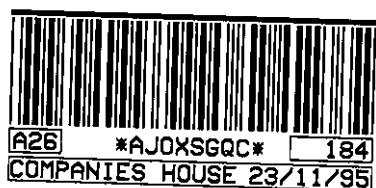


**GRAND METROPOLITAN INVESTMENTS LIMITED**

**FINANCIAL STATEMENTS**

**30 September 1995**

**COMPANY NUMBER - 1732518**



## DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 1995.

### Activities

The company is an investment holding company.

### Financial

The directors recommend the payment of a dividend of £26,276,000 (1994 - £nil).

The loss for the year transferred from reserves was £18,672,000 (1994 - profit £469,211,000).

### Directors

The directors who served during the year were as follows:

G M N Corbett	
P E B Cawdron	
R H Myddelton	
N C Rose	- resigned on 27 September 1995
P K Bentley	- appointed on 27 September 1995

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

### Ordinary Shares of 25p Each

	At end of year	At beginning of year
R H Myddelton	27,019	21,849

**DIRECTORS' REPORT (continued)****Options**

	At Beginning of Year	Granted During Year	Exercised During Year	At End of Year
R H Myddelton	221,278	38,162	4,338	255,102

The director held the above options under Grand Metropolitan Public Limited Company share option schemes, at prices between 314p and 474p per share exercisable by 2005.

Mr P E B Cawdron and Mr G M N Corbett are directors of the ultimate holding company, Grand Metropolitan Public Limited Company, and their interests are disclosed in the annual report of that company.

Other than the above, no directors 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.

**Auditors**

The Company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint auditors annually. The auditors, KPMG, are willing to continue in office and will be deemed to be re-appointed on the expiry of their term of office in respect of the year ended 30 September 1995.

By order of the Board



S M Adams

Secretary

20 St James's Square  
London SW1Y 4RR

Dated: 21<sup>st</sup> November 1995

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

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

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

The directors consider that in preparing the financial statements on pages 5 to 13, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed, and that it is appropriate to use a going concern basis.

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

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

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

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**REPORT OF THE AUDITORS, KPMG,  
TO THE MEMBERS OF****GRAND METROPOLITAN INVESTMENTS LIMITED**

We have audited the financial statements on pages 5 to 13.

**Respective responsibilities of directors and auditors**

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 1995 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

**KPMG  
Chartered Accountants  
Registered Auditors  
London**

Dated: *22nd November 1995*

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**PROFIT AND LOSS ACCOUNT****For the year ended 30 September 1995**

	Notes	1995 £000's	1994 £000's
Dividends receivable from group undertakings		197,194	725,605
Interest receivable	2	173,876	36,725
Interest payable	3	(456,843)	(419,400)
Other charges		<u>(3)</u>	<u>(3)</u>
(Loss)/profit on ordinary activities before taxation	4	(85,776)	342,927
Tax on (loss)/profit on ordinary activities	5	<u>93,380</u>	<u>126,284</u>
Profit on ordinary activities after taxation		7,604	469,211
Dividend proposed	6	<u>(26,276)</u>	<u>-</u>
(Deducted from)/transferred to		<u><u>(18,672)</u></u>	<u><u>469,211</u></u>

All of the Company's operations in both the current and preceding year are continuing.

There is no material difference between the Company's profit and loss account and the historical cost profits and losses. Accordingly, no note of the historical profits and losses for the period has been presented.

**BALANCE SHEET**

As at 30 September 1995

	<u>Notes</u>	<u>1995</u>		<u>1994</u>	
		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<b>Fixed Assets</b>					
Investments	7		3,404,640		3,193,251
<b>Current Assets</b>					
Debtors	8	3,282,417		1,727,034	
<b>Creditors - amounts falling due within one year:</b>	9	<u>(2,312,129)</u>		<u>(1,158,757)</u>	
<b>Net Current Assets</b>			<u>970,288</u>		<u>568,277</u>
<b>Total assets less current liabilities</b>			4,374,928		3,761,528
<b>Creditors - amounts falling due after more than one year</b>	10		<u>(3,164,557)</u>		<u>(3,244,281)</u>
			<u>1,210,371</u>		<u>517,247</u>
<b>Capital and reserves</b>					
Called up share capital	11				
- non-equity interests			700,000		-
- equity interests			-		-
<b>Reserves</b>					
Profit and loss account	12		<u>510,371</u>		<u>517,247</u>
			<u>1,210,371</u>		<u>517,247</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 21<sup>st</sup> November 1995 and signed on its behalf by:



G M N Corbett  
Director

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 30 September 1995

	1995 £'000	1994 £'000
Profit for the financial year	7,604	469,211
Exchange Adjustments	11,796	(13,493)
	<u>19,400</u>	<u>455,718</u>
Total recognised gains and losses for the financial year	<u>19,400</u>	<u>455,718</u>

The change in policy discussed in note 1 has no impact on net equity in either year.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

For the year ended 30 September 1995

	1995 £'000	1994 £'000
Profit for the financial year	7,604	469,211
Ordinary Dividend	(26,276)	-
	<u>(18,672)</u>	<u>469,211</u>
Other recognised gains and losses relating to the year	11,796	(13,493)
New share capital subscribed	700,000	-
	<u>693,124</u>	<u>455,718</u>
Net movement in shareholders' funds	693,124	455,718
Shareholders' funds at the beginning of the year	517,247	61,529
	<u>517,247</u>	<u>61,529</u>
Shareholders' funds at the end of the year	<u>1,210,371</u>	<u>517,247</u>



## NOTES

### (Forming part of the financial statements)

#### 1 Basis of Preparation

##### Accounting convention

The financial statements of the company are prepared under the historical cost convention and comply with applicable UK accounting standards.

##### Investments

Investments are valued individually at net realisable value, except unlisted investments which are valued at cost less provision for any permanent diminution in value. Net realisable value is market value in the case of listed investments.

##### Foreign currencies -change in accounting policy

In prior years the local currency was considered to be £ sterling. The directors now consider the local currency to be US\$ as the transactions and balances are predominantly US \$ denominated. Therefore, transactions in foreign currency are translated into the local currency, US dollars, at the rate of exchange at the date of the transaction. The local currency results for the year are translated into sterling at the weighted average rate of exchange during the year, other than material exceptional items which are translated at the rate on the day of the transaction and proposed dividends which are translated using the balance sheet exchange rate. The adjustment to financial year end rates is taken to reserves. Assets and liabilities are translated into sterling at the financial year end exchange rates, with any exchange differences being dealt with in reserves.

As a result of the change in policy referred to above, US \$ foreign exchange differences are taken to reserves (previously taken to the profit and loss account). Comparatives have been restated accordingly. This change in policy had no impact on net assets brought and carried forward in either year.

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## NOTES (continued)

## 2 Interest receivable

	1995 £000's	1994 £000's
Loans to group undertakings	173,871	36,719
Listed investments	5	6
	<u>173,876</u>	<u>36,725</u>

## 3 Interest payable

	1995 £000's	1994 £000's
Loans repayable after five years	456,843	419,400
	<u>456,843</u>	<u>419,400</u>

Included in the above is interest payable to group undertakings of £456,843,000 (1994 - £419,400,000).

## 4 (Loss)/profit on ordinary activities before taxation

The company has no employees. None of the directors received any remuneration in respect of their services to the company during the year (1994 - £nil). The auditors' remuneration was borne by the ultimate holding company. Gains arising on translation of assets and liabilities denominated in foreign currencies were £11,796,000 (1994 - loss £13,493,000).

## 5 Tax on loss on ordinary activities

	1995 £000's	1994 £000's
UK corporation tax credit at 33%	93,380	126,284
	<u>93,380</u>	<u>126,284</u>

The credit for UK corporation tax includes amounts which may be received from other companies in the Grand Metropolitan group in return for the surrender of tax losses. The taxation credit for the year is affected by the tax treatment of dividends receivable from group companies which are not subject to taxation.

## 6 Dividends proposed

The dividends proposed relate entirely to the ordinary share capital.

**NOTES (continued)****7 Fixed assets - investments**

	<b>External Investment £000's</b>	<b>Shares in subsidiary undertakings £000's</b>	<b>Shares in Other Investments £'000's</b>	<b>Total £000's</b>
Cost/valuation at beginning of year	53	3,173,098	20,100	3,193,251
Increase in investment	-	211,392	-	211,392
Movement in market value	(3)	-	-	(3)
Cost/valuation at end of year	<u>50</u>	<u>3,384,490</u>	<u>20,100</u>	<u>3,404,640</u>

During the year the company increased its investment in Grand Metropolitan Second Investments Ltd by £211,392,000.

**(i) External investments comprise:**

	<b>1995 £000's</b>	<b>1994 £000's</b>
Listed on London Stock Exchange	<u>50</u>	<u>53</u>
Market value of listed investments	<u>50</u>	<u>53</u>
Cost	<u>58</u>	<u>58</u>

**(ii) Shares in group companies:**

In the opinion of the directors, the value of the Company's investment in its subsidiary undertakings is in aggregate not less than the amount stated in the balance sheet.

The company's subsidiary undertakings and their activities, all of which are wholly owned and registered in England, are set out below:

Grand Metropolitan Third Investments Limited - an investment holding company.

Grand Metropolitan Second Investments Limited - an investment holding company.

Grand Hotels (Mayfair) Limited - an investment holding company.

Tomorrow's People Limited (formerly Cappelquin Securities Limited) - a dormant company.

**NOTES (continued)****8 Debtors**

	<b>1995</b> <b>£000's</b>	<b>1994</b> <b>£000's</b>
Due from subsidiary undertakings	842,079	1,159,073
Due from holding company and fellow subsidiary undertakings	2,440,320	567,943
Other debtors	18	18
	<u>3,282,417</u>	<u>1,727,034</u>

**9 Creditors - amounts falling due within one year**

	<b>1995</b> <b>£000's</b>	<b>1994</b> <b>£000's</b>
Due to holding company and fellow subsidiary undertakings	2,285,853	792,950
Due to subsidiary undertakings	-	365,807
Dividend proposed	26,276	-
	<u>2,312,129</u>	<u>1,158,757</u>

**10 Creditors - amounts falling due after more than one year**

	<b>1995</b> <b>£000's</b>	<b>1994</b> <b>£000's</b>
Due to holding company and fellow subsidiary undertaking	<u>3,164,557</u>	<u>3,244,281</u>

The amounts above are drawn under a US\$ facility and bear interest at a fixed rate of 10%.

## NOTES (continued)

## 11 Called up share capital

	1995 £	1995 £	1994 £
<b>Authorised:</b>			
<i>Equity</i>			
-100 unclassified shares of £1 each	100		100
-299,999,900 ordinary shares of £1 each	<u>299,999,900</u>		-
		300,000,000	
<i>Non-Equity</i>			
-350,000,000 5.65% cumulative redeemable 'A' preference shares of £1 each	350,000,000		-
-350,000,000 5.65% cumulative redeemable 'B' preference shares of £1 each	<u>350,000,000</u>		-
		<u>700,000,000</u>	-
		<u>1,000,000,000</u>	<u>100</u>
<b>Allotted and called up:</b>			
<i>Equity</i>			
-2 unclassified shares of £1 each	-	2	2
<i>Non-Equity</i>			
-350,000,000 5.65% cumulative redeemable 'A' preference shares of £1 each	350,000,000		-
-350,000,000 5.65% cumulative redeemable 'B' preference shares of £1 each	<u>350,000,000</u>		-
		<u>700,000,000</u>	-
		<u>700,000,002</u>	<u>2</u>

On 17 January 1995, the authorised capital of the company was increased from £100 to £1 billion by the creation of 649,999,900 ordinary shares of £1 each and 350 million cumulative redeemable preference shares of £1 each. On 14 February 1995, 350 million ordinary shares of £1 each were reclassified as cumulative redeemable preference shares.

On 17 January 1995, the company issued 350 million cumulative preference shares of £1 each at par. On 14 February 1995, the company made an additional issue of 350 million cumulative redeemable preference shares of £1 each at par. The purpose of this was to increase the capital base of the company.

The preference shares are redeemable by the company on 28 December 1995. They may also be redeemed at the shareholders' option on an earlier date by giving written notice to the Company.

No premium is payable on redemption of the preference shares.

**NOTES (continued)****12 Distributable reserves**

	1995 £000's	1994 £000's
At the beginning of the year	517,247	61,529
Foreign exchange movement	11,796	(13,493)
Profit for the year	7,604	469,211
Dividend	(26,276)	-
At the end of the year	<u>510,371</u>	<u>517,247</u>

**13 Cash flow statement**

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

**14 Group accounts**

The company is exempt from the requirement to prepare group accounts under Section 228 of the Companies Act 1985, being a wholly owned subsidiary undertaking of Grand Metropolitan PLC.

These financial statements present information about Grand Metropolitan Investments Limited as an individual undertaking and not about its group.

**15 Post balance sheet event**

On 24th October 1995 the Company proposed and paid a dividend of £400 million.

**16 The ultimate holding company**

The ultimate holding company is Grand Metropolitan Public Limited Company, a company registered in England. Group financial statements can be obtained from 20 St.James's Square, London SW1Y 4RR.