Directors' Report and Financial Statements

<i>Contents</i>	<i>Page</i>
Directors' report	1-2
Directors' responsibilities	3
Auditor's report	4
Profit and loss account	5
Balance sheet	6
Notes	7-12

Grand Metropolitan Estates (Developments) Limited

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 September 1996.

Principal activity

The company continues to be involved in the sale of development sites identified within the property portfolio of the Grand Metropolitan group of companies, and will continue to do so.

Results

The results for the year are set out on page 5.

Dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1995: *£nil*).

The profit for the year transferred to reserves is £116,000 (1995: £2,986,000).

Directors and directors' interests

The directors who held office during the year and those appointed subsequently were as follows:

DC Carter	
J Corbett	(appointed 8 November 1996)
MC Flynn	(appointed 26 February 1996, resigned 8 November 1996)
DE Jennings	(resigned 31 January 1996)
RH Myddelton	
DE Tagg	
BE Wickham	

None of the directors who served in the year had any interest in the shares of the company.

Messrs DC Carter, MC Flynn, RH Myddelton and BE Wickham are directors of the parent undertaking, Grand Metropolitan Estates Limited at the 30th September 1996 and their interests in the shares of Grand Metropolitan PLC are disclosed in the annual report of that company.

Mr DE Tagg is a director of the ultimate holding company, Grand Metropolitan PLC, and his interests are disclosed in the annual report of that company.

Grand Metropolitan Estates (Developments) Limited

Directors' Report (*continued*)

Auditor

Our auditors KPMG had advised that a limited liability company, KPMG Audit Plc, was to assume responsibility for certain aspects of their audit business. Accordingly, a resolution was passed on 22 April 1996 for the appointment of KPMG Audit Plc as auditor of the company. The company has taken advantage of section 386 (1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor annually. The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of their term in respect of the year ended 30 September 1996.

By order of the board



SM Adams
Secretary

8 Henrietta Place
London
W1M 9AG

Date *20 May 1997*

Grand Metropolitan Estates (Developments) Limited

Statement of directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the report of the auditor's set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the company for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 12, 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.

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

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

The directors, having prepared the financial statements, have requested the auditor to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

Grand Metropolitan Estates (Developments) Limited

Report of the auditor to the members of Grand Metropolitan Estates (Developments) Limited

We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditor

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

For Audit Plc

KPMG AUDIT Plc
Chartered Accountants
Registered Auditor

London

29th May, 1997
Date

Grand Metropolitan Estates (Developments) Limited

Profit and loss account

for the year ended 30 September 1996

	Note	1996 £000	1995 £000 £000
Turnover	2	173	2,285
Cost of sales			
- before exceptional items		-	(8,496)
- exceptional items	3	-	<u>6,622</u>
			<u>(1,874)</u>
Operating profit		173	411
Interest receivable on advances to participating interests		-	98
Sale of fixed asset investment	5	<u>-</u>	<u>2,500</u>
Profit on ordinary activities before taxation	4	173	3,009
Taxation on profit on ordinary activities	6	<u>(57)</u>	<u>(23)</u>
Retained profit for the financial year	12	<u>116</u>	<u>2,986</u>

The notes on pages 7 to 12 form part of these accounts.

The company had no recognised gains or losses in the current or preceeding year other than the profit for the year.

All turnover and results are derived from continuing operations.

Grand Metropolitan Estates (Developments) Limited

Balance sheet

At 30 September 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Investments	7		-		-
Current assets					
Stock	8	-		349	
Cash at bank and in hand	10	<u>5,622</u>		<u>5,100</u>	
		5,622		5,449	
Creditors: amounts falling due within one year	9	<u>(10,094)</u>		<u>(10,037)</u>	
Net current liabilities			<u>(4,472)</u>		<u>(4,588)</u>
Capital and reserves					
Called up share capital	11		-		-
Profit and loss account	13		<u>(4,472)</u>		<u>(4,588)</u>
Shareholders' deficit	12		<u>(4,472)</u>		<u>(4,588)</u>

All of the shareholders' funds relate to equity interests.

The notes on pages 7 to 12 form part of these financial statements.

These financial statements were approved by the board of directors on 20 May 1997 and were signed on its behalf by:



BE Wickham
Director

Grand Metropolitan Estates (Developments) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules.

These financial statements have been prepared on a going concern basis since the immediate holding company, Grand Metropolitan Estates Limited, has confirmed that it will continue to support the company to the extent necessary to enable it to carry on its activities in the normal way for the foreseeable future.

The company is exempt by virtue of s228 of the Companies Act of 1985 from the requirements to prepare group accounts.

Investments

Investments are valued 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.

Stock

Stock is valued at the lower of cost and net realisable value. No interest is included but, where appropriate, cost includes development costs attributable to the properties.

Profits arising on the sale of development stock are recognised in the profit and loss account when contracts are exchanged.

Sale of property to joint ventures

The company records 100% of the profit when it sells an asset into a joint venture company provided that:

- a) the joint venture partner is not part of the Grand Metropolitan group;
- b) the joint venture partner is not financed by a loan guaranteed by a member of the Grand Metropolitan group; and
- c) the joint venture itself is not financed by a loan guaranteed by a member of the Grand Metropolitan group.

Grand Metropolitan Estates (Developments) Limited

Notes (continued)

1 Accounting policies (continued)

Cash flow statement

A consolidated cash flow statement is published in the group accounts of Grand Metropolitan PLC. The company is exempt under Financial Reporting Standard No. 1 from publishing its own cash flow statement.

2 Analysis of turnover and profit on ordinary activities before taxation

All turnover, which excludes VAT, and profit before taxation are derived from the single business of the company, being the development of property sites in the United Kingdom.

3 Cost of sales - exceptional items

	1996 £000	1995 £000
Release of provision on development stock	-	6,133
Release of provision against loan to subsidiary undertaking	<u>-</u>	<u>489</u>
	<u>-</u>	<u>6,622</u>

There was no tax effect of these exceptional items.

4 Profit on ordinary activities before taxation

The auditors received no remuneration for audit or non audit services.

No directors received emoluments from the company during the year (1995: £nil). The company had no employees (1995: 1).

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	-	7
Social security costs	-	1
	<u>-</u>	<u>8</u>

Grand Metropolitan Estates (Developments) Limited

Notes (continued)

5. Sale of fixed asset investment

In 1995 the investment in Gracemount Developments Limited was sold to a fellow subsidiary undertaking, Grand Metropolitan Estates Holdings Limited, for £2,500,000.

6. Taxation

	1996 £000	1995 £000
UK corporation tax charge at 33% (1995:33%) on the profit for the year on ordinary activities	57	(2,037)
Deferred taxation	<u>-</u>	<u>2,060</u>
	<u>57</u>	<u>23</u>

The charge for UK corporation tax includes amounts which may be paid from other companies in the Grand Metropolitan group in return for the surrender of tax losses. The tax charge in 1995 is less than 33% of the profit before tax for the year as the profit on the sale of a fixed asset investment of £2,500,000 to another group company and the release of the provision against a loan to a subsidiary are both disallowable.

Grand Metropolitan Estates (Developments) Limited

Notes (continued)

7. Fixed asset investments

		Shares in group undertakings £000
Shares		
<i>Cost</i>		
At beginning and end of year		3
<i>Provisions</i>		
At beginning and end of year		3
<i>Net book value</i>		
At 30 September 1996		-
At 30 September 1995		-
	Country of registration and incorporation	Principal activity
<i>Subsidiary undertakings</i>		
Metropolitan In Town Limited	England and Wales	Property Development
		100% ordinary shares

In the opinion of the directors the value of the investment in and amounts due from the company's subsidiary undertakings is worth at least the amount at which they are stated in the balance sheet.

Grand Metropolitan Estates (Developments) Limited

Notes (continued)

8. Stock

1996	1995
£000	£000

Properties held for development

<u>-</u>	<u>349</u>
----------	------------

9. Creditors: amounts falling due within one year

1996	1995
£000	£000

Amounts owed to parent and fellow subsidiary undertakings

10,037	10,037
--------	--------

Corporation tax

57	-
----	---

<u>10,094</u>	<u>10,037</u>
---------------	---------------

10. Cash at bank and in hand

The company has entered into a joint and several guarantee with certain other Grand Metropolitan UK subsidiary undertakings such that any balance on the company's bank account may be offset against the bank balances or overdrafts of those companies included in the cashpool.

11. Called up share capital

	1996		1995
No.	£	No.	£
<i>Authorised, allocated, called up and fully paid</i>			
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u> <u>100</u>

Ordinary shares carry one vote per share.

Grand Metropolitan Estates (Developments) Limited

Notes *(continued)*

12. Reconciliation of movements in shareholders' funds

	1996	1995
	£000	£000
Profit for the financial year	<u>116</u>	<u>2,986</u>
Net addition to shareholders' funds	116	2,986
Shareholders' funds at the beginning of the year	<u>(4,588)</u>	<u>(7,574)</u>
Shareholders' funds at the end of the year	<u>(4,472)</u>	<u>(4,588)</u>

13 Profit and loss account

	£000
At beginning of year	(4,588)
Retained profit for the year	116
At end of year	<u>(4,472)</u>

14. Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary undertaking of Grand Metropolitan Estates Limited a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Grand Metropolitan PLC, a company registered in England and Wales. Group accounts can be obtained from the Company Secretary, Grand Metropolitan PLC, 8 Henrietta Place, London, W1M 9AG.