

BurgerKing (Holdings) Limited

Directors' report and financial statements

30 June 1998

Registered number 376107



Directors' report and financial statements

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Directors' report

The directors present their annual report together with the audited financial statements for the nine months ended 30 June 1998. On 17 December 1997 Grand Metropolitan Public Limited Company merged with Guinness PLC to form Diageo plc, as a result of which, Diageo plc, became the ultimate parent of the company.

Principal activities and review of developments

No significant developments have occurred during the period. The company continues to hold its investment in BurgerKing (UK) Limited.

Financial

The financial period end of the company has been changed to 30 June from 30 September and the results for the period shown on page 6 are for the nine months from 1 October 1997 to 30 June 1998.

The directors do not recommend the payment of a dividend (1997: nil).

Directors

The directors during the period were as follows:

PEA Kinnersly	
S Lawson	(resigned 15 May 1998)
E Feeney	(appointed 8 May 1998)
P Symonds	

No director had any interest in the share capital of the company at any time during the period.

The directors, had options to subscribe for shares in Diageo plc as shown below:

Date of grant	Balance at 1 October 1997	Granted in year	Exercised in year	Balance at 30 June 1998	Exercise price	Expiry exercised date
<i>PEA Kinnersly</i>						
<i>Executive share</i>						
<i>option scheme</i>						
23 June 1993	15,000	-	15,000	-	422p	23 June 2003
27 June 1994	14,000	-	14,000	-	391p	27 June 1998
13 June 1997	15,000	-	-	15,000	402p	13 June 2000
12 June 1997	18,000	-	18,000	-	429p	12 June 2001
<i>Restricted share plan</i>						
1 January 1997	5,000	-	-	5,000	-	1 January 2002
<i>P Symonds</i>						
<i>Restricted share plan</i>						
1 January 1997	5,000	-	-	5,000	-	1 January 2002

Directors' report *(continued)*

Directors *(continued)*

During 1998 the shareholders of Diageo plc approved the introduction of a restricted share plan. Under this scheme shares are awarded to executives which are only released to them provided a performance requirement is met at the end of a predetermined performance period. At 30 June 1998, the mid-market price of the company's shares was 711p and the range during the year was 762½p to 430p.

The conditions for the exercise of options and the performance requirements for the restricted share plan are disclosed in the accounts of the ultimate holding company, Diageo plc, which are available to the public from the address disclosed in note 9.

In addition to the above, PEA Kinnersly has 3,593 options under the ordinary share save scheme that have expiry dates between 1 September 1998 and 1 September 2000 and have exercise prices in the range 353p to 314p.

Company secretary

The company secretaries who served during the period were:

J Hilton-Johnson	(resigned 31 December 1998)
L Mitchell	(appointed 31 December 1998)

Political and charitable contributions

The company made no political or charitable contributions during the period (1997: Nil).

Year 2000 issues

In the opinion of the directors, there are no risks or uncertainties associated with the Year 2000 problem due to the limited nature of the company's activities.

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

Charter Place
Vine Street
Uxbridge
Middlesex
UB8 1BZ

27 April 1999

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 11, 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 group 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.



KPMG Audit Plc

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

We have audited the financial statements on pages 6 to 11.

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 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 1998 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 April 1999

Profit and loss account

for the year ended 30 June 1998

	<i>Note</i>	1998 £000	1997 £000
Amounts written off investments	3	-	-
Profit on ordinary activities before taxation		-	-
Tax on loss on ordinary activities		-	-
Retained profit for the financial period		-	-

The profit and loss account relates wholly to continuing activities.

A statement of movements on reserves is given in note 6.

There are no recognised gains or losses.

Balance sheet

at 30 June 1998

	Note	1998		1997	
		£000	£000	£000	£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		<u>18,954</u>		<u>18,954</u>	
			<u>55,071</u>		<u>55,071</u>

These financial statements were approved by the board of directors on 27th April 1999 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 exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts.

2 Remuneration of directors

The directors received no emoluments for their services to the company for the period (1997:£nil).

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

Notes *(continued)*

3 Fixed asset investments

	Shares in group undertakings £000
Cost	
At beginning and end of period	63,037
Provision	
At 1 October 1997	17,967
Charged to profit and loss in the period	-
At 30 June 1998	17,967
Net book value	
At 30 June 1998	45,070
At 1 October 1997	45,070

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.

The subsidiary investments of the company at 30 June 1998 comprised of holdings in the share capital of the following companies as specified below:

	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.

Notes (continued)

4 Debtors

	1998 £000	1997 £000
Amounts owed by fellow subsidiary undertakings	10,001	10,001

5 Called up share capital

	Allotted, called up and fully paid			
	1998 Number	£000	1997 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 (1997: £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 period	27	(8,013)

Notes (continued)

7 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Profit for the financial period	-	-
Net additions to shareholders' funds	-	-
Shareholders' funds at beginning of period	55,071	55,071
Shareholders' funds at end of period	55,071	55,071

8 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.

9 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.

10 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.