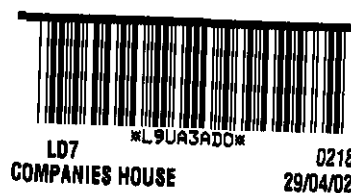


# **GRANDMET FOODS (UK) LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2001**

**Registered in England No. 472217**



## **GRANDMET FOODS (UK) LIMITED**

### **DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the twelve months ended 30 June 2001.

#### **Activities**

The company's principal activity is as the parent holding company of the majority of the companies comprising Diageo plc's food sector in the United Kingdom.

#### **Euro**

The directors do not anticipate that there will be any implications on the activities of the company on the introduction of the Euro. There are no costs associated with the introduction of the Euro. A statement explaining the impact of the introduction of the Euro, and the programme put in place to deal with this along with associated costs, for the Diageo group is disclosed in the annual report of the ultimate parent undertaking, Diageo plc.

#### **Financial**

The results for the period shown on page 7 are for the twelve months from 1 July 2000 to 30 June 2001.

#### **Directors**

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

Mr J Summerlin (resigned 4/6/01)  
Mr R J Gardner  
Mr R H Myddelton (appointed 4/6/01)

#### **Emoluments**

The directors did not receive any remuneration during the period in respect of their services as directors of the company (2000:£nil).

#### **Directors' Interests**

The directors had no interest beneficial or non-beneficial in the share capital of the company or had a material interest during the period in any significant contract with the company.

The directors who held office at the end of the financial period had the following beneficial interests in the shares of the ultimate parent company, Diageo plc:-

## GRANDMET FOODS (UK) LIMITED

## DIRECTORS' REPORT (continued)

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

Director's Name	Ordinary Shares		Conditional Rights to Ordinary Shares				
	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
Roger Gardner	3,086	7,051	1,800	NIL	(580)	(370)	850
Roger Myddelton	33,411	33,411	41,287	6,919	(11,318)	(7,206)	29,682

The directors were granted conditional rights to receive ordinary shares, or exceptionally, a cash sum under certain long term incentive plans, the Share Incentive Plan and the Total Shareholder Return Plan. 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.

## (ii) Options

Director's Name	Options Over Ordinary Shares			
	At beginning of year (or date of appointment)	Granted during the year	Exercised during the year	At end of year
Roger Gardner	31,181	Nil	(22,549)	8,632
Roger Myddelton	144,898	Nil	Nil	144,898

The directors held the above options under Diageo plc share option schemes at prices between 314p and 587p per ordinary share exercisable by 13 September 2010. 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.

The mid-market share price of Diageo plc shares fluctuated between 560p and 792p per share during the year. The mid-market share price on 30 June 2001 was 780p.

## GRANDMET FOODS (UK) LIMITED

### DIRECTORS' REPORT (continued)

At 30 June 2001, RH Myddelton had an interest in 46,480 shares and 2,077,419 shares subject to call options, held by trusts to satisfy grants made under ex-Grandmet incentive plans. Also at that date, R J Gardner had an interest in 20,315,535 shares and 4,074,020 shares subject to call options, and R H Myddelton had an interest in 9,831,421 shares, held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

#### Insurance

During the period the company maintained liability insurance for the officers of the company and its subsidiary undertakings.

#### **Auditor**

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditor of the company.

By order of the board



R J Gardner  
Secretary  
Harman House  
1 George Street,  
Uxbridge  
Middlesex, UB8 1QQ

24 APRIL 2002

## **GRANDMET FOODS (UK) LIMITED**

### **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 6, 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 period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

The directors in preparing the financial statements on pages 7 to 13 consider that, 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.

*R H Myddelton*  
*Director*

*24 April 2002.*

**GRANDMET FOODS (UK) LIMITED****INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRANDMET FOODS (UK) LIMITED**

We have audited the financial statements on pages 7 to 13.

**Respective responsibilities of directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 5 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. Our 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 2001 and of its loss 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 April 2002

**GRANDMET FOODS (UK) LIMITED****PROFIT AND LOSS ACCOUNT**

For year ended 30 June 2001

		12 months ended 30 June 2001 £'000	12 months ended 30 June 2000 £'000
	Notes		
Interest (payable)/receivable and similar income	4	(8,642)	<u>2,583</u>
<b>Profit on ordinary activities before taxation</b>		(8,642)	2,583
Tax (charge)/credit on profit on ordinary activities	5	(466)	<u>443</u>
<b>(Loss)/Profit on ordinary activities after taxation</b>		(9,108)	3,026
Preference dividend	6	(1,932)	<u>(1,449)</u>
<b>(Loss)/Profit for the financial period transferred to reserves</b>	11	<u>(11,040)</u>	<u>1,577</u>

There are no recognised gains and losses other than the profit for the financial period 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 for the period and the historical profit for the period and consequently no note of historical cost profits has been presented as part of the financial statements.

**GRANDMET FOODS (UK) LIMITED****BALANCE SHEET**

As at 30 June 2001

	Notes	30 June 2001		30 June 2000	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	7		328,976		328,976
<b>Current assets</b>					
Debtors	8	265		49,204	
<b>Creditors</b> – amounts falling due within one year	9	(291,915)		(329,814)	
<b>Net current liabilities</b>			(291,650)		(280,610)
<b>Total net assets</b>			<u>37,326</u>		<u>48,366</u>
<b>Capital and reserves</b>					
Called up share capital					
- equity		1,000		1,000	
- non equity		<u>42,000</u>		<u>42,000</u>	
	10		43,000		43,000
Share premium account		105		105	
Other reserves		1,900		1,900	
Profit and loss account		<u>(7,679)</u>		<u>3,361</u>	
	11		(5,674)		<u>5,366</u>
<b>Total shareholders' funds</b>			<u>37,326</u>		<u>48,366</u>

The financial statements on pages 7 to 13 were approved by the Board of Directors on  
24 April 2002 and signed on its behalf by:

  
 .....  
**R H Myddelton**  
**Director**



**GRANDMET FOODS (UK) LIMITED****NOTES (Forming part of 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 bases used are consistent with those used in the previous period. The company has not presented group financial statements by virtue of section 228 of the Companies Act 1985.

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.

***Investments***

Investments are valued individually at the lower of cost and net realisable value. All investments are unlisted and the net realisable value is estimated by the directors.

***Deferred Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of short term timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

**GRANDMET FOODS (UK) LIMITED****NOTES (Forming part of the financial statements)****2. Auditors**

Auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

**3. Directors emoluments**

No director has been paid any remuneration during the period, or previous period, for his services as a director of the company.

The directors were remunerated for their services either as directors or senior executives of Diageo plc or Pillsbury U.K. Limited and, where appropriate, those emoluments are disclosed in the financial statements of these companies.

**4. Interest (payable) receivable and similar income**

	12 months ended 30 June 2001 £'000	12 months ended 30 June 2000 £'000
Interest (payable)/receivable from group undertakings	<u>(8,642)</u>	<u>2,583</u>

**5. Tax on profit on ordinary activities**

	12 months ended 30 June 2001 £'000	12 months ended 30 June 2000 £'000
UK corporation tax charge at 30 % (2000 – 30) on the profit for the period on ordinary activities	(466)	-
Prior year adjustment	<u>-</u> <u>(466)</u>	<u>443</u> <u>443</u>

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. From 1 July 1999 the company has agreed to change its policy from paying/charging for group relief so that group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit for the year ended 30 June 2001. The prior year adjustment principally results from a reassessment of group relief in respect to earlier periods.

## GRANDMET FOODS (UK) LIMITED

## 6. Dividends

	12 months ended 30 June 2001 £'000	12 months ended 30 June 2000 £'000
Preference share dividend	<u>(1,932)</u>	<u>(1,449)</u>

## 7. Fixed asset investments

	Subsidiary undertakings £'000
Shares	
At cost at beginning and end of period	378,300
Provision at beginning and end of period	<u>(49,324)</u>
Net book value at beginning and end of period	<u>328,976</u>

The company's principal subsidiary undertakings are as follows:

<u>Subsidiary Undertakings</u>	<u>Country of Registration</u>	<u>Principal activity</u>	<u>Class and no. of shares held</u>	
Express Foods Group (International) Limited	England	Investment Company	800,000	Ordinary stock units of 25p each – 100% directly owned
			52,918,181	'A' ordinary stock units of 25p each – 100% directly owned
			200,000	6% cumulative preference stock of £1 each – 100% directly owned
			507,110	6% 'A' cumulative preference stock £1 each - 100% directly owned
			100,000	7% cumulative preference stock of £1 each - 100% directly owned
			902,601	7% 'A' cumulative preference stock of £1 each - 100% directly owned
East Walls (1997) Limited	England	Investment Company	4,164,865	Ordinary shares of £1 each - 100% directly owned
Precis (1057) Limited	England	Investment Company	190,500,000	Ordinary shares of £1 each - 100% directly owned

**GRANDMET FOODS (UK) LIMITED****NOTES (continued)**

In the opinion of the directors of the company, the aggregate value of the shares of the subsidiary undertakings is not less than the aggregate of the amounts at which the investments are stated in the balance sheet. A full list of subsidiaries, all of which are consolidated, will be included in the company's next annual return.

**8. Debtors**

	30 June 2001 £'000	30 June 2000 £'000
Amounts owed by group undertakings	-	49,204
Corporation Tax Receivable	<u>265</u>	<u>-</u>
	<u>265</u>	<u>49,204</u>

**9. Creditors - amounts falling due within one year**

	30 June 2001 £'000	30 June 2000 £'000
Amounts owed to group undertakings:-		
Fellow subsidiary undertakings	<u>291,915</u>	<u>329,814</u>
	<u>291,915</u>	<u>329,814</u>

**10. Share capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>			
	30 June 2001 No.	30 June 2000 No.	30 June 2001 No.	30 June 2001 £'000	30 June 2000 No.	30 June 2000 £'000
Ordinary shares 25p each	<u>6,000,000</u>	<u>6,000,000</u>	<u>4,000,000</u>	<u>1,000</u>	<u>4,000,000</u>	<u>1,000</u>
5.75% fixed rate non- redeemable preference shares £50 each	<u>840,000</u>	<u>840,000</u>	<u>840,000</u>	<u>42,000</u>	<u>840,000</u>	<u>42,000</u>
Total equity share capital				1,000		1,000
Total non equity share capital				42,000		42,000
				<u>43,000</u>		<u>43,000</u>

**GRANDMET FOODS (UK) LIMITED****NOTES (continued)****11. Reconciliation of movements in total shareholders' funds**

	At beginning of period £'000	Retained loss for period £'000	At end of period £'000
Share capital	43,000	-	43,000
Share premium account	105	-	105
Other reserves	1,900	-	1,900
Profit & loss account	<u>3,361</u>	<u>(11,040)</u>	<u>(7,679)</u>
Total	<u>48,366</u>	<u>(11,040)</u>	<u>37,326</u>

**12. Immediate and ultimate parent undertaking**

The immediate parent undertaking is Grand Metropolitan Public Limited Company a company registered in England.

The ultimate parent undertaking of the Company as at 30 June 2001 was Diageo plc.

Diageo plc is a company incorporated and registered in England and its accounting period end is 30 June. The consolidated accounts for Diageo plc for the twelve month period ended 30 June 2001, can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.