

Grand Metropolitan Capital Company Limited

FINANCIAL STATEMENTS

30 June 2002

Registered Number: 3249862



Grand Metropolitan Capital Company Limited
Year ended 30 June 2002

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2002.

Activities

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

Financial

The results for the year ended 30 June 2002 are shown on page 7.

An interim dividend of £300,000,000 has been paid for the year (2001: *£nil*).

The directors do not recommend the payment of a final dividend for the year ended 30 June 2002 (2001: *£nil*) and the deficit for the year transferred from reserves is £266,416,000 (2001: *profit of £31,754,000 transferred to reserves*).

Directors

The directors who served during the year were as follows:

S M Bunn
R J Moore
R H Myddelton
J Walters

R J Moore resigned on 31 January 2003 and P S Binning and M J Lester were appointed directors on that date.

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2001: *£nil*).

Grand Metropolitan Capital Company Limited
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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 <u>Of year</u>	At end <u>of year</u>	At beginning <u>of year</u>	Granted <u>in year</u>	Vested <u>in year</u>	Lapsed <u>in year</u>	At end <u>of year</u>
S M Bunn	1,790	2,853	2,400	-	(1,200)	(1,200)	-
R J Moore	130	130	16,568	14,660	-	-	31,228
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598
J Walters	11,796	26,244	25,984	13,600	(5,400)	(5,400)	28,784

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. 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 <u>of year</u>	Granted during the <u>year</u>	Exercised during the <u>year</u>	At end <u>of year</u>
S M Bunn	16,802	4,417	(433)	20,786
R J Moore	71,464	77,184	-	148,648
R H Myddelton	144,898	27,055	(78,748)	93,205
J Walters	161,584	70,084	-	231,668

The directors held the above options under Diageo plc share option schemes at prices between 456p and 710p per ordinary share for UK options and US\$29.38 and US\$41.98 per ADS for US options, exercisable between 2002 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 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.

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DIRECTORS' REPORT (continued)

Directors' interests (continued)

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 grants of options to date 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.

Options granted to R J Moore, R H Myddelton and J Walters are options granted under the SESOP, which are subject to performance conditions as detailed above.

The mid-market share price of Diageo plc shares fluctuated between 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002 J Walters had an interest in 144,098 shares and 502,360 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; and he and R J Moore both had an interest in 21,928,455 shares and 574,300 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. Also at that date, S M Bunn and R H Myddelton both had an interest in 16,259,763 shares and 6,124,020 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes; and R H Myddelton had an additional interest in 3,763,799 shares 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 J Nicholls.

Auditor

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

By Order of the Board



J Nicholls
Secretary

11 March 2003

8 Henrietta Place
London
W1G 0NB

DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

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

The directors, in preparing the financial statements on pages 6 to 11, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that applicable accounting standards 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.

Grand Metropolitan Capital Company Limited
Year ended 30 June 2002

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAND METROPOLITAN
CAPITAL COMPANY LIMITED**

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

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 auditor, 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 an 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 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

WPA 11/3/03

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London, 11 March 2003

Grand Metropolitan Capital Company Limited
Year ended 30 June 2002

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.

Preference dividends receivable

The preference share dividends receivable are accounted for on an accruals basis, since the entitlement to those dividends is calculated by reference to time.

Taxation

Taxation is calculated based on the results for the year and takes into account deferred taxation. Full provision is now made for all material timing differences. Any potential deferred tax asset is recognised only when, on the basis of all material evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Investments

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

Grand Metropolitan Capital Company Limited
Year ended 30 June 2002

PROFIT AND LOSS ACCOUNT

		Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
	Notes		
Income from group undertakings		15,584	20,176
Income from other investments		18,000	17,975
Profit on ordinary activities before taxation	1	33,584	38,151
Taxation on profit on ordinary activities	3	-	(6,397)
Profit for the financial year after taxation		33,584	31,754
Equity dividends	4	(300,000)	-
Transferred (from)/to reserves		(266,416)	31,754

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

		Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Profit for the financial year	10	33,584	31,754
Equity dividends paid	10	(300,000)	-
Net (reduction)/addition to shareholders' funds		(266,416)	31,754
Shareholders' funds at beginning of the year		3,305,206	3,273,452
Shareholders' funds at end of the year		3,038,790	3,305,206

Grand Metropolitan Capital Company Limited
Year ended 30 June 2002

BALANCE SHEET

	Notes	30 June 2002 £'000	30 June 2001 £'000
Fixed assets			
Investments in group undertakings	5	2,561,500	2,561,500
Other investments	6	300,000	300,000
		2,861,500	2,861,500
Current assets			
Debtors – due within one year	7	185,913	450,103
Creditors – due within one year	8	(8,623)	(6,397)
Net current assets		177,290	443,706
		3,038,790	3,305,206
Capital and reserves			
Called up share capital - equity	9	3,005,000	3,005,000
Profit and loss account	10	33,790	300,206
		3,038,790	3,305,206

The financial statements on pages 6 to 11 were approved by the board of directors on 11 March 2003 and were signed on its behalf by:


P S Binning
Director

Grand Metropolitan Capital Company Limited
Year ended 30 June 2002

NOTES TO THE FINANCIAL STATEMENTS

1 Operating costs

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

2 Directors' interests

Details of directors' share interests are included in the Directors' Report on pages 2 and 3.

3 Taxation

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
UK corporation tax at 30%	-	-
Adjustments in respect of prior years	-	6,397
	-	6,397
	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Reconciliation of current tax charge:		
Profit before taxation	33,584	38,151
Corporation tax at 30%	10,075	11,445
Items not chargeable	(5,400)	(5,392)
Group relief received for nil consideration	(4,675)	(6,053)
Adjustments in respect of prior years	-	6,397
	-	6,397

4 Dividends

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Interim dividend of 9 pence per share (paid 21 June 2002)	300,000	-

Grand Metropolitan Capital Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Investments

	30 June 2002 £'000	30 June 2001 £'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 subsidiary is:

	Class of capital	Total issued capital £'000	Consideration £'000	Proportion held
Grand Metropolitan (Cayman Islands) Limited (incorporated in the Cayman Islands)	Ordinary Shares	2,560,000	2,561,500	100%

On 25 July 2001, the previously held "A", "B", "C" and "D" cumulative redeemable preference shares of Grand Metropolitan (Cayman Islands) Limited (together the "preference shares") were converted one for one into ordinary shares of £1 each ranking pari passu in all respects with the existing ordinary shares of £1 each. On conversion of the preference shares the holders thereof were no longer entitled to nor had any rights in respect of any arrears or accruals of the preferential dividend relating to the preference shares.

6 Other Investments

	30 June 2002 £'000	30 June 2001 £'000
Preference shares	300,000	300,000

On 3 December 1999 the company subscribed for £300,000,000 nominal value 6.0 percent cumulative redeemable preference shares in Felix Limited. The shares were redeemed on 3 December 2002.

7 Debtors - due within one year

	30 June 2002 £'000	30 June 2001 £'000
Amount owed by group undertakings	182,355	446,545
Other debtors	1,332	1,332
Corporation tax recoverable	2,226	2,226
	185,913	450,103

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Creditors - due within one year

	30 June 2002	30 June 2001
	£'000	£'000
Amount owed to group undertakings	8,623	6,397

9 Share Capital

	30 June 2002	30 June 2001
	£'000	£'000
Equity		
<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.

10 Reserves

	30 June	30 June
	2002	2001
	£'000	£'000
Balance brought forward at 1 July 2001	300,206	268,452
Profit for the financial year	33,584	31,754
Equity dividends paid	(300,000)	-
Balance carried forward at 30 June 2002	33,790	300,206

11 Immediate and ultimate parent undertaking

The company is a subsidiary of Grand Metropolitan Public Limited Company (83.4% shareholding) and Justerini & Brooks, Limited (16.6% shareholding). Its ultimate holding company as at 30 June 2002 was Diageo plc. All these companies are incorporated and registered in England.

The consolidated accounts of Diageo plc for the year ended 30 June 2002, can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.