

BurgerKing (Holdings) Limited

Directors' report and financial
statements

Registered number 376107

30 June 2000



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Directors' report

The directors present their annual report together with the audited financial statements for the year ended 30 June 2000.

Principal activities and review of developments

The company continues to hold its investment in BurgerKing Limited, a company that trades as a restaurateur under the Burger King Franchise.

Financial

The directors do not recommend the payment of dividend (1999: £nil).

Directors and directors' interests

The directors during the year were as follows:

PEA Kinnersly
 E Feeney
 E Bonnot (appointed 26 June 2000)

No director 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.

The directors, who held office at the end of the financial year had the following beneficial interest in the ordinary shares of 28 101/108p each in the ultimate parent company, Diageo plc:

(i) Conditional rights to ordinary shares

	At 1 July 1999	Granted in year	Vested in year	Lapsed in year	At 30 June 2000
PEA Kinnersly					
TSR	8,200	-	-	-	8,200
Restricted share plan	5,000	-	(2,800)	(2,200)	-
E Feeney					
TSR	4,700	-	-	-	4,700

The directors were granted conditional rights to receive ordinary shares or exceptionally, a cash sum under certain long term incentive plans (The Grand Metropolitan Restricted Share Plan ('GrandMet RSP') and the Total Shareholder Return Plan ('TSR')). The GrandMet RSP vested during the year and the directors received 56% of their conditional rights to ordinary shares. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company Diageo plc, copies of which are available to the public from the address disclosed in note 8.

Directors' report (continued)

Directors and directors' interests (continued)

(ii) Options

Date of grant	Balance at 1 July 1999	Granted in year	Exercised in year	Balance at 30 June 2000	Option Price	Date from which exercisable	Expiry date
PEA Kinnersly							
<i>Executive share option scheme</i>							
13 June 1995	15,000	-	-	15,000	402p	13 June 1998	13 June 2005
20 December 1999	-	8,418	-	8,418	518p	20 December 2002	20 December 2009
<i>Ordinary share save scheme</i>							
1 September 1995	1,098	-	-	1,098	314p	1 September 2000	1 March 2001
1 December 1998	1,300	-	-	1,300	447p	1 December 2001	1 June 2002
E Feeney							
<i>Executive share option scheme</i>							
20 December 1999	-	4,810	-	4,810	518p	20 December 2002	20 December 2009
<i>Ordinary share save scheme</i>							
1 December 1998	433	-	-	433	447p	1 December 2001	1 June 2002

The directors held the above options under Diageo plc share option schemes. The conditions for the exercise of options are disclosed in the annual report of the ultimate holding company, Diageo plc. The options are granted at market value on the date of the option is granted and the option price is payable when the option is exercised.

The mid-market share price of Diageo plc shares fluctuated between 384p and 696.5p during the year. The mid-market share price on 30 June 2000 was 593p.

Company secretary

The company secretary who served during the year was as follows:

L Mitchell

Political and charitable contributions

The company made no political or charitable contributions during the year (1999: £nil).

Directors' report *(continued)*

Auditor

The directors appointed KPMG Audit Plc as auditors of the company in 1996. Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditor annually and KPMG Audit Plc will therefore continue in office.

By order of the board



L Mitchell

Secretary

Edinburgh Park
5 Lochside Way
Edinburgh
EH12 9DT

8 January 2001

Statement of directors' responsibilities

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 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 of the company for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 10, 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditor to the members of BurgerKing (Holdings) Limited

We have audited the financial statements on pages 6 to 10.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board 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. 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 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 June 2000 and of its result 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

8 January 2001

Profit and loss account

for the year ended 30 June 2000

During the financial year and the preceding financial year, the company did not trade and received no income and incurred no expenditure. Consequently, during those years, the company made neither a profit nor a loss and there were no other recognised gains or losses.

Accordingly, neither a profit and loss account, a statement of recognised gains and losses, a note of historical cost profits and losses nor a reconciliation of movements in shareholders' funds has been presented.

Balance sheet

at 30 June 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investments	3	45,070	45,070
Current assets			
Debtors	4	10,001	10,001
Net assets		<u>55,071</u>	<u>55,071</u>
Capital and reserves			
Called up share capital	5	63,057	63,057
Capital reserve	6	27	27
Profit and loss account	6	(8,013)	(8,013)
Equity		<u>36,117</u>	<u>36,117</u>
Non-equity		18,954	18,954
		<u>55,071</u>	<u>55,071</u>

These financial statements were approved by the board of directors on 8 January 2001 and were signed on its behalf by:



E Feeney
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention. They have been drawn up to comply with applicable accounting standards. Group accounts are not presented as the company is a wholly owned subsidiary of a company incorporated in the United Kingdom.

The company is a wholly owned subsidiary undertaking of Diageo plc, a company registered in England, which presents group accounts including a group cashflow statement, thus the company is exempt from preparing such a statement by virtue of the provisions in Financial Reporting Standard 1 (Revised 1996).

2 Remuneration of directors

The directors received no emoluments for their services to the company for the year (1999: £nil).

Details relating to directors' interests in shares of the ultimate parent company can be found in the directors' report.

3 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of year	63,037
	<hr/>
<i>Provision</i>	
At 1 July 1999	17,967
Charged to profit and loss in the year	-
	<hr/>
At 30 June 2000	17,967
	<hr/>
<i>Net book value</i>	
At 30 June 2000	45,070
	<hr/>
At 1 July 1999	45,070
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The directors have reviewed the carrying values of the investments in fellow subsidiaries and have made a provision of £17,967,000 against cost. The directors are of the opinion that each subsidiary is worth at least the amount at which it is stated in the financial statements.

Notes (continued)

3 Fixed asset investments (continued)

	Country of incorporation	Percentage owned
BurgerKing (UK) Limited	England	100% Ordinary shares
Jus-rol Limited (formerly Pillsbury (UK) Limited)	England	100% Ordinary shares
Haagen Dazs (UK) Limited	England	100% Ordinary shares

BurgerKing (UK) Limited acts as an investment holding company for a restaurateur trading under the Burger King Franchise.

The other companies are currently dormant.

4 Debtors

	2000 £000	1999 £000
Amounts owed by fellow subsidiary undertakings	10,001	10,001

5 Called up share capital

	2000 Number	Allotted, called up and fully paid £000	1999 Number	£000
Ordinary shares of £1 each	44,102,669	44,103	44,102,669	44,103
Redeemable preference shares of £1 each	18,953,882	18,954	18,953,882	18,954
	<u>63,056,551</u>	<u>63,057</u>	<u>63,056,551</u>	<u>63,057</u>

The authorised share capital of the company is £91,770,000 (1999: £91,770,000), being made up of 44,770,000 £1 ordinary shares and 47,000,000 £1 redeemable preference shares.

The redeemable preference shares are redeemable at the option of the company.

6 Reserves

	Capital reserves £000	Profit and loss account £000
At beginning and end of year	27	(8,013)

Notes (continued)

7 Related party disclosures

The ultimate controlling party is Diageo plc.

The exemption from disclosing transactions with fellow subsidiary undertakings 90 per cent or more or whose voting rights are controlled within the Diageo plc group has been invoked.

8 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate holding company is Diageo plc, a company incorporated and registered in England and Wales. The group accounts prepared by Diageo plc are available from 8 Henrietta Place, London, W1M 9AG, United Kingdom.

9 Cash flow statement

The company has not prepared a statement of cash flows as a statement has been included in the financial statements of its ultimate holding company, Diageo plc. Thus the company is exempt from preparing a statement under the provisions of Financial Reporting Standard 1 (Revised 1996).

10 Post balance sheet events

On 16 July 2000 the ultimate holding company, Diageo plc entered into an agreement to sell the Pillsbury Company (an indirect subsidiary of the company) to General Mills Inc for consideration up to \$5.1 billion (£3.4 billion) and an approximate 33% equity stake in General Mills. The transaction is expected to be completed in January 2001 but is subject to regulatory review and the approval of Diageo plc's and General Mills Inc's shareholders.