

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2003**

**Registered Number: 291848**



## **GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

**Year ended 30 June 2003**

### **DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2003.

#### **Activities**

The principal activity of the company is that of an investment holding company owning subsidiaries which hold assets in the global alcoholic drink and food sectors. The directors foresee no changes in the nature of the company's activities.

#### **Share Capital**

On 12 December 2002, the company approved the transfer of 2,759,144,945 ordinary shares of 25 pence each in the company from Diageo plc to Diageo Holdings Limited (formerly Roslou Limited), a wholly owned subsidiary of Diageo plc.

#### **Financial**

The results for the year ended 30 June 2003 are shown on page 8. Dividends of £nil (2002 - £3,350m) were paid during the year. The directors do not recommend the payment of a final dividend (2002 - £nil).

After deducting total dividends of £nil (2002 - £3,350m) the profit for the year transferred to reserves was £112m (2002 - £1,615m loss transferred from reserves).

#### **Directors**

The directors who held office during the year were as follows:

P S Binning  
M J Lester (appointed 31 January 2003)  
N C Rose  
P S Walsh  
J W Walters  
R J Moore (resigned 31 January 2003)  
A Williams (resigned 18 April 2003)

P S Binning resigned as a director of the company on 3 October 2003 and R Rajagopal was appointed as a director of the company on that date.

#### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2002 - £nil).

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

Year ended 30 June 2003

**DIRECTORS' REPORT (continued)****Directors' interests**

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.

At 30 June 2003, N C Rose and P S Walsh were directors of the parent company, Diageo plc. Details of their beneficial interests in the shares of Diageo plc are shown in the Diageo Annual Report 2003, copies of which are available from 8 Henrietta Place, London W1G 0NB.

The other directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28<sup>101</sup>/<sub>108</sub> pence each in the ultimate parent company, Diageo plc:

**(i) Ordinary shares and conditional rights to ordinary shares**

|                    | <b>Ordinary shares</b>                        |                | <b>Conditional rights to ordinary shares</b>  |                 |                 |                |                |
|--------------------|---|----------------|---|-----------------|-----------------|----------------|----------------|
|                    | At beginning of year (or date of appointment) | At end of year | At beginning of year (or date of appointment) | Granted in year | Vested in year  | Lapsed in year | At end of year |
| <b>P S Binning</b> | <b>25,693</b>                                 | <b>39,146</b>  | <b>79,405</b>                                 | <b>16,518</b>   | <b>(16,971)</b> | <b>(1,911)</b> | <b>77,041</b>  |
| <b>J W Walters</b> | <b>26,376</b>                                 | <b>31,452</b>  | <b>42,744</b>                                 | <b>24,526</b>   | -               | -              | <b>67,270</b>  |
| <b>M J Lester</b>  | <b>15,459</b>                                 | <b>15,803</b>  | <b>10,563</b>                                 | -               | -               | -              | <b>10,563</b>  |

The directors were granted conditional rights to receive ordinary shares or ADSs (one ADS is equivalent to four ordinary shares) or, exceptionally, a cash sum under certain long term incentive plans. Any conditional rights to ADSs are shown in the table as ordinary share equivalents. The conditional rights to ordinary shares or ADSs are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

**(ii) Options**

|                    | <b>Options over ordinary shares</b>           |                 |                       |                |
|--------------------|---|-----------------|-----------------------|----------------|
|                    | At beginning of year (or date of appointment) | Granted in year | Exercised during year | At end of year |
| <b>P S Binning</b> | <b>163,705</b>                                | <b>60,679</b>   | <b>(1,513)</b>        | <b>222,871</b> |
| <b>J W Walters</b> | <b>230,588</b>                                | <b>70,492</b>   | -                     | <b>301,080</b> |
| <b>M J Lester</b>  | <b>116,587</b>                                | -               | -                     | <b>116,587</b> |

## **GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

**Year ended 30 June 2003**

### **DIRECTORS' REPORT (continued)**

#### **Directors' interests (continued)**

The directors held the above options under Diageo plc share option schemes at prices between 447p and 863p per ordinary share exercisable between 2003 and 2012 for UK grants and at prices between US\$29.38 and US\$47.31 per ADS exercisable between 2003 and 2012 for US grants. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). The ADS option holdings in the table are stated as ordinary share equivalents. The options are granted at market value on the date the option is granted and the option price is payable when the option is exercised.

Options granted under the Senior Executive Share Option Plan ('SESOP') may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to grants of options to date under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the ultimate holding company, Diageo plc.

The mid-market share price of Diageo plc shares fluctuated between 582 pence and 851 pence per share during the year. The mid-market share price on 30 June 2003 was 647 pence.

At 30 June 2003, P S Binning and M J Lester each had an interest in 20,744,545 shares and 6,605,055 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes; P S Binning had an additional interest in 6,177,180 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes; and J W Walters had an interest in 23,287,316 shares and 413,940 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes and an interest in 144,098 shares and 502,360 shares subject to call options held by a trust to satisfy grants made under ex-GrandMet incentive plans and savings related share option schemes.

#### **Supplier payment policy**

Given the international nature of the group's operations, there is no group standard in respect of payments of suppliers. Operating companies are responsible for agreeing terms and conditions for their business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts were appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

Credit days have not been calculated for the company, as the company had no trade creditors at 30 June 2003. The company's invoices for goods and services are settled by fellow subsidiary undertakings acting as agents for the company.

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

**Year ended 30 June 2003**

**DIRECTORS' REPORT (continued)**

**Secretary**

R H Myddelton resigned as secretary of the company on 31 March 2003 and S M Bunn was appointed as secretary of the company on that date.

**Auditor**

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution for its re-appointment as auditor of the company will be submitted to the Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'S M Bunn', written in a cursive style.

S M Bunn  
Secretary  
8 Henrietta Place  
London  
W1G 0NB

29 January 2004

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF  
FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the independent auditor's report set out on page 7, 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 at the end of the financial year and of the profit or loss for the financial year.

The directors, in preparing these financial statements, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed and that it is appropriate to prepare the financial statements on the 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

We have audited the financial statements on pages 8 to 21.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, auditing standards generally accepted in the United Kingdom and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit 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 affairs of the company as at 30 June 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London  
29 January 2004

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY****Year ended 30 June 2003****PROFIT AND LOSS ACCOUNT**

|   |              | <b>Year ended<br/>30 June 2003</b> | <b>Year ended<br/>30 June 2002</b> |
|---|--------------|------------------------------------|------------------------------------|
|   | <b>Notes</b> | <b>£m</b>                          | <b>£m</b>                          |
| Operating costs   | 3,4          | <u>(15)</u>                        | <u>(40)</u>                        |
| <b>Operating loss</b>   |              | <b>(15)</b>                        | <b>(40)</b>                        |
| Loss on sale of operations - Pillsbury (UK) Limited<br>(a 100% subsidiary)          |              | -                                  | (7)                                |
| Provision against investments in subsidiary<br>undertakings                         |              | -                                  | (17)                               |
| Income from fixed asset investments   | 5            | -                                  | 1,552                              |
| Interest receivable   | 6            | 185                                | 309                                |
| Interest payable to subsidiary undertaking (Grand<br>Metropolitan Holdings Limited) |              | <u>(57)</u>                        | <u>(56)</u>                        |
| <b>Profit on ordinary activities before taxation</b>                                |              | <b>113</b>                         | <b>1,741</b>                       |
| Taxation on profit on ordinary activities   | 7            | <u>(1)</u>                         | <u>(6)</u>                         |
| <b>Profit for the year</b>  |              | <b>112</b>                         | <b>1,735</b>                       |
| Dividends paid  |              | <u>-</u>                           | <u>(3,350)</u>                     |
| <b>Profit/(loss) for the financial year transferred to/<br/>(from) reserves</b>     | 16           | <b><u>112</u></b>                  | <b><u>(1,615)</u></b>              |

The notes on pages 10 to 21 form part of these financial statements.

There are no recognised gains or losses other than the profit/(loss) for the years and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements.

There is no difference between the profit/(loss) for the years shown in the profit and loss account and the profit/(loss) for the relevant years restated on an historical cost basis.



**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

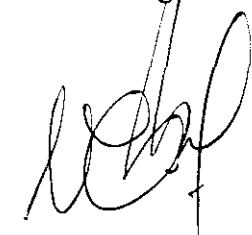
Year ended 30 June 2003

**BALANCE SHEET**

|   | Notes | 30 June 2003   |               | 30 June 2002   |               |
|---|-------|----------------|---------------|----------------|---------------|
|   |       | £m             | £m            | £m             | £m            |
| <b>Fixed assets</b>                             |       |                |               |                |               |
| Tangible assets                                 | 8     | 9              |               | 1              |               |
| Investments                                     | 9     | <u>10,878</u>  |               | <u>10,872</u>  |               |
|   |       |                | 10,887        |                | 10,873        |
| <b>Current assets</b>                           |       |                |               |                |               |
| Debtors – due within one year                   | 10    | 4,418          |               | 3,905          |               |
| Debtors – due after more than one year          | 10    | 13             |               | 425            |               |
| Cash at bank and in hand                        | 11    | <u>2</u>       |               | <u>27</u>      |               |
|   |       | 4,433          |               | 4,357          |               |
| <b>Current liabilities</b>                      |       |                |               |                |               |
| Creditors – due within one year                 | 13    | <u>(4,303)</u> |               | <u>(4,310)</u> |               |
| <b>Net current assets/(liabilities)</b>         |       |                | <u>130</u>    |                | <u>47</u>     |
| <b>Total assets less current liabilities</b>    |       |                | 11,017        |                | 10,920        |
| <b>Creditors – due after more than one year</b> | 13    |                | -             |                | (14)          |
| <b>Provisions for liabilities and charges</b>   | 14    |                | <u>(21)</u>   |                | <u>(22)</u>   |
|   |       |                | <u>10,996</u> |                | <u>10,884</u> |
| <b>Capital and reserves</b>                     |       |                |               |                |               |
| <b>Capital</b>                                  |       |                |               |                |               |
| Share capital                                   | 15    |                | 690           |                | 690           |
| <b>Reserves</b>                                 |       |                |               |                |               |
| Share premium account                           | 16    | 9,070          |               | 9,070          |               |
| Other reserves                                  | 16    | 530            |               | 530            |               |
| Profit and loss account                         | 16    | <u>706</u>     |               | <u>594</u>     |               |
| Reserves attributable to equity shareholders    |       |                | <u>10,306</u> |                | <u>10,194</u> |
|   |       |                | <u>10,996</u> |                | <u>10,884</u> |

The notes on pages 10 to 21 form part of these financial statements.

The financial statements on pages 8 to 21 were approved by the board of directors on 29 January 2004 and signed on its behalf by:



N C Rose,  
Director

# **GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

**Year ended 30 June 2003**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting policies**

#### **Basis of preparation**

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

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are part of the Diageo plc group or investees of the Diageo plc group.

The company is exempt from the requirement to prepare group accounts under section 228 of the Companies Act 1985 as its results are included in the consolidated accounts of Diageo plc.

#### **Tangible fixed assets**

Fixed assets are depreciated on a straight line basis to estimated residual values over their expected useful lives within the following ranges:

Fixtures and fittings 5 to 10 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

#### **Fixed asset investments**

Income from fixed asset investments is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for diminution in values where such diminution is expected by the directors to be permanent.

#### **Leases**

Operating lease payments and receipts are taken to the profit and loss account on a straight line basis over the life of the lease.

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**1. Accounting policies (continued)**

**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 or, if hedged forward, at the rate of exchange under the related forward currency contract.

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

**Pensions and other post employment benefits**

The former employees of the company are members of a group scheme managed by Diageo plc. The cost of providing pensions and other post employment benefits was charged against profits on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension or other plans are treated as assets in the balance sheet. Deferred taxation is accounted for on these assets and liabilities. Particulars of the valuations of the group schemes are contained in the financial statements of Diageo plc. Unfunded post employment medical benefit liabilities are included in provisions in the balance sheet.

**Deferred taxation**

Full provision for deferred tax is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, using current tax rates. The company does not discount these balances.

**2. New accounting standard**

The financial statements comply, to the extent detailed below, with the following new Financial Reporting Standard issued by the UK Accounting Standards Board.

**FRS 17 – Retirement benefits.** This standard replaces the use of actuarial values for assets in a pension scheme in favour of a market-based approach. In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, interest cost and expected return on assets. The difference between expected and actual returns and changes in actuarial assumptions are reflected in the statement of total recognised gains and losses.

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. New accounting standard (continued)**

The assets and liabilities of the Diageo UK pension fund cannot be separately identified or attributed to Grand Metropolitan Public Limited Company. The disclosures required by FRS 17 for the Diageo UK pension fund are included in the consolidated financial statements of Diageo plc which are publicly available. Diageo plc has continued to account for pensions and other post employment benefits in accordance with SSAP 24 but has complied with the transitional disclosure requirements of FRS 17 in its consolidated financial statements and will adopt this standard in its primary financial statements from 1 July 2003.

**3. Operating costs**

|                                  | <b>2003</b> | <b>2002</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>£m</b>   | <b>£m</b>   |
| Other external charges           | 15          | 31          |
| Foreign exchange loss/(gain)     | 6           | (3)         |
| Wages and salaries               | -           | 16          |
| Employer's social security costs | -           | 2           |
| Depreciation                     | 1           | -           |
| Other operating income           | <u>(7)</u>  | <u>(6)</u>  |
|                                  | <u>15</u>   | <u>40</u>   |

Since 1 July 2002, the company has not been recharged employee costs from Diageo plc (see note 4 below). The remuneration of the company's former employees and of the auditor was paid on behalf of the company by a fellow group undertaking. The directors have not received any remuneration during the year or the prior year for their services as directors of the company.

Operating costs include operating lease rentals of £2m (2002 - £3m).

**4. Cost sharing agreement with Diageo plc**

From 1 July 1998 Diageo employees carried out certain functions on behalf of and under the direction of the company ('Grandmet') and Grandmet used certain assets and property belonging to Diageo in the performance of its activities. Grandmet agreed with Diageo to share the costs of such employees, assets and property belonging to Diageo. However, since 1 July 2002, Grandmet has not been involved in any activities that have required Grandmet to share in the use and cost of Diageo's resources, including employees, assets and property. Therefore, with effect from 1 July 2002, no costs incurred by Diageo have been re-charged to Grandmet.

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

Year ended 30 June 2003

**NOTES TO THE FINANCIAL STATEMENTS (continued)****5. Income from fixed asset investments**

|  | <b>2003</b> | <b>2002</b>  |
|--|-------------|--------------|
|  | <b>£m</b>   | <b>£m</b>    |
| <b>Dividend income from subsidiary undertakings:</b> |             |              |
| Diageo Great Britain Limited                         | -           | 1,300        |
| A.G.S Insurance Company Limited                      | -           | 2            |
| Grand Metropolitan Capital Company Limited           | -           | 250          |
|  | <u>-</u>    | <u>1,552</u> |

**6. Interest receivable**

|   | <b>2003</b> | <b>2002</b> |
|---|-------------|-------------|
|   | <b>£m</b>   | <b>£m</b>   |
| <b>Interest receivable from subsidiary undertakings:</b>  |             |             |
| Diageo Great Britain Limited                              | 33          | 34          |
| Grand Metropolitan Estates Limited                        | -           | 39          |
| <b>Interest receivable from other group undertakings:</b> |             |             |
| Diageo plc  | 5           | -           |
| Diageo Finance plc  | 11          | 24          |
| Grand Metropolitan Estate Holdings Limited                | 3           | 9           |
| Diageo Investment Corporation                             | 37          | 92          |
| Grand Metropolitan International Holdings Limited         | 57          | 108         |
| Diageo Holdings Netherlands B.V.                          | <u>37</u>   | <u>1</u>    |
|   | 183         | 307         |
| <b>External interest receivable</b>                       | <u>2</u>    | <u>2</u>    |
|   | <u>185</u>  | <u>309</u>  |

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

Year ended 30 June 2003

**NOTES TO THE FINANCIAL STATEMENTS (continued)****7. Taxation on profit on ordinary activities**

|  | 2003<br>£m        | 2002<br>£m        |
|--|-------------------|-------------------|
| <b>(i) Analysis of taxation charge in the year</b>             |                   |                   |
| <b>Current tax</b>   |                   |                   |
| UK corporation tax on profits for the year                     | -                 | -                 |
| <b>Deferred tax</b>  |                   |                   |
| Adjustment in respect of prior periods                         | <u>(1)</u>        | <u>(6)</u>        |
| Taxation on profit on ordinary activities                      | <u><u>(1)</u></u> | <u><u>(6)</u></u> |
| <b>(ii) Factors affecting current tax charge for the year</b>  |                   |                   |
| Profit on ordinary activities before taxation                  | <u>113</u>        | <u>1,741</u>      |
| Notional charge at UK corporation tax rate of 30% (2002 – 30%) | 34                | 522               |
| Expenses not deductible for tax purposes                       | 1                 | -                 |
| Income from UK investments not taxable                         | -                 | (458)             |
| Group relief for nil consideration                             | <u>(35)</u>       | <u>(64)</u>       |
| Current ordinary tax charge for the year                       | <u><u>-</u></u>   | <u><u>-</u></u>   |

**8. Tangible assets**

|                                  | <b>Fixtures and<br/>fittings<br/>£m</b> |
|----------------------------------|---|
| <b>Cost:</b>                     |   |
| At beginning of the year         | 13                                      |
| Additions                        | <u>9</u>                                |
| At end of the year               | <u><u>22</u></u>                        |
| <b>Depreciation:</b>             |   |
| At beginning of the year         | (12)                                    |
| Depreciation charge for the year | <u>(1)</u>                              |
| At end of the year               | <u><u>(13)</u></u>                      |
| <b>Net book value:</b>           |   |
| At beginning of the year         | <u>1</u>                                |
| At end of the year               | <u><u>9</u></u>                         |

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY****Year ended 30 June 2003****NOTES TO THE FINANCIAL STATEMENTS (continued)****9. Fixed assets - investments**

|   | <b>Shares in<br/>Diageo plc<br/>£m</b> | <b>Subsidiary<br/>undertakings<br/>£m</b> | <b>Other<br/>investments<br/>£m</b> | <b>Total<br/>£m</b> |
|---|--|---|-------------------------------------|---------------------|
| <b>Cost:</b>                              |  |   |                                     |                     |
| At beginning of the year<br>(as restated) | 1                                      | 10,920                                    | 2                                   | 10,923              |
| Additions                                 | <u>-</u>                               | <u>1</u>                                  | <u>1</u>                            | <u>2</u>            |
| At end of the year                        | <u>1</u>                               | <u>10,921</u>                             | <u>3</u>                            | <u>10,925</u>       |
| <b>Provision:</b>                         |  |   |                                     |                     |
| At beginning of the year<br>(as restated) | -                                      | (51)                                      | -                                   | (51)                |
| Movement in the year                      | <u>-</u>                               | <u>5</u>                                  | <u>(1)</u>                          | <u>4</u>            |
| At end of the year                        | <u>-</u>                               | <u>(46)</u>                               | <u>(1)</u>                          | <u>(47)</u>         |
| <b>Net book value:</b>                    |  |   |                                     |                     |
| At beginning of the year                  | <u>1</u>                               | <u>10,869</u>                             | <u>2</u>                            | <u>10,872</u>       |
| At end of the year                        | <u>1</u>                               | <u>10,875</u>                             | <u>2</u>                            | <u>10,878</u>       |

Cost and provision at the beginning of the year in the table above have been restated (in each case a reduction of £149 million) to reflect the transfer, in the year ended 30 June 2002, by the company of its investment in BurgerKing Limited to Diageo Nederland B.V., an indirect subsidiary. The restatement has no effect on the net book value at the beginning of the year.

Included within fixed asset investments is the company's interest of 160,626 (2002 - 172,626) ordinary shares in Diageo plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. These shares are held by share trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. At 30 June 2003 Diageo plc's mid-market share price was 647p valuing the company's interest at £1m (2002 - £1m).

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

Year ended 30 June 2003

**NOTES TO THE FINANCIAL STATEMENTS (continued)****9. Fixed assets – investments (continued)**

The principal subsidiary and associated undertakings and the percentage of equity owned are as follows:

| <b>Subsidiary undertakings*</b>  | <b>Country of incorporation</b> | <b>Principal activity</b>                                 | <b>Percentage of ordinary shares held</b> |
|--|---------------------------------|---|---|
| Diageo Ireland   | Ireland                         | Production, marketing and distribution of premium drinks. | 100                                       |
| Diageo Scotland Limited (formerly Guinness United Distillers & Vintners Scotland Limited)  | Scotland                        | Production, marketing and distribution of premium drinks. | 100                                       |
| Diageo Great Britain Limited (formerly Guinness United Distillers & Vintners Limited)  | England                         | Production, marketing and distribution of premium drinks. | 100                                       |
| Diageo Brands B.V. (formerly Guinness United Distillers & Vintners B.V.)   | Netherlands                     | Production, marketing and distribution of premium drinks. | 100                                       |
| Guinness United Distillers & Vintners Amsterdam B.V. (merged into Diageo Brands B.V. (formerly Guinness United Distillers & Vintners B.V.) on 28 January 2004) | Netherlands                     | Production, marketing and distribution of premium drinks. | 100                                       |
| Diageo North America, Inc.   | United States                   | Production, importing and marketing of premium drinks.    | 100                                       |
| Joseph E Seagram & Sons, Inc. (merged into Diageo North America, Inc. on 16 December 2002)   | United States                   | Production, marketing and distribution of premium drinks. | 100                                       |
| Burger King Corporation (disposed of on 13 December 2002)  | United States                   | Quick service restaurants.                                | 100                                       |
| Diageo Investment Corporation  | United States                   | Financing company for US group companies.                 | 100                                       |



**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**9. Fixed assets – investments (continued)**

**Associated undertakings\***

|                     |               |  |    |
|---------------------|---------------|--|----|
| Moët Hennessy, SNC  | France        | Production and distribution of premium drinks.       | 34 |
| General Mills, Inc. | United States | Manufacture and marketing of consumer food products. | 21 |

\* None of the subsidiary or associated undertakings are directly owned by Grand Metropolitan Public Limited Company with the exception of Diageo Great Britain Limited.

All percentages relate to holdings of ordinary share capital.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary and associated undertakings are worth at least the amount at which they are stated in the financial statements.

Certain undertakings have been omitted from the lists above as they are either dormant or are not considered to be material.

**10. Debtors**

|  | <b>2003</b>                |                                     | <b>2002</b>                |                                     |
|--|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|  | <b>Due within one year</b> | <b>Due after more than one year</b> | <b>Due within one year</b> | <b>Due after more than one year</b> |
|  | <b>£m</b>                  | <b>£m</b>                           | <b>£m</b>                  | <b>£m</b>                           |
| Amounts owed by subsidiary undertakings  | 316                        | -                                   | 273                        | -                                   |
| Amounts owed by other group undertakings | 4,100                      | -                                   | 3,629                      | 412                                 |
| Other debtors                            | 2                          | -                                   | 3                          | -                                   |
| Pension prepayments                      | -                          | 13                                  | -                          | 13                                  |
|  | <u>4,418</u>               | <u>13</u>                           | <u>3,905</u>               | <u>425</u>                          |

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. Cash at bank and in hand**

The company has entered into a joint and several guarantee with certain other Diageo plc UK subsidiary undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool.

**12. Deferred taxation**

|  | <b>2003</b> | <b>2002</b> |
|--|-------------|-------------|
|  | <b>£m</b>   | <b>£m</b>   |
| Pension prepayments                            | (4)         | (4)         |
| Provisions                                     | 1           | 1           |
| Other timing differences                       | <u>1</u>    | <u>2</u>    |
| Deferred tax provision (see note 14)           | <u>(2)</u>  | <u>(1)</u>  |
| <br>(Provision)/asset at beginning of the year | <br>(1)     | <br>5       |
| Profit and loss account                        | <u>(1)</u>  | <u>(6)</u>  |
| Provision at end of the year                   | <u>(2)</u>  | <u>(1)</u>  |

**13. Creditors**

|  | <b>2003</b>                |                           | <b>2002</b>                |                           |
|--|----------------------------|---------------------------|----------------------------|---------------------------|
|  | <b>Due within one year</b> | <b>Due after one year</b> | <b>Due within one year</b> | <b>Due after one year</b> |
|  | <b>£m</b>                  | <b>£m</b>                 | <b>£m</b>                  | <b>£m</b>                 |
| Amounts owed to subsidiary undertakings  | (1,665)                    | -                         | (1,607)                    | -                         |
| Amounts owed to other group undertakings | (2,636)                    | -                         | (2,697)                    | (14)                      |
| Other creditors and taxation             | (2)                        | -                         | (4)                        | -                         |
| Accruals and deferred income             | <u>-</u>                   | <u>-</u>                  | <u>(2)</u>                 | <u>-</u>                  |
|  | <u>(4,303)</u>             | <u>-</u>                  | <u>(4,310)</u>             | <u>(14)</u>               |

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**14. Provisions for liabilities and charges**

|                          | (a) Post<br>employment<br>medical<br>£m | (b) Deferred<br>taxation<br>£m | (c) Vacant<br>property<br>£m | Total<br>£m |
|--------------------------|---|--------------------------------|------------------------------|-------------|
| At beginning of the year | (3)                                     | (1)                            | (18)                         | (22)        |
| Profit and loss movement | -                                       | (1)                            | 3                            | 2           |
| Utilised                 | <u>-</u>                                | <u>-</u>                       | <u>(1)</u>                   | <u>(1)</u>  |
| At end of the year       | <u>(3)</u>                              | <u>(2)</u>                     | <u>(16)</u>                  | <u>(21)</u> |

Provisions at 30 June 2003 comprise:

- (a) The post employment medical provision of £3m (2002 - £3m) is generally long term and the timing of its utilisation is not known.
- (b) Deferred taxation provision - see note 12.
- (c) The vacant property provision of £16m (2002 - £18m) represents the estimated discounted rental shortfall in respect of vacant properties. This provision is based on the estimated discounted rental shortfall over the terms of the leases.

**15. Share capital**

|  | 2003<br>£m | 2002<br>£m |
|--|------------|------------|
| <b>Authorised:</b>                         |            |            |
| 3,000,000,000 ordinary shares of 25p each  | <u>750</u> | <u>750</u> |
| <b>Allotted, called up and fully paid:</b> |            |            |
| 2,759,144,946 ordinary shares of 25p each  | <u>690</u> | <u>690</u> |

**16. Reserves**

|                          | Share<br>premium<br>£m | Other<br>reserves<br>£m | Profit and<br>loss<br>account<br>£m | Total<br>£m   |
|--------------------------|------------------------|-------------------------|-------------------------------------|---------------|
| At beginning of the year | 9,070                  | 530                     | 594                                 | 10,194        |
| Profit for the year      | <u>-</u>               | <u>-</u>                | <u>112</u>                          | <u>112</u>    |
| At end of the year       | <u>9,070</u>           | <u>530</u>              | <u>706</u>                          | <u>10,306</u> |

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**

Year ended 30 June 2003

**NOTES TO THE FINANCIAL STATEMENTS (continued)****16. Reserves (continued)**

Other reserves comprise a merger reserve of £62m, a special reserve of £426m, a preference share redemption reserve of £12m, and an other reserve of £30m. The merger reserve of £62m arose in 1992 on the issue of shares at a premium in connection with an acquisition. The special reserve was created, with shareholder and court approval, in 1988 by a transfer from the share premium account. The other reserve of £30m was created in 1998, with shareholder and court approval, following the cancellation and reissue of the company's shares to Diageo plc. This reserve is distributable on agreement from all of the creditors of the company which were existing at the date of the scheme of agreement, or until such time that these creditors cease to exist.

**17. Movement in shareholders' funds**

|                          | 2003          | 2002          |
|--------------------------|---------------|---------------|
|                          | £m            | £m            |
| At beginning of the year | 10,884        | 12,499        |
| Profit for the year      | 112           | 1,735         |
| Dividends paid           | -             | (3,350)       |
| At end of the year       | <u>10,996</u> | <u>10,884</u> |

**18. Commitments**

At 30 June 2003, the company had minimum annual commitments under non-cancellable operating leases as follows:

|                                | 2003      | 2002      |
|--------------------------------|-----------|-----------|
|                                | £m        | £m        |
| Operating leases which expire: |           |           |
| Within one to five years       | -         | 2         |
| After five years               | <u>10</u> | <u>10</u> |
|                                | <u>10</u> | <u>12</u> |

**19. Contingent liabilities**

The company has guaranteed certain borrowings, liabilities and commitments of subsidiaries which amounted to £1,638m, £9m and £nil, respectively (2002: £1,702m, £9m and £1m respectively).

**GRAND METROPOLITAN PUBLIC LIMITED COMPANY**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**20. Immediate and ultimate parent undertaking**

The immediate parent undertaking of the company is Diageo Holdings Limited (formerly Roslou Limited), a company incorporated and registered in England. The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2003, can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.