16-03-93

GRAND METROPOLITAN FINANCE PLC

Annual Report 1992

DIRECTORS

D P Nash, Chairman
P E B Cawdron
D A Defty
C J Evans
J R Hacker
R C Lowes
A F D Macgowan
S Marshall
I A Martin
S D A Martin
R H Myddelton
N C Rose
Sir Allen Sheppard

Grand Metropolitan Finance PLC
Secretary and Registered Office
B E Wickham
20 St James's Square, London SW1Y 4RR
Telephone: (071) 321 6000

Company Registration No. 213393

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30th September 1992.

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

Dividend and profit
The directors do not recommend the payment of a dividend (1991-£nil). The profit for the year transferred to reserves was £14.5m (1991-£11.2m).

Directors
The directors during the year were as follows:

P E B Cawdron	
D A Defty	
C J Evans	(Appointed 11th March 1992)
J R Hacker	
K T Kantor	(Resigned 5th November 1991)
R C Lowes	
A F D Macgowan	
S Marshall	
I A Martin	(Appointed 3rd February 1992)
S D A Martin	
M D McCann	(Died 15th December 1991)
R H Myddelton	
D P Nash	
N C Rose	(Appointed 17th June 1992)
Sir Allen Sheppard	
R P Thorne	(Resigned 13th March 1992)

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 Annual General Meeting.

Company tax status
The company is not a close company.

By Order of the Board
B E Wickham
Secretary
2nd December 1992

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 1992 and of its profit 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 1992

ACCOUNTING POLICIES

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

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 are translated into sterling at the financial year end 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

for the year ended 30th September 1992

	Notes	1992 £m	1991 £m
Interest receivable	1	493.9	499.0
Interest payable	2	(468.6)	(479.8)
Net interest receivable		25.3	19.2
Operating costs	4	(3.6)	(2.4)
Profit on ordinary activities before taxation		21.7	16.8
Taxation on ordinary activities	6	(7.2)	(5.6)
Profit for the financial year, transferred to reserves		14.5	11.2

Movements in reserves		
Reserves at 30th September 1991	59.6	48.4
Retained profit for year	14.5	11.2
Reserves at 30th September 1992	74.1	59.6

BALANCE SHEET

at 30th September 1992

	Notes	1992 £m	1991 £m
Current assets			
Amounts owed by fellow subsidiary undertakings		5,121.6	4,558.7
Other debtors	7	50.6	30.5
Cash at bank		19.5	4.0
		5,191.7	4,593.2
Creditors – due within one year			
Amounts owed to holding company and fellow subsidiary undertakings		(3,642.3)	(2,977.4)
Borrowings	8	(27.1)	(63.1)
Other creditors	9	(41.5)	(33.8)
		(3,710.9)	(3,074.3)
Net current assets		1,480.8	1,518.9
Creditors – due after more than one year			
Borrowings	8	(1,401.7)	(1,454.3)
		79.1	64.6
Capital and reserves			
Called up share capital	10	5.0	5.0
Profit and loss account		74.1	59.6
		79.1	64.6

The financial statements on pages 3 to 8 were approved by the Board of Directors on 2nd December 1992 and were signed on its behalf by:

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

NOTES

1 Interest receivable	1992 £m	1991 £m
On loans to group undertakings	424.3	429.8
Income from currency swaps	61.6	61.4
On other deposits	8.0	7.8
	493.9	499.0

2 Interest payable	1992 £m	1991 £m
On all bank loans, overdrafts and other loans payable wholly within five years	467.7	479.0
On all other loans	0.9	0.8
	468.6	479.8

Included in the above is interest payable to group undertakings of £342.0m (1991–£319.7m)

3 Operations

The company is engaged in treasury management for Grand Metropolitan PLC and its subsidiary undertakings. The business and geographical segments that it lends to are as disclosed in the statutory accounts of Grand Metropolitan PLC. The company's operations are based in the United Kingdom and it raises the external funds it requires principally using the London and New York financial markets.

4 Operating costs

The company has no employees. The principal components of operating costs are committed facility fees, bank and commercial paper charges. The auditors' remuneration was borne by the ultimate holding company.

5 Directors

Emoluments
None of the directors received any remuneration during the year (1991–£nil).

Shareholdings
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		Options			
	1992	1991	1991	Granted in year	Exercised in year	1992
P E B Cawdron	264	256	274,645	79,260	(75,458)	278,447
D A Defry	—	—	248,344	92,139	(156,000)	184,483
C J Evans*		—†	36,411†	6,253	—	42,664
J R Hacker	—	—	119,738	31,657	(45,712)	105,683
R C Lowes*	—	—	49,352	18,721	—	68,073
A F D Macgowan	—	—	32,000	14,000	—	46,000
S Marshall	—	—	101,594	30,698	—	132,292
S D A Martin	—	—	52,129	14,000	(8,000)	58,129
R H Myddelton	20,610	20,230	139,992	102,328	(55,112)	187,208
N C Rose	—	—†	—†	50,000	—	50,000

† As at date of appointment.

With effect from 15th April 1992 there was a subdivision of the Ordinary shares of 50p each into two Ordinary shares of 25p each. The above figures have been restated to 25p shares and the options have been adjusted where necessary.

The starred directors held shareholdings and options in American Depositary Shares (ADS). Prior to 15th April 1992 each ADS represented two Ordinary shares of 50p each and from that date each ADS represented four Ordinary shares of 25p each.

5 Directors – continued

The directors held the above options under Grand Metropolitan PLC share option schemes at prices between 243p and 471p per share exercisable by 1999. The ADS options are held at prices between US$24.04 and US$34.63 per ADS, exercisable by 1999.

Sir Allen Sheppard, I A Martin and 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.

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.

6 Taxation	1992 £m	1991 £m
UK corporation tax at 33% (1991–33.5%)	7.2	5.6

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

7 Other debtors	1992 £m	1991 £m
Accrued income and prepayments	50.6	30.5

8 Borrowings	1992			1991		
	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	—	6.2	6.2	—	6.0	6.0
From two to five years	33.0	1,362.5	1,395.5	159.8	1,287.2	1,447.0
From one to two years	—	—	—	—	1.3	1.3
Due after more than one year	33.0	1,368.7	1,401.7	159.8	1,294.5	1,454.3
Due within one year	27.1	—	27.1	63.1	—	63.1
	60.1	1,368.7	1,428.8	222.9	1,294.5	1,517.4
Amount repayable by instalment part of which falls due after five years	—	9.3	9.3	—	8.4	8.4

Total borrowings comprise:	Currency	Year end Interest rates %	1992 £m	1991 £m
Bank loans and overdrafts				
Drawn under facilities expiring ultimately in the year to 30th September 1993		—	—	34.2
Other loans, uncommitted loans and overdrafts	Various	Various	60.1	188.7
			60.1	222.9
Other loans				
Commercial paper	US dollars	3.08–4.02	1,321.2	1,111.3
Commercial paper	Sterling	9.96	37.2	173.0
Others	Various	Various	10.3	10.2
			1,368.7	1,294.5

NOTES

8 Borrowings – continued

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. In the above analysis the effect of currency swaps is taken into account when translating the company's borrowings into sterling. The difference in interest arising from these swaps is included in interest receivable in the profit and loss account.

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 7.93% on US dollar borrowings totalling £1,011m (1991–8.23% on US dollar and Deutschemark borrowings totalling £1,269m) for a weighted average term of 2.5 years (1991–2.7 years). The interest rates shown in the tables above are those contracted on the underlying borrowings before taking into account any interest rate protection.

9 Other creditors – due within one year	1992 £m	1991 £m
Accrued expenses	35.1	28.2
Taxation based on profits	6.4	5.6
	41.5	33.8

10 Called up share capital	1992 £m	1991 £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

11 Contingent liabilities

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

12 Cash flow statement

A cash flow statement is not presented as the company is a wholly owned subsidiary undertaking of Grand Metropolitan PLC. A cash flow statement for the entire Grand Metropolitan group is included in the financial statements of Grand Metropolitan PLC.

13 Ultimate holding company

The ultimate holding company is Grand Metropolitan PLC, a company registered in England, whose accounts may be obtained from The Company Secretary, Grand Metropolitan PLC, 20 St James's Square, London SW1Y 4RR.

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