

**Grand Metropolitan Capital Company Limited**

**FINANCIAL STATEMENTS**

**30 June 2001**

Registered Number: 3249862



# **Grand Metropolitan Capital Company Limited**

## **DIRECTORS' REPORT**

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

### **Activities**

The company is an investment holding company. The directors foresee no material changes in the nature of the company's activities.

### **Euro**

The directors do not anticipate that there will be any implications on the activities of the company following the introduction of the euro. There are no costs associated with the introduction of the euro for Grand Metropolitan Capital Company 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 for the year ended 30 June 2001 are shown on page 7.

The directors do not recommend the payment of a dividend (2000: *£nil*).

After deducting total ordinary dividends of *£nil* (2000: *£nil*) the profit for the year transferred to reserves is £31,754,000 (2000: £56,540,000).

### **Directors**

The directors who served during the year were as follows:

|               |                             |
|---------------|-----------------------------|
| S M Bunn      |                             |
| I S Cray      | (resigned 12 January 2001)  |
| R J Moore     | (appointed 15 January 2001) |
| R H Myddelton |                             |
| M D Peters    | (resigned 10 November 2000) |
| J Walters     |                             |

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as director of the company (2000: *£nil*).

## Grand Metropolitan Capital Company Limited

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

#### **Directors' interests**

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.

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

(i) Ordinary shares and conditional rights to ordinary shares

|               | 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 |
| S M Bunn      | 682   | 1,790          | 4,650   | 0               | (1,374)        | (876)          | 2,400          |
| R J Moore     | 0   | 0              | 16,568  | 0               | 0              | 0              | 16,568         |
| R H Myddelton | 22,780  | 33,411         | 51,412  | 6,919           | (21,443)       | (7,206)        | 29,682         |
| J Walters     | 0   | 3,016          | 24,000  | 15,184          | (8,064)        | (5,136)        | 25,984         |

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, the Share Incentive Plan and the Total Shareholder Return Plan ('TSR'). 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. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

|               | At beginning of year (or date of appointment) | Granted during the year | Exercised during the year | At end of year |
|---------------|---|-------------------------|---------------------------|----------------|
| S M Bunn      | 8,076   | 9,824                   | (1,098)                   | 16,802         |
| R J Moore     | 0   | 71,464                  | 0                         | 71,464         |
| R H Myddelton | 236,208                                       | 30,829                  | (122,139)                 | 144,898        |
| J Walters     | 78,928  | 82,656                  | 0                         | 161,584        |

The directors held the above options under Diageo plc share option schemes at prices between 402p and 710p per ordinary share for UK options and US\$29.38 and US\$41.98 per ADS for US options, exercisable between 2010 and 2011. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). Any ADS options are shown in the table

## **Grand Metropolitan Capital Company Limited**

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 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 ultimate holding company, Diageo plc.

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

At 30 June 2001 all the directors 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. In addition: S M Bunn had an interest in 10,484,114 shares and 4,074,020 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes; J Walters had an interest in 154,100 shares and 2,017,451 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes; R J Moore and J Walters had an interest in 13,875,306 shares and 589,850 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes; and R H Myddelton had an interest in 46,480 shares and 2,077,419 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

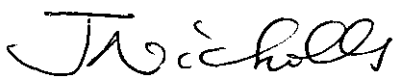
### **Secretary**

S M Bunn resigned as Secretary on 15 March 2002 and was replaced by J Nicholls.

### **Auditors**

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

By Order of the Board



J Nicholls  
Secretary

24 April 2002

8 Henrietta Place  
London  
W1G ONB

## **Grand Metropolitan Capital Company Limited**

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

The following statement, which should be read in conjunction with the report of the auditor, 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 as at the end of the financial year and of the profit of the company for the financial year.

The directors, in preparing the financial statements on pages 6 to 12, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, that all accounting standards which 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 as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Grand Metropolitan Capital Company Limited**

### **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GRAND METROPOLITAN CAPITAL COMPANY LIMITED**

We have audited the financial statements on pages 6 to 12.

#### **Respective responsibilities of directors and auditors**

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 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 the company's affairs as at 30 June 2001 and of its profit for the year ended 30 June 2001 and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
24 April 2002  
Chartered Accountants

Registered Auditors

## **Grand Metropolitan Capital Company Limited**

### **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.

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. These financial statements present information about Grand Metropolitan Capital Company Limited as an individual undertaking and not about its group.

#### **Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

#### **Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

# Grand Metropolitan Capital Company Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2001

|   | Notes | Year ended<br>30 June 2001<br>£'000 | Year ended<br>30 June 2000<br>£'000 |
|---|-------|-------------------------------------|-------------------------------------|
| Income from group undertakings                        | 1     | 20,176                              | 31,300                              |
| Income from other investments                         | 7     | 17,975                              | 10,332                              |
| <b>Profit on ordinary activities before taxation</b>  |       | <b>38,151</b>                       | <b>41,632</b>                       |
| Taxation on profit on ordinary activities             | 4     | (6,397)                             | 14,908                              |
| <b>Profit for the financial period after taxation</b> |       | <b>31,754</b>                       | <b>56,540</b>                       |
| Equity dividends paid                                 |       | -                                   | -                                   |
| <b>Transferred to reserves</b>                        | 11    | <b>31,754</b>                       | <b>56,540</b>                       |

The results in the above profit and loss account relate entirely to continuing operations.

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 cost profit for the year and consequently no note of historical cost profits has been presented as part of the financial statements.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 30 June 2001

|  |    | Year ended<br>30 June 2001<br>£'000 | Year ended<br>30 June 2000<br>£'000 |
|--|----|-------------------------------------|-------------------------------------|
| Profit for the financial year                |    | 31,754                              | 56,540                              |
| Equity dividends paid                        |    | -                                   | -                                   |
| Net addition to shareholders' funds          | 11 | 31,754                              | 56,540                              |
| Shareholders' funds at beginning of the year |    | 3,273,452                           | 3,216,912                           |
| Shareholders' funds at end of the year       |    | 3,305,206                           | 3,273,452                           |



# Grand Metropolitan Capital Company Limited

## BALANCE SHEET

As at 30 June 2001

|                                   | Notes | 30 June 2001<br>£'000 | 30 June 2000<br>£'000 |
|-----------------------------------|-------|-----------------------|-----------------------|
| <b>Fixed assets</b>               |       |                       |                       |
| Investments in group undertakings | 5     | 2,561,500             | 2,561,500             |
| Other investments                 | 6     | 300,000               | 300,000               |
|                                   |       | <b>2,861,500</b>      | <b>2,861,500</b>      |
| <b>Current assets</b>             |       |                       |                       |
| Debtors - due within one year     | 8     | 450,103               | 411,952               |
| Creditors - due within one year   | 9     | (6,397)               | -                     |
| <b>Net current assets</b>         |       | <b>443,706</b>        | <b>411,952</b>        |
|                                   |       | <b>3,305,206</b>      | <b>3,273,452</b>      |
| <b>Capital and reserves</b>       |       |                       |                       |
| Called up share capital - equity  | 10    | 3,005,000             | 3,005,000             |
| Profit and loss account           | 11    | 300,206               | 268,452               |
|                                   |       | <b>3,305,206</b>      | <b>3,273,452</b>      |

The financial statements on pages 6 to 12 were approved by the board of directors on 24 April 2002 and were signed on its behalf by:



R J Moore  
Director

# Grand Metropolitan Capital Company Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Income from group undertakings

|   | Year ended<br>30 June 2001<br>£'000 | Year ended<br>30 June 2000<br>£'000 |
|---|-------------------------------------|-------------------------------------|
| Dividends from shares in group undertakings | -                                   | 7,183                               |
| Interest on loans to group undertakings     | 20,176                              | 24,117                              |
|   | 20,176                              | 31,300                              |

### 2 Operating costs

The company has no employees. The auditor's remuneration was borne by a group company.

### 3 Directors' interests

Details of directors' share interests are included in the Directors' Report on page 1.

### 4 Taxation

|                                       | Year ended<br>30 June 2001<br>£'000 | Year ended<br>30 June 2000<br>£'000 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| UK corporation tax at 30% (2000: 30%) | -                                   | -                                   |
| Adjustments in respect of prior years | (6,397)                             | 14,908                              |
|                                       | (6,397)                             | 14,908                              |

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. During the year ended 30 June 2000 the company agreed to change its policy from paying/charging 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 adjustment in respect of prior years principally results from a reassessment of group relief in respect of earlier periods.

# Grand Metropolitan Capital Company Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5 Investments

|                                  | 30 June 2001<br>£'000 | 30 June 2000<br>£'000 |
|----------------------------------|-----------------------|-----------------------|
| <i>Cost and net book value:</i>  |                       |                       |
| At beginning and end of the year | 2,561,500             | 2,561,500             |

The company's principal subsidiaries are:

|  | Class of capital                                  | Total issued<br>capital<br>£'000 | Consideration<br>£'000 | Proportion<br>held |
|--|---|----------------------------------|------------------------|--------------------|
| Grand Metropolitan<br>(Cayman Islands) Limited | Ordinary Shares                                   | 10,000                           | 11,500                 | 100%               |
| Grand Metropolitan<br>(Cayman Islands) Limited | 'A' Cumulative<br>Redeemable<br>Preference Shares | 850,000                          | 850,000                | 100%               |
| Grand Metropolitan<br>(Cayman Islands) Limited | 'B' Cumulative<br>Redeemable<br>Preference Shares | 800,000                          | 800,000                | 100%               |
| Grand Metropolitan<br>(Cayman Islands) Limited | 'C' Cumulative<br>Redeemable<br>Preference Shares | 400,000                          | 400,000                | 100%               |
| Grand Metropolitan<br>(Cayman Islands) Limited | 'D' Cumulative<br>Redeemable<br>Preference Shares | 500,000                          | 500,000                | 100%               |
|  |   | 2,560,000                        | 2,561,500              |                    |

On 25 July 2001, the 'A', 'B', 'C' & 'D' Cumulative Redeemable Preference Shares in Grand Metropolitan (Cayman Islands) Limited were converted one for one into ordinary shares.

### 6 Other Investments

|                   | 30 June 2001<br>£'000 | 30 June 2000<br>£'000 |
|-------------------|-----------------------|-----------------------|
| Preference shares | 300,000               | 300,000               |

On 3 December 1999 Grand Metropolitan Capital Company Limited subscribed for £300,000,000 nominal value 6.0 percent cumulative redeemable preference shares in Felix Limited. The shares are redeemable on 3 December 2002.

### 7 Income from other investments

|                               | 30 June 2001<br>£'000 | 30 June 2000<br>£'000 |
|-------------------------------|-----------------------|-----------------------|
| Income from other investments | 17,975                | 10,332                |

Income from other investments relates to the preference shares in Felix Limited as considered in Note 6 above.

**Grand Metropolitan Capital Company Limited**

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

**8 Debtors - due within one year**

|                                   | 30 June 2001<br>£'000 | 30 June 2000<br>£'000 |
|-----------------------------------|-----------------------|-----------------------|
| Amount owed by group undertakings | 446,545               | 408,398               |
| Other debtors                     | 1,332                 | 1,328                 |
| Corporation tax recoverable       | 2,226                 | 2,226                 |
|                                   | 450,103               | 411,952               |

**9 Creditors – due within one year**

|                                    | 30 June<br>2001<br>£'000 | 30 June<br>2000<br>£'000 |
|------------------------------------|--------------------------|--------------------------|
| Amounts owed to group undertakings | (6,397)                  | -                        |

**10 Share Capital**

|  | 30 June<br>2001<br>£'000 | 30 June<br>2000<br>£'000 |
|--|--------------------------|--------------------------|
| <b>Equity</b>                              |                          |                          |
| <i>Authorised:</i>                         |                          |                          |
| Ordinary shares of £1 each                 | 3,500,000                | 3,500,000                |
| <i>Allotted, called up and fully paid:</i> |                          |                          |
| Ordinary shares of £1 each                 | 3,005,000                | 3,005,000                |

Ordinary shares are entitled to one vote each.

**11 Reserves**

|  | 30 June 2001<br>£'000 | 30 June 2000<br>£'000 |
|--|-----------------------|-----------------------|
| Balance brought forward                | 268,452               | 211,912               |
| Retained profit for the financial year | 31,754                | 56,540                |
| Balance carried forward                | 300,206               | 268,452               |

## **Grand Metropolitan Capital Company Limited**

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

#### **12 Ultimate parent undertaking**

The company is a wholly owned subsidiary of Grand Metropolitan plc (83.4% shareholding) and Justerini & Brooks Limited (16.6% shareholding). Its ultimate holding company as at 30 June 2001 was Diageo plc. Both companies are incorporated and registered in England and have an accounting period end of 30 June.

The consolidated accounts of Diageo plc for the year ended 30 June 2001, can be obtained from the Registered Office at 8 Henrietta Place, London W1G ONB.