

GRAND METROPOLITAN INVESTMENTS LIMITED

FINANCIAL STATEMENTS

30 September 1994

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 1994.

Activities

The company is an investment holding company.

Financial

The directors do not recommend the payment of a dividend (1993 - Nil).

The profit for the year transferred to reserves was £455,718,000 (1993 - £16,783,000).

Directors

The directors who served during the year were as follows:

G M N Corbett	-	appointed 8 August 1994
P E B Cawdron		
R H Myddelton		
D P Nash	-	resigned 8 August 1994
N C Rose		

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 PLC:

Ordinary Shares of 25p Each

	At end of year	At beginning of year
R H Myddelton	21,849	21,203
N C Rose	NIL	NIL

DIRECTORS' REPORT (continued)**Options**

	At Beginning of Year	Granted During Year	Exercised During Year	At End of Year
R H Myddelton	187,208	108,034	73,964	221,278
N C Rose	92,081	68,975	NIL	161,056

The directors held the above options under Grand Metropolitan Public Limited Company share option schemes, at prices between 243p and 474p per share exercisable by 2004.

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.

Post balance sheet event

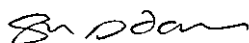
On 17 January 1995, the authorised capital of the company was increased from £100 to £1 billion by the creation of 649,999,900 ordinary shares of £1 each and 350 million cumulative redeemable preference shares of £1 each. On 14 February 1995, 350 million ordinary shares of £1 were reclassified as cumulative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

Auditors

On 6 February 1995, our auditors changed the name under which they practise to KPMG and accordingly signed their report in their new name. 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 1994.

By order of the Board



S M Adams
Secretary

20 St James's Square
London SW1Y 4RR

25 July 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 12, 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.

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

We have audited the financial statements on pages 5 to 12.

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 1994 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG****Chartered Accountants****Registered Auditors****London**

25 July 1995

PROFIT AND LOSS ACCOUNT**For the year ended 30 September 1994**

	Notes	1994 £000's	1993 £000's
Foreign exchange profits(losses)		(13,493)	-
Dividends receivable from group undertakings		725,605	268,218
Interest receivable	2	36,725	18,618
Interest payable	3	(419,400)	(393,895)
Other income / (charges)		(3)	1
Profit/(loss) on ordinary activities before taxation	4	329,434	(107,058)
Tax on profit/(loss) on ordinary activities	5	126,284	123,841
Transferred to reserves		<u>455,718</u>	<u>16,783</u>

Movement in Reserves

Reserves at beginning of year	61,529	44,746
Profit for the year	<u>455,718</u>	<u>16,783</u>
Reserves at end of year	<u>517,247</u>	<u>61,529</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 1994

	Notes	1994 £000's	1993 £000's
Fixed Assets			
Investments	6	3,193,251	3,362,030
Current Assets			
Debtors	7	1,727,034	994,010
Creditors - amounts falling due within one year:	8	(1,158,757)	(961,178)
		<hr/>	<hr/>
Net Current Assets		568,277	32,832
		<hr/>	<hr/>
Total assets less current liabilities		3,761,528	3,394,862
Creditors - amounts falling due after more than one year	9	(3,244,281)	(3,333,333)
		<hr/>	<hr/>
		517,247	61,529
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	-	-
Reserves			
Profit and loss account	11	517,247	61,529
		<hr/>	<hr/>
		517,247	61,529
		<hr/>	<hr/>

The financial statements on pages 5 to 12 were approved by the Board of Directors on 25 July 1995 and signed on its behalf by:

G M N Corbett
Director



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

Assets and liabilities denominated in foreign currencies, including foreign equity investments financed by foreign currency borrowings, are translated into sterling at the balance sheet exchange rates.

All exchange gains and losses are taken to the profit and loss account.

NOTES (continued)**2 Interest receivable**

	1994 £000's	1993 £000's
Loans to group undertakings	36,719	18,612
Listed investments	6	6
	<u>36,725</u>	<u>18,618</u>

3 Interest payable

	1994 £000's	1993 £000's
On bank loans, overdrafts and other loans repayable wholly within five years.	82,869	61,206
On all other loans	336,531	332,689
	<u>419,400</u>	<u>393,895</u>

Included in the above is interest payable to group undertakings of £419,400,000 (1993 - £393,895,000).

4 Profit/(loss) 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 (1993 - nil). The auditors' remuneration was borne by the ultimate holding company. Gains and losses arising on translation of assets and liabilities denominated in foreign currencies were £13,493,000 (1993 - nil).

5 Tax on loss on ordinary activities

	1994 £000's	1993 £000's
UK corporation tax credit at 33%	126,284	123,841
	<u>126,284</u>	<u>123,841</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.

NOTES (continued)

6 Fixed assets - investments

	External Investment £000's	Shares in subsidiary undertakings £000's	Shares in Other Investments £'000's	Total £000's
Cost/valuation at beginning of year	57	3,341,873	20,100	3,362,030
Exchange adjustment	-	(168,775)	-	(168,775)
Movement in market value	(4)	-	-	(4)
Cost/valuation at end of year	<u>53</u>	<u>3,173,098</u>	<u>20,100</u>	<u>3,193,251</u>

(i) External investments comprise:

	1994 £000's	1993 £000's
Listed on London Stock Exchange	<u>53</u>	<u>57</u>
	<u>53</u>	<u>57</u>
Market value of listed investments	<u>53</u>	<u>57</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.

NOTES (continued)

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 Cappel Securities Limited) - a dormant company.

7 Debtors

	1994 £000's	1993 £000's
Due from subsidiary undertakings	1,159,073	427,765
Due from holding company and fellow subsidiary undertakings	567,943	566,229
Other debtors	18	16
	<u>1,727,034</u>	<u>994,010</u>

8 Creditors - amounts falling due within one year

	1994 £000's	1993 £000's
Due to holding company and fellow subsidiary undertakings	792,950	689,232
Due to subsidiary undertakings	365,807	271,946
	<u>1,158,757</u>	<u>961,178</u>

NOTES (continued)**9 Creditors - amounts falling due after more than one year**

	1994 £000's	1993 £000's
Due to holding company and fellow subsidiary undertaking	<u>3,244,281</u>	<u>3,333,333</u>

Amounts due to a fellow subsidiary undertaking are drawn under a facility which expires in 2004, and are at a fixed rate of 10%.

10 Called up share capital

	1994 £	1993 £
Authorised: 100 shares of £1 each	<u>100</u>	<u>100</u>
Allotted and called up: 2 shares of £1 each fully paid	<u>2</u>	<u>2</u>

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

11 Reserves

	Profit and Loss Account £000's
At 30 September 1993	61,529
Retained profit for year	<u>455,718</u>
At 30 September 1994	<u>517,247</u>

NOTES (continued)**12 Reconciliation of movements in shareholders' funds**

	1994 £000's	1993 £000's
Profit for financial year	455,718	16,783
Net additions to shareholders' funds	455,718	16,783
Shareholders' funds at beginning of year	61,529	44,746
Shareholders' funds at end of year	517,247	61,529

13 Post balance sheet event

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 were reclassified as cumulative redeemable preference shares.

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14 Cash flow statement

A cash flow 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.