

DIRECTORS

D P Nash, Chairma
P E B Cawdron
J R Hacker
A F D Macgowan
S D A Martin
M D McCann
R C Mitchell
R H Myddelton
Sir Allen Sheppard
R P Thorne

Company No.

213393

SECRETARY

B E Wickham

AUDITORS

KPMG Peat Marwick McLintock,
Chartered Accountants,
PO Box 486,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

REGISTERED OFFICE

11-12 Hanover Square,
London W1A 1DP
Telephone: 071-629 7488
Telex: 299606



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th September 1990.

Activities

The company acts as the principal financing vehicle for the Grand Metropolitan PLC group. The results of the company and the development of its business are, therefore, influenced to a considerable extent by group financing requirements.

During the year the company's assets and creditors increased primarily in connection with the refinancing of certain fellow subsidiary companies.

Dividend and Profit

The directors do not recommend the payment of a dividend (1989-£nil). The profit for the year transferred to reserves is £7.3m (1989-£8.1m).

Directors

The directors during the year were as follows:

P E B Cawdron	
L G Cullen	(Resigned 28th February 1990)
J R Hacker	
A F D Macgowan	(Appointed 23rd March 1990)
S D A Martin	
M D McCann	
R C Mitchell	
R H Myddelton	
D P Nash	(Appointed 16th January 1990)
L K Palmer	(Resigned 10th April 1990)
Sir Allen Sheppard	
C Strowger	(Resigned 19th February 1990)
R P Thorne	(Appointed 23rd March 1990)

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

	At end of year	Ordinary shares At beginning of year (or date of appointment if later)	At end of year	Options At beginning of year (or date of appointment if later)
P E B Cawdron	125	125	124,980	100,107
J R Hacker	—	—	69,011	60,270
A F D Macgowan	—	—	8,000	—
S D A Martin	—	—	19,503	11,503
M D McCann	—	—	84,861	51,058
R C Mitchell	32,750	7,573	84,827	79,073
R H Myddelton	3,055	3,000	112,316	97,313
R P Thorne	—	—	30,000	—

The above directors held the above options under Grand Metropolitan PLC share option schemes, at prices between 430p and 667p per share exercisable by 1997.

Sir Allen Sheppard and Mr D P Nash are directors of the ultimate holding company, Grand Metropolitan PLC, and details of their interests are dealt with in the annual report of that company.

Auditors

The auditors, KPMG Peat Marwick McLintock, are willing to continue in office and a resolution concerning their re-appointment and remuneration will be submitted to the annual general meeting.

By order of the Board
B E Wickham
Secretary

B E Wickham

6th December 1990

REPORT OF THE AUDITORS

to the members of Grand Metropolitan Finance Public Limited Company

We have audited the financial statements on pages 3 to 8 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30th September 1990 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock
Chartered Accountants
London, 6th December 1990

KPM Great Marwick McLintock

ACCOUNTING POLICIES

Accounting convention

The financial statements of the company are prepared under the historical cost convention. They have been drawn up to comply in all material respects with UK statements of standard accounting practice in force at the relevant time. The bases used are consistent with those used in the previous year.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities in foreign currencies are translated into sterling at the balance sheet exchange rates.

Exchange gains and losses are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

PROFIT AND LOSS ACCOUNT

of Grand Metropolitan Finance Public Limited Company for the year ended 30th September 1990

	Notes	1990 £m	1989 £m
Interest receivable	1	519.3	236.3
Interest payable	2	(505.3)	(222.6)
Net interest receivable		14.0	13.7
Operating costs	3	(2.7)	(1.2)
Profit before taxation		11.3	12.5
Taxation	4	(4.0)	(4.4)
Profit for the financial year, transferred to reserves		7.3	8.1

Movements in reserves

Reserves at beginning of year	41.1	33.0
Retained profit for year	7.3	8.1
Reserves at end of year	48.4	41.1

BALANCE SHEET

of Grand Metropolitan Finance Public Limited Company at 30th September 1990

	Notes	1990 £m	1989 £m
Current assets			
Amounts owed by fellow subsidiary companies		4,072.7	2,871.1
Other debtors	5	22.2	—
Cash at bank		21.1	6.2
		<u>4,116.0</u>	<u>2,877.3</u>
Creditors – due within one year			
Amounts owed to holding and fellow subsidiary companies		(2,324.7)	(1,251.2)
Borrowings	8	(68.4)	(76.4)
Other creditors	6	(24.5)	(9.7)
		<u>(2,417.6)</u>	<u>(1,337.3)</u>
Net current assets		1,698.4	1,540.0
Creditors – due after more than one year:			
Borrowings	8	(1,645.0)	(1,493.9)
		<u>53.4</u>	<u>46.1</u>
Capital and reserves			
Called up share capital	7	5.0	5.0
Profit and loss account		48.4	41.1
		<u>53.4</u>	<u>46.1</u>

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



SOURCE AND APPLICATION OF FUNDS

of Grand Metropolitan Finance Public Limited Company for the year ended 30th September 1990

	£m	1990 £m	1989 £m
Funds generated			
Profit before taxation		11.3	12.5
Tax paid		(4.5)	(2.7)
Funds derived from operations		6.8	9.8
Funds applied			
(Increase)/decrease in working capital:			
Accruals	15.3		(7.0)
Other debtors	(22.2)		0.1
		(6.9)	(6.9)
		(0.1)	2.9
Increase in net balances due from group companies		(128.1)	(1,276.2)
Increase in net borrowings		(128.2)	(1,273.3)
Analysis of movement in net borrowings			
Medium and long term loans		(151.1)	(1,241.6)
Short term loans		8.0	(12.3)
Cash at bank		14.9	(19.4)
Increase in net borrowings		(128.2)	(1,273.3)

NOTES TO THE ACCOUNTS

1 Interest receivable	1990 £m	1989 £m
On loans to group companies	451.1	227.1
On other deposits	68.2	9.2
	<u>519.3</u>	<u>236.3</u>

2 Interest payable	1990 £m	1989 £m
On all bank loans, overdrafts and any other loans repayable wholly within five years	504.4	219.8
On all other loans	0.9	2.8
	<u>505.3</u>	<u>222.6</u>

Included in the above is interest payable to group companies of £299.9m (1989-£145.3m)

3 Operating costs

The company has no employees. None of the directors received any remuneration during the year (1989-£nil)
The auditors' remuneration was borne by the ultimate holding company.

4 Taxation	1990 £m	1989 £m
UK corporation tax at 35% (1989-35%) on profits for the year	4.0	4.4

The charge for UK corporation tax includes amounts which may be paid to other companies in the Grand Metropolitan PLC group in return for the surrender of tax losses.

5 Other debtors	1990 £m	1989 £m
Accrued income	22.2	—

6 Other creditors	1990 £m	1989 £m
Accrued expenses	20.5	5.2
Taxation based on profits	4.0	4.5
	<u>24.5</u>	<u>9.7</u>

7 Called up share capital	1990 £m	1989 £m
Authorised:		
100 million shares of 5p each	5.0	5.0
Allotted, called up and fully paid:		
100 million shares of 5p each	5.0	5.0

The company is a wholly owned subsidiary of Grand Metropolitan PLC, a company incorporated in Great Britain.

NOTES

continued

8 Borrowings

	1990			1989		
	Bank loans and overdrafts £m	Other loans £m	Total £m	Bank loans and overdrafts £m	Other loans £m	Total £m
Analysis by year of repayment						
After five years						
—by instalment	—	6.6	6.6	6.2	6.6	12.8
—other than by instalment	—	—	—	105.2	—	105.2
From two to five years	7.8	844.6	852.4	748.6	272.4	1,021.0
From one to two years	166.4	619.6	786.0	353.7	1.2	354.9
Due after more than one year	174.2	1,470.8	1,645.0	1,213.7	280.2	1,493.9
Due within one year	68.4	—	68.4	75.3	1.1	76.4
	242.6	1,470.8	1,713.4	1,289.0	281.3	1,570.3
Amount repayable by instalment part of which falls due after five years	—	8.8	8.8	30.9	8.5	39.4

Borrowings under committed bank facilities are classified in the repayment analysis according to the maturity of the facility under which they are drawn. Commercial paper and other borrowings are classified as medium term borrowings to the extent that they are supported by available medium term committed facilities and the intention is to renew them as they fall due or to refinance them through such facilities. In the above analysis the effect of currency swaps is taken into account when translating the company's borrowings into sterling.

Bank loans and overdrafts	Interest rates %	1990 £m	1989 £m
Drawn under multi-currency facilities expiring ultimately in the year to 30th September:			
1991		—	347.2
1992	8.54-9.38	157.0	432.1
1994		—	275.4
1995		—	136.1
Other loans of less than £10million, uncommitted loans and overdrafts	various	85.6 242.6	98.2 1,289.0
Other loans			
Commercial paper	7.96-8.67	1,459.3	269.4
Other loans of less than £10million	various	11.5 1,470.8	11.9 281.3

None of the company's borrowings are secured.

The company has arranged interest rate swaps which have the effect of fixing the rate of interest at an average rate of 8.6% (1989-8.5%) on US dollar and Deutschmark borrowings totalling £616 million (1989-£586 million) for a weighted average term of 2.5 years (1989-3 years). The interest rates shown in the above table are those contracted on the underlying borrowings before taking into account any interest rate swaps.

9 Contingent liabilities

The company enters into various forward dated transactions to manage the group's interest and exchange rate exposures. It is not anticipated that any material losses will arise from these transactions.

10 Approval of financial statements

These financial statements were approved by the Board of Directors on 6th December 1990.