

Grand Metropolitan Estates (Developments) Limited

FINANCIAL STATEMENTS

30 JUNE 2000

Company Registration No. 694994



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2000.

Activities

The company continues to identify and be involved in the sale of development sites within the property portfolio of the Diageo group. The directors foresee no changes in the company's activities.

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 for Grand Metropolitan Estates (Developments) Limited. 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 shown on page 8 are for the year ended 30 June 2000.

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

The profit for the period retained in the company is £6,683,000 (1999 -£411,000).

Directors

The directors who served during the year were as follows:

P S Binning
S M Bunn
D C Carter
J J Corbett
R H Myddelton
M D Peters

Subsequent to year end, J J Corbett and M D Peters resigned as directors on 10 November 2000.

Emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (1999 -£nil).

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.

The directors who held office at the end of the financial year had the following beneficial interests in ordinary shares of 28 ¹⁰¹/₁₀₈ pence of the ultimate parent company Diageo plc:-

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
P S Binning	6,720	14,381	30,200	38,113	5,880	(4,620)	63,693
S M Bunn	2,061	682	4,650	0	0	0	4,650
D C Carter	0	2,389	14,100	0	(2,856)	(2,244)	9,000
J J Corbett	3,859	3,121	7,250	0	(2,800)	(2,200)	2,250
R H Myddelton	19,519	22,780	53,449	5,919	10,125	(7,956)	51,412
M D Peters	4,744	6,957	4,650	0	0	0	4,650

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'), the Share Incentive Plan 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. P S Binning and R H Myddelton did not have their shares released until September 2000, these are shown under the "vested in year" column above. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

DIRECTORS' REPORT (continued)

(ii) Options

	At beginning of year	Granted in year	Exercised in year	At end of year	Exercised	
					Option price (pence)	Market price (pence)
P S Binning	4,121	41,023	0	45,144	-	-
S M Bunn	4,021	5,032	(977)	8,076	353	635
D C Carter	59,500	11,045	0	70,545	-	-
J J Corbett	59,803	3,978	0	63,781	-	-
R H Myddelton	204,354	33,808	(1,954)	236,208	353	635
M D Peters	12,730	5,824	(961) (550)	17,043	359 354	438

The directors held the above options under Diageo plc share option schemes at prices between 314p and 518p per ordinary share exercisable by 2009. 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 384p and 696.5p during the year. The mid-market share price on 30 June 2000 was 593p.

At 30 June 2000, P S Binning, D C Carter, J J Corbett and R H Myddelton had an interest in 159,475 shares and 8,551,299 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; and the directors had an interest in 22,068,050 shares and 2,296,087 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

A new Diageo plc Senior Executive Share Option Plan ('SESOP') was introduced with effect from 1 January 2000. The combined benefits provided under the TSR and the SESOP are expected to be the same as those previously provided under the TSR. Options granted under the SESOP may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to the first grant of options 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 parent company, Diageo plc.

DIRECTORS' REPORT (continued)

Options granted during the year for P S Binning and R H Myddelton are principally options granted under the Diageo plc Senior Executive Share Option Plan, which are subject to performance conditions, as detailed above.

Secretary

M D Peters resigned as secretary on 10 November 2000 and S M Bunn was appointed in his stead.



S M Bunn
Secretary

8 Henrietta Place, London, W1G 0NB
25 April 2001

**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, 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 of the company for the financial period.

The directors, in preparing the financial statements on pages 7 to 12 consider that, 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 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.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF GRAND METROPOLITAN ESTATES (DEVELOPMENTS) LIMITED**

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of directors and auditors

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 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 the company's affairs as at 30 June 2000 and of its profit 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
26 April 2001
London

ACCOUNTING POLICIES

Basis of preparation

The financial statements 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.

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.

Turnover

Turnover represents the net invoice value of goods and services to third parties. It includes rents and royalties receivable but excludes value added tax.

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Turnover	1	9,298	-
Operating costs	2	(3,602)	3
Operating profit		5,696	3
Interest receivable		576	590
Profit on ordinary activities before taxation		6,272	593
Tax on profit on ordinary activities	3	411	(182)
Transferred to reserves		6,683	411

The notes on pages 10, 11 and 12 form part of these financial statements.

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

BALANCE SHEET

	Notes	<u>30 June 2000</u> £'000	<u>30 June 1999</u> £'000
Fixed assets			
Investment	4	-	-
Current assets			
Stocks	5	-	3,425
Debtors - due within one year	6	23,639	17,681
Cash at bank and in hand	7	11,320	7,443
		<u>34,959</u>	<u>28,549</u>
Creditors - due within one year			
Other creditors	8	(31,788)	(32,061)
		<u>(31,788)</u>	<u>(32,061)</u>
Net assets / (liabilities)		<u>3,171</u>	<u>(3,512)</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		3,171	(3,512)
Shareholders' funds / (deficit)		<u>3,171</u>	<u>(3,512)</u>

The notes on pages 10, 11 and 12 form part of these financial statements.

The financial statements on pages 7 to 12 were approved by the board of directors on 25 April 2001 and signed on its behalf by:


RH Myddelton
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Analysis of turnover and profit before taxation

The turnover and profit before taxation are attributable to one class of business, that of the purchase and sale of development sites, all of which is carried out in the United Kingdom.

2. Operating costs

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Decrease in stocks of finished goods and work in progress	3,425	-
Other operating costs	177	(3)
	<u>3,602</u>	<u>(3)</u>

3. Tax on profit on ordinary activities

	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
UK corporation tax payable at 30% (1999 – 30.75%) on the profits of the year	-	(182)
Adjustment to prior years taxation charges	411	-
	<u>411</u>	<u>(182)</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 a credit for the year ended 30 June 2000. The prior year adjustment principally results from a reassessment of group relief in respect of earlier periods.

4. Fixed assets - investment

The fixed asset investment comprises shares in a subsidiary acquired for a cost of £3,000 (1999: £3,000), which has been fully provided for.

The subsidiary undertaking and the percentage of equity owned are as follows:

<u>Subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Class and percentage of shares held</u>
Metropolitan In Town Limited	England & Wales	Property development	100% ordinary shares

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Stocks

	<u>30 June 2000</u> £000	<u>30 June 1999</u> £000
Development properties	-	<u>3,425</u>

Stocks are stated at the lower of cost and net book value.

6. Debtors: amounts falling due within one year

	<u>30 June 2000</u> £000	<u>30 June 1999</u> £000
Amounts owed by group undertakings	17,688	17,670
Other debtors	5,951	11
	<u>23,639</u>	<u>17,681</u>

7. 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.

8. Creditors: amounts falling due within one year

	<u>30 June 2000</u> £000	<u>30 June 1999</u> £000
Amounts owed to group undertakings	31,657	31,656
Corporate taxation	-	398
Other creditors	131	7
	<u>31,788</u>	<u>32,061</u>

9. Share capital

	<u>30 June 2000</u> £	<u>30 June 1999</u> £
Authorised, allotted, called up and fully paid		
Equity - 100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Movements in shareholders' funds

	<u>Profit and loss account</u> £'000
At 1 July 1999	(3,512)
Retained profit for the year	6,683
At 30 June 2000	<u><u>3,171</u></u>

11. Immediate and ultimate parent undertaking

The company's immediate parent company is Grand Metropolitan Estates Limited, a company incorporated and registered in England. The company's ultimate parent company is Diageo plc, a company incorporated and registered in England.

The consolidated accounts of Diageo plc for the year ended 30 June 2000, can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.