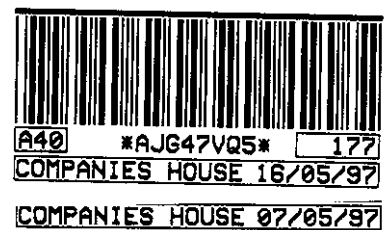


GRANDMET LIMITED

Company No. 1002487

FINANCIAL STATEMENTS

30TH SEPTEMBER 1996



**DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report and financial statements for the year ended 30th September 1996.

**Financial**

The directors do not recommend the payment of a dividend (1995 - £nil). The loss for the year transferred to reserves was £1,821 (1995 - loss £1,302).

**Directors**

The directors during the year were as follows:

RH Myddelton  
DE Tagg  
BE Wickham

The directors who held office at the end of the financial year had the following interests in the shares of Grand Metropolitan PLC, the ultimate holding company:

	Ordinary shares of 25p each			Options		
	1996	1995	1995	Granted in year	Exercised in year	1996
R H Myddelton	27,952	27,019	255,102	56,645	-	311,747
B E Wickham	24,000	32,763	141,348	24,454	(56,000)	109,802

As a potential beneficiary of the Grand Metropolitan PLC Number 2 Employee Share Trust, Mr RH Myddelton had an interest at 30 September 1996, in 263,794 shares registered in the name of the trustees, Hill Street Trustees Limited, and 9,345,601 shares which were the subject of call options purchased by the trustees from SBC Warburg and National Westminster Bank.

The above options were held under Grand Metropolitan PLC share option schemes at prices between 243p and 474p per share exercisable by 2006.

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.

None of the directors who held office at the end of the financial year had any interests in the shares of the company.

**DIRECTORS' REPORT** (continued)

**Auditor**

A limited liability company, KPMG Audit Plc, has assumed responsibility for part of the KPMG audit business. Accordingly, KPMG resigned as auditor of the company with effect from 26 July 1996. On 29 July 1996, KPMG Audit Plc was appointed 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 office in respect of the year ended 30 September 1996.

By order of the board



SM ADAMS  
Secretary  
30 April 1997

8 Henrietta Place  
London  
W1M 9AG

**DIRECTORS' RESPONSIBILITIES  
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditor 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 financial year.

The directors, in preparing the financial statements on pages 5 to 7, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed.

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 it considers to be appropriate for the purpose of enabling it to give an audit report.

**REPORT OF THE AUDITOR  
TO THE MEMBERS OF GRANDMET LIMITED (FORMERLY GRAND  
METROPOLITAN NOMINEE COMPANY LIMITED)**

We have audited the financial statements on pages 5 to 7.

**Respective responsibilities of the directors and the auditor**

As described on page 3, the company's directors are responsible for the preparation of the 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 the loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Ltd*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London  
30 April 1997

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 1996**

	Notes	1996 £	1995 £
Interest payable	2	(2,718)	(1,944)
<b>Loss on ordinary activities before taxation</b>		<u>(2,718)</u>	<u>(1,944)</u>
Taxation	3	<u>897</u>	<u>642</u>
<b>Loss for the financial year</b>		<u><u>(1,821)</u></u>	<u><u>(1,302)</u></u>
<b>Movement in reserves</b>			
At beginning of year		3,743,841	3,745,143
Loss for the year		<u>(1,821)</u>	<u>(1,302)</u>
<b>At end of year</b>		<u><u>3,742,020</u></u>	<u><u>3,743,841</u></u>

There are no recognised gains and losses other than the loss for the financial year and consequently a statement of total recognised gains and losses is not presented as part of these financial statements.

**BALANCE SHEET AS AT 30TH SEPTEMBER 1996**

	Notes	1996 £	1995 £
<b>Current assets</b>			
Debtors - owed by parent undertaking		13,688,553	13,688,553
<b>Creditors - amounts falling due within one year</b>			
Amounts due to fellow subsidiary undertaking		(36,733)	(34,912)
		<u>13,651,820</u>	<u>13,653,641</u>
<b>Capital and reserves</b>			
Called up share capital	4	9,909,800	9,909,800
Profit and loss account		<u>3,742,020</u>	<u>3,743,841</u>
		<u>13,651,820</u>	<u>13,653,641</u>

These financial statements were approved by the board of directors on 30 April 1997 and were signed on its behalf by:



**BE Wickham**  
**Director**

The attached notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies**

The financial statements have been prepared under the historical cost convention and comply with applicable UK accounting standards.

**2. Interest payable**

	1996 £	1995 £
On loans with fellow subsidiary undertaking	<u>2,718</u>	<u>1,944</u>

**3. Taxation**

	1996 £	1995 £
UK Corporation tax at 33% (1995 - 33%)	<u>897</u>	<u>642</u>

**4. Called up share capital**

	1996 £	1995 £
Authorised, allotted, called up and fully paid 9,909,800 Ordinary shares of £1 each	<u>9,909,800</u>	<u>9,909,800</u>

Ordinary shares are entitled to one vote per share.

**5. Reconciliation of movements in shareholders' funds**

	1996 £	1995 £
Loss for the financial year	(1,821)	(1,302)
Net movement in shareholders' funds	<u>(1,821)</u>	<u>(1,302)</u>
Shareholders' funds at beginning of year	13,653,641	13,654,943
Shareholders' funds at end of year	<u>13,651,820</u>	<u>13,653,641</u>

**6. Holding company**

The ultimate parent undertaking is Grand Metropolitan PLC, a company registered in England and Wales, whose consolidated financial statements may be obtained from Grand Metropolitan PLC, 8 Henrietta Place, London W1M 9AG.