

DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 1996

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

Activities

The principal activity of the Company is the granting of licences to companies in the wines and spirits trade. The directors foresee no material change in the nature of the Company's activities.

Financial

The directors recommend that no final dividend be paid (1995 - £Nil). The Profit for the year retained in the Company is £1,535,000 (1995 - £1,093,000).

Directors

The directors during the year were as follows:

M G Delahooke	Resigned	01/01/96
C J Sandham	Resigned	25/10/96
D B Rickard	Resigned	15/11/96
J J Corbett	Appointed	01/01/96
N C Rose	Appointed	15/11/96
G Williams	Appointed	25/10/96

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

	Number of ordinary shares at 25p each		Options			
	1 Oct 1995 (or date of appointment)	30 Sept 1996	1 Oct 1995 (or date of appointment)	Granted	Exec	30 Sept 1996
J J Corbett	Nil	1,324	131,255	12,000	(27,481)	115,774

The above options were held under Grand Metropolitan PLC share option schemes at prices between 380p and 474p per share exercisable by 2006.

Messrs, Rickard and Sandham are directors of the parent undertaking, International Distillers & Vintners Limited and their interests in the shares of Grand Metropolitan PLC are disclosed in the annual report of that company.



W&A GILBEY LIMITED

Auditors

A limited liability company, KPMG Audit Plc, has assumed responsibility for part of the KPMG audit business. Accordingly, KPMG resigned as auditors of the company with effect from 2 August 1996 and KPMG Audit Plc was appointed auditor of the company during the year. A resolution for the reappointment of KPMG Audit Plc will be submitted to the AGM.

By order of the board.



V A Lynch
Secretary

8 Henrietta Place
London
W1M 9AG

30 July 1997

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 5, 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 at the end of the financial year and of the profit of the company for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 12 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards 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 that 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 it considers to be appropriate for the purpose of enabling them to give their audit report.



J J Corbett

Director

**Report of the Auditor, KPMG Audit Plc
to the members of W&A Gilbey Limited**

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of Directors and Auditor

As described on Page 4, 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 mis-statement, 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

30 JULY 1997

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London

W&A GILBEY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September, 1996

	<u>Note</u>	<u>1996</u> £'000	<u>1995</u> £'000
Turnover		2,387	1,738
Other operating charges	2	<u>(96)</u>	<u>(116)</u>
Operating profit and profit on ordinary activities before taxation		2,291	1,622
Tax on profit on ordinary activities	3	<u>(756)</u>	<u>(529)</u>
Profit for the financial year		<u>1,535</u>	<u>1,093</u>

The profit and loss account relates wholly to continuing operations.

There are no recognised gains or losses other than the profit for the financial year.

W&A GILBEY LIMITED

BALANCE SHEET

As at 30 September, 1996

	<u>Note</u>	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
CURRENT ASSETS			
Debtors	4	15,840	13,910
CREDITORS:			
Amounts falling due within one year	5	(641)	(333)
NET CURRENT ASSETS		<u>15,199</u>	<u>13,577</u>
PROVISION FOR LIABILITIES & CHARGES			
Deferred taxation	6	<u>(559)</u>	<u>(472)</u>
		<u>14,640</u>	<u>13,105</u>
CAPITAL AND RESERVES			
Called up share capital	7	2,830	2,830
Share premium account	8	3,624	3,624
Profit and loss account	8	<u>8,186</u>	<u>6,651</u>
Shareholders' funds (all equity)		<u>14,640</u>	<u>13,105</u>

These financial statements were approved by the Board of Directors on 30 July 1997 and were signed on its behalf by:



J J Corbett
Director

W&A GILBEY LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the Year Ended 30th September 1996

	<u>1996</u> £'000	<u>1995</u> £'000
Profit for the Financial Year	<u>1,535</u>	<u>1,093</u>
Net Addition to Shareholders Fund	1,535	1,093
Opening Shareholder's Funds	<u>13,105</u>	<u>12,012</u>
Closing Shareholder's Funds	<u>14,640</u>	<u>13,105</u>

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting Policies

a) Accounting Convention

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

b) 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. Provision is made for deferred taxation to the extent that it is probable that the liability will crystallise.

c) Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

All translation differences are taken to the profit and loss account.

d) Turnover

Turnover comprises royalties receivable in the year and where appropriate include any tax deducted at source.

2) Other Operating Charges

The only operating costs incurred by the company were advertising expenses. The audit fee has been borne by International Distillers & Vintners Limited.

The Directors received no emoluments in respect of their services to the company (1995 - £Nil).

The company employed no staff during the year (1995 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd..)

3) Tax on Profit on Ordinary Activities

	<u>1996</u>	<u>1995</u>
	£'000	£'000
UK corporation tax at 33% (1995 - 33%) on profits for the year	669	404
Withholding tax on profits for the year	6	42
	675	446
Double tax relief	(6)	(42)
	669	404
Prior year adjustment	-	(7)
Deferred tax charge for year	87	132
	756	529

4) Debtors

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade debtors	142	-
Amounts owed by group undertakings	15,605	13,817
Other debtors	93	93
	15,840	13,910

All debtors are receivable within one year

5) Creditors - Amounts Falling Due Within One Year

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Other creditors including taxation and social security		
Mainstream Corporation tax	641	333
	641	333

W&A GILBEY LIMITED

6) Deferred Taxation

	<u>1996</u>	<u>1995</u>
	£'000	£'000
At beginning of year	472	340
Charged during the year	<u>87</u>	<u>132</u>
At end of year	<u>559</u>	<u>472</u>

The deferred tax provision represents corporation tax that will become payable on receipt of funds from royalty debtors.

7) Called Up Share Capital

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Authorised: 2,829,796 ordinary shares of £1 each	<u>2,830</u>	<u>2,830</u>
Allotted called up and fully paid 2,829,796 ordinary shares of £1 each	<u>2,830</u>	<u>2,830</u>

8) Reserves

	Share Premium account <u>£'000</u>	Profit & Loss account <u>£'000</u>	Total <u>£'000</u>
At beginning of year	3,624	6,651	10,275
Retained profit for year	<u>-</u>	<u>1,535</u>	<u>1,535</u>
At end of year	<u>3,624</u>	<u>8,186</u>	<u>11,810</u>

Ordinary shares are entitled to one vote each.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd..)

9) Cash Flow Statement

A cash flow statement is not presented as the company is a member of a group, whose ultimate holding company, Grand Metropolitan plc, includes a group cash flow statement in its financial statements.

10) Contingent Liabilities

There are no contingent liabilities at 30 September, 1996 (1995- £Nil).

11) Ultimate Holding Company

The company is a wholly-owned subsidiary of International Distillers and Vintners Limited and its ultimate holding company is Grand Metropolitan PLC, a company incorporated in Great Britain and registered in England and Wales. The group accounts of the holding company are available from their registered office at 8 Henrietta Place, London W1M 9AG.