

Grand Metropolitan Estates Limited

Directors' report and financial statements

30 September 1996

Registered number 367551



Grand Metropolitan Estates Limited

Directors' Report and Financial Statements

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Grand Metropolitan Estates Limited

Directors' Report

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

The principal activity of the company was the holding and management of property interests for the Grand Metropolitan Group, and will continue to be so.

Results

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

Dividend and transfer to reserves

The dividend proposed and paid in the year was £18,292,000 (1995: *£nil*).

After deducting the total ordinary dividend, the profit for the year transferred to reserves is £17,739,000 (1995: *profit of £52,202,000*)

Directors and directors' interests

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

WD Brant	(resigned 22 November 1996)
DC Carter	
J Corbett	(appointed 8 November 1996)
MC Flynn	(appointed 31 January 1996, resigned 8 November 1996)
DE Jennings	(resigned 31 January 1996)
RH Myddelton	
DE Tagg	
BE Wickham	

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

Grand Metropolitan Estates Limited

Directors' Report *(continued)*

Directors and directors' interests *(continued)*

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

	Ordinary shares of 25p each			Options		At beginning of year or date of appointment
	At end of year	At beginning of year or date of appointment	At end of year	Granted in year	Exercised in year	
WD Brant	23,778	23,045	270,540	55,381	56,368	271,527
DC Carter	-	-	145,446	25,500	-	119,946
MC Flynn	-	-	51,773	13,204	-	38,569
RH Myddelton	27,952	27,019	311,747	56,645	-	255,102
BE Wickham	24,000	32,763	109,802	24,454	56,000	141,348

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 Plc.

The directors hold the above options under the Grand Metropolitan PLC share option schemes and savings related scheme at prices between 243p and 474p per share exercisable by 2006.

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.


Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the company and its subsidiary undertakings is not significantly different from the book values of these assets.

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 30 May 1997

Grand Metropolitan Estates Limited

Directors' responsibilities in relation to 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 of the company for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 19, 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 Limited

Report of the auditor to the members of Grand Metropolitan Estates Limited

We have audited the financial statements on pages 5 to 19.

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.

KPMG Audit Plc

29th May 1997

KPMG AUDIT Plc
Chartered Accountants
Registered Auditor

Date

London

Grand Metropolitan Estates Limited

Profit and loss account
for the year ended 30 September 1996

	Note	1996		1995	
		£000	£000	£000	£000
Turnover					
- continuing operations	2	13,984		15,284	
- discontinued operations		-		8,660	
			13,984		23,944
Operating costs					
- continuing operations		(18,169)		(20,958)	
- discontinued operations		-		(6,095)	
			(18,169)		(27,053)
Operating (loss)/profit					
- continuing operations		(4,185)		(5,674)	
- discontinued operations		-		2,565	
			(4,185)		(3,109)
Profit on disposal of fixed assets			809		126
Provision for costs relating to disposal of a subsidiary	7		-		1,500
Income from shares in group undertakings			-		4,233
Interest receivable and similar income	5		54,627		50,224
Interest payable and similar charges	6		-		(3,290)
Profit on ordinary activities before taxation	2		51,251		49,684
Taxation on profit on ordinary activities	8		(15,220)		2,518
Profit for the financial year			36,031		52,202
Dividend paid and proposed			(18,292)		-
Retained profit for the financial year	18,19		17,739		52,202

The notes on pages 7 to 19 inclusive form part of these accounts.

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

Grand Metropolitan Estates Limited

Balance Sheet at 30 September 1996

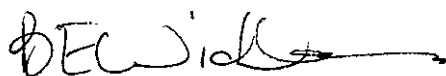
	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	9	15,590	16,101
Investments	10	680	810
		<u>16,270</u>	<u>16,911</u>
Current assets			
Stock	11	-	1,626
Debtors	12	939,978	890,191
Cash at bank and in hand	13	5,524	3,845
		<u>945,502</u>	<u>895,662</u>
Creditors: amounts falling due within one year	14	<u>(873,204)</u>	<u>(841,481)</u>
Net current assets		<u>72,298</u>	<u>54,181</u>
Total assets less current liabilities		<u>88,568</u>	<u>71,092</u>
Provisions for liabilities and charges	15	<u>(10,499)</u>	<u>(10,762)</u>
		<u>78,069</u>	<u>60,330</u>
Capital and reserves			
Equity share capital		1	1
Non-equity share capital		1	1
Called up share capital	16	<u>2</u>	<u>2</u>
Other reserves	19	41	41
Profit and loss account	19	<u>78,026</u>	<u>60,287</u>
Shareholders' funds	18	<u>78,069</u>	<u>60,330</u>

Of the debtors £4,638,000 (1995:£4,638,000) are due after more than one year.

The notes on pages 7 to 19 form part of the accounts.

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

2 May 1997



BE Wickham
Director

Grand Metropolitan Estates 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 accounting standards and under historical cost accounting rules.

The company has not presented group financial statements, by virtue of s228 of the Companies Act 1985, and has not presented a cash flow statement. the company is a wholly owned subsidiary undertaking of Grand Metropolitan PLC, a company registered in England and Wales, which presents group accounts including a group cash flow statement.

Fixed assets and depreciation

Fixed assets are stated at cost to the company. Profit or loss on the sale of property is the difference between the disposal proceeds and the net book value.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	8 years
Plant and machinery	2 years
Leasehold land and buildings	unexpired period of lease

No depreciation is provided on freehold land.

Leases

Operating lease rental charges are taken to the profit and loss account on a straight line over the life of the lease.

Deferred taxation

No provision is made for taxation deferred by accelerated taxation allowances on UK capital expenditure. The company is a member of a group which provides for any deferred tax payable in the foreseeable future on a group basis.

The deferred taxation provision or asset relates to those other material taxation assets and liabilities which are deferred because items of expense or income are allowed or assessed for tax purposes in periods different from those in which they are recognised in the profit and loss account. Provision is made for deferred tax only to the extent that it is probable that an actual liability or asset will crystallise.

Grand Metropolitan Estates Limited

Notes (*continued*)

1 Accounting policies (*continued*)

Investments

Investments are valued individually 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 normally market value in the case of listed investments, unless in the directors' opinion due to the long-term nature of the investment, a write down to market value is not considered appropriate.

Turnover

Turnover, which excludes VAT, consists of rents and management fees receivable which are derived from the management of a property estate.

Post employment benefits

The majority of employees of the company are members of group pension schemes operated by Grand Metropolitan PLC. Contributions by this company are based on pension costs across the group as a whole. The schemes are of the defined benefit type funded by payments to Trustee administered funds. The cost of providing pensions and other post employment benefits is charged against profits on a systematic basis, with pension surpluses and deficits allocated on a straight line basis over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to the plans are treated as assets or liabilities in the balance sheet. Particulars of the valuations of the group schemes are contained in the financial statements of Grand Metropolitan PLC.

Exceptional items

Exceptional items are those that need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss caption to which they relate but are separately disclosed either in the notes (see note 7) or on the face of the profit and loss account.

Stock

Stock is held at the lower of cost and net realisable value.

Grand Metropolitan Estates Limited

Notes (continued)

2. Turnover and profit on ordinary activities before taxation

	1996 £000	1995 £000
Profit on ordinary activities before taxation is stated after charging:		
Rentals payable under operating leases for property	15,201	15,504
Auditors remuneration:		
Statutory audit	15	25
Other services	19	17
Depreciation and other amounts written off owned tangible fixed assets	42	348

The turnover and profit before taxation relate to the provision of property management services all of which are carried out in the United Kingdom. The turnover represents rents receivable under operating leases for property.

3. Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments (including pension contributions) as directors	126	780
Compensation for loss of office paid by other group undertakings	<u>-</u>	<u>667</u>
	<u>126</u>	<u>1,447</u>

The emoluments, excluding pension contributions, of the highest paid director were £125,554 (1995: £373,012). In 1996 the remuneration of the other directors was borne by other Grand Metropolitan group companies.

Grand Metropolitan Estates Limited

Notes *(continued)*

3. Remuneration of directors *(continued)*

The emoluments, excluding pension contributions, of the directors were within the following ranges:

			Number of directors	
			1996	1995
£0	-	£5,000	6	6
£45,001	-	£50,000	-	1
£50,001	-	£55,000	-	1
£80,001	-	£85,000	-	1
£85,001	-	£90,000	-	1
£125,001	-	£130,000	1	-
£135,001	-	£140,000	-	1
£370,001	-	£375,000	-	1

4. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was 10 *(1995:102)*.

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£000	£000
Wages and salaries	344	519
Social security costs	<u>34</u>	<u>60</u>
	<u>378</u>	<u>579</u>

Grand Metropolitan Estates Limited

Notes *(continued)*

5. Other interest receivable and similar income

	1996 £000	1995 £000
Receivable from fellow subsidiary and group undertakings	53,812	45,560
External interest receivable	<u>815</u>	<u>4,664</u>
	<u>54,627</u>	<u>50,224</u>

6. Interest payable and similar charges

	1996 £000	1995 £000
On loans from fellow subsidiary undertaking	-	<u>3,290</u>
	<u>-</u>	<u>3,290</u>

7. Provision for costs relating to disposal of a subsidiary

In 1995 a provision of £1,500,000 was released to the profit and loss account, relating to the disposal of a subsidiary undertaking Chef & Brewer Ltd in 1993, to Scottish & Newcastle Plc which was no longer required.

Grand Metropolitan Estates Limited

Notes *(continued)*

8. Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	16,770	15,789
Deferred taxation	510	6,241
Adjustments relating to prior years	(2,060)	(24,548)
Tax charge/(credit)	<u>15,220</u>	<u>(2,518)</u>

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

The tax charge for the year is not 33% of profit before tax because of permanently disallowable items, adjustments relating to prior years and in 1995 due to the tax treatment transfer of assets and liabilities in the reorganisation in January 1995.

Grand Metropolitan Estates Limited

Notes (continued)

9. Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Total
	£000	£000	£000	£000
<i>Cost</i>				
At beginning of year	17,650	40	10	17,700
Disposals	<u>(553)</u>	<u>-</u>	<u>-</u>	<u>(553)</u>
At end of year	<u>17,097</u>	<u>40</u>	<u>10</u>	<u>17,147</u>
<i>Depreciation and diminution in value</i>				
At beginning of year	1,549	40	10	1,599
Disposals	<u>(84)</u>	<u>-</u>	<u>-</u>	<u>(84)</u>
Provided during the year	<u>42</u>	<u>-</u>	<u>-</u>	<u>42</u>
At end of year	<u>1,507</u>	<u>40</u>	<u>10</u>	<u>1,557</u>
<i>Net book value</i>				
At 30 September 1996	<u>15,590</u>	<u>-</u>	<u>-</u>	<u>15,590</u>
At 30 September 1995	<u>16,101</u>	<u>-</u>	<u>-</u>	<u>16,101</u>

Land and buildings include £9,257,933 (1995: £10,597,000) of gross depreciable assets.

Land and buildings include properties which, although beneficially owned by the company, are legally owned by other companies within the Grand Metropolitan group. They are held for use in operating leases.

The net book value of land and buildings comprises.

	1996 £000	1995 £000
Freehold	6,332	6,296
Long leasehold	8,743	9,212
Short leasehold	<u>515</u>	<u>593</u>
	<u>15,590</u>	<u>16,101</u>

Grand Metropolitan Estates Limited

Notes (continued)

10. Fixed asset investments

	Shares in subsidiary undertakings	Listed investment	Total
	£000	£000	£000
<i>Shares</i>			
<i>Cost</i>			
At beginning of year	680	512	1,192
Disposals	<u>-</u>	<u>(512)</u>	<u>(512)</u>
At end of year	<u>680</u>	<u>-</u>	<u>680</u>
<i>Provisions</i>			
At beginning of year	-	382	382
Disposals	<u>-</u>	<u>(382)</u>	<u>(382)</u>
At end of year	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net book value</i>			
At 30 September 1996	<u>680</u>	<u>-</u>	<u>680</u>
At 30 September 1995	<u>680</u>	<u>130</u>	<u>810</u>

The listed investment comprised shares held in Ascot Holdings Plc, a company listed on the International Stock Exchange London, which were sold in the year.

Grand Metropolitan Estates Limited

Notes (continued)

10. Fixed asset investments (continued)

	Country of registration and incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Grand Metropolitan Estates Holdings Limited	England & Wales	Investment holding company	100% ordinary shares
Grand Metropolitan Estates (Developments) Limited	England & Wales	Property development	100% ordinary shares
Grand Metropolitan Gibraltar Limited	Gibraltar	Investment holding company	100% ordinary shares
GMEI Property Management Company Limited	England & Wales	Dormant	100% ordinary shares
Grand Metropolitan Estates Property Management Services Limited	England & Wales	Dormant	100% ordinary shares
<i>Participating interests</i>			
Trafalgar Metropolitan Homes Limited	England & Wales	Property development	50% ordinary shares
Phoenix Inns Management Ltd	England & Wales	Property management	50% ordinary shares

In the opinion of the directors the value of the investment in the subsidiaries and participating interest is not less than the amount which is shown in the accounts. Group accounts are not submitted as the company is a wholly owned subsidiary of Grand Metropolitan PLC.

11. Stock

	1996 £000	1995 £000
Properties held for resale	-	<u>1,626</u>

Grand Metropolitan Estates Limited

Notes (continued)

12. Debtors

	1996	1995
	£000	£000
Trade debtors	1,058	1,492
Amounts owed by parent and fellow subsidiary undertakings	916,769	877,784
Amounts owed by subsidiary undertakings	12,682	193
Other debtors	187	908
Pension prepayment	4,638	4,638
Other prepayments and accrued income	3,898	3,920
Deferred tax debtor	<u>746</u>	<u>1,256</u>
	<u>939,978</u>	<u>890,191</u>

Debtors include pension prepayments of £4,638,000 (1995:£4,638,000) which are recoverable after more than one year.

Deferred tax is provided on short term timing differences, where there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

13. 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.

Grand Metropolitan Estates Limited

Notes (continued)

14. Creditors: amounts falling due within one year

	1996	1995
	£000	£000
Amounts owed to parent and fellow subsidiary undertakings	853,655	819,289
Amounts owed by subsidiary undertakings	-	12,699
Other creditors including taxation and social security:		
Corporation tax	15,200	-
Other creditors	<u>1,081</u>	<u>5,891</u>
	16,281	5,891
Accruals and deferred income	<u>3,268</u>	<u>3,602</u>
	<u>873,204</u>	<u>841,481</u>

15. Provisions for liabilities and charges

	Provision for loss on sale of Chef & Brewer	Other provisions	Total
	£000	£000	£000
At beginning of year	7,108	3,654	10,762
Utilised	(70)	(795)	(865)
Other movement	<u>602</u>	<u>-</u>	<u>602</u>
At end of year	<u>7,640</u>	<u>2,859</u>	<u>10,499</u>

Grand Metropolitan Estates Limited

Notes (continued)

16. Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,200	1,200
7% preference shares of £1 each	<u>1,200</u>	<u>1,200</u>
	<u>2,400</u>	<u>2,400</u>
<i>Allotted called up and fully paid</i>		
Ordinary shares of £1 each	1,200	1,200
7% preference shares of £1 each	<u>1,200</u>	<u>1,200</u>
	<u>2,400</u>	<u>2,400</u>

Ordinary shares are entitled to one vote each. Preference shares carry no voting rights other than at a class meeting of Preference shareholders.

The dividend paid and proposed was in respect of the ordinary shares.

17. Commitments and contingent liabilities

At 30 September 1996 the company had minimum annual commitments under non-cancellable operating leases relating to land and buildings as follows:

	1996 £000	1995 £000
Operating leases which expire:		
Within one year	-	38
From two to five years	1,465	1,016
After five years	<u>7,675</u>	<u>9,159</u>
	<u>9,140</u>	<u>10,213</u>

The company has provided formal confirmation that it will provide such financial support as is necessary to Grand Metropolitan Estates (Developments) Limited to enable it to meet its obligations as they fall due and to maintain the company as a going concern until 30 September 1997.

Grand Metropolitan Estates Limited

Notes (continued)

18 Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	36,031	52,202
Dividend	<u>(18,292)</u>	<u>-</u>
Net addition to shareholders' funds	17,739	52,202
Shareholders' funds at beginning of year	<u>60,330</u>	<u>8,128</u>
Shareholders' funds at end of year	<u>78,069</u>	<u>60,330</u>

19 Reserves

	Profit and loss account £000	Other reserves £000	Total £000
At beginning of year	60,287	41	60,328
Retained profit for the year	<u>17,739</u>	<u>-</u>	<u>17,739</u>
At end of year	<u>78,026</u>	<u>41</u>	<u>78,067</u>

20 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Grand Metropolitan PLC, a company registered in England.

The results of the company are consolidated by Grand Metropolitan PLC. The consolidated accounts of this company are available to the public and may be obtained from Grand Metropolitan PLC, 8 Henrietta Place, London, W1M 9AG.