BurgerKing Limited

Directors' report and financial statements

Registered number 31456

30 June 2001

Contents

Directors' report

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

Principal activities

The company trades as a restaurateur under the Burger King franchise and has eighty-one restaurants (2000: seventy-three).

Review of developments

No significant developments have occurred during the year. The company continues its activities of developing new company restaurants and acting on behalf of its parent company to develop the Burger King franchise system in the United Kingdom.

Future developments

The directors do not foresee any changes in the principal activities of the company.

The 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 BurgerKing 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 directors do not recommend the payment of a 9% preference share dividend as the company has insufficient reserves. The company will pay the dividends as soon as sufficient reserves are available. The directors do not recommend the payment of a dividend on the ordinary shares (2000: £nil).

Directors and directors' interests

The directors who served during the year were as follows:

PEA Kinnersly	(resigned 10 September 2001)
E Feeney	(resigned 12 April 2001)
E Bonnot	
H Nouss	(appointed 12 April 2001)

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 emoluments of the directors are detailed in note 3 of these financial statements.

The directors, who held office at the end of the financial year had the following beneficial interest in the ordinary shares of 28 101/108p each in the ultimate parent company, Diageo plc:

(i) Conditional rights to ordinary shares

	At 1 July 2000	Granted in year	Vested in year	Lapsed in year	At 30 June 2001
PEA Kinnersly					
TSR	8,200	-	2,566	1,634	4,000
E Feeney					
TSR	4,700	-	1,649	1,051	2,000
H Nouss					
TSR	9,000	-	2,902	1,848	4,250

Directors' report *(continued)*

Directors and directors' interests *(continued)*

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') and the Total Shareholder Return Plan ('TSR')). 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, copies of which are available to the public from the address disclosed in note 21.

(ii) Options

Date of grant	Balance at 1 July 2000	Granted in year	Exercised in year	Balance at 30 June 2001	Option Price	Date from which exercisable	Expiry date
PEA Kinnersly							
Executive share option scheme							
13 June 1995	15,000	-	-	15,000	402p	13 June 1998	13 June 2005
20 December 1999	8,418	-	-	8,418	518p	20 December 2002	20 December 2009
13 October 2000	-	8,664	-	8,664	631p	13 October 2003	13 October 2010
Ordinary share save Scheme							
1 September 1995	1,098	-	1,098	-	314p	1 September 2000	1 March 2001
1 December 1998	1,300	-	-	1,300	447p	1 December 2001	1 June 2002
E Feeney							
Executive share option scheme							
20 December 1999	4,810	-	-	4,810	518p	20 December 2002	20 December 2009
13 October 2000	-	4,165	-	4,165	631p	13 October 2003	13 October 2010
Ordinary share save Scheme							
1 December 1998	433	-	-	433	447p	1 December 2001	1 June 2002
H Nouss							
Executive share option scheme							
12 June 1996	12,000	-	-	12,000	429p	12 June 1999	11 June 2006
20 December 1999	12,590	-	-	12,590	518p	20 December 2002	20 December 2009
13 October 2000	-	8,572	-	8,572	631p	13 October 2003	13 October 2010
Ordinary share save scheme							
1 June 1995	2,197	-	2,197	-	314p	1 September 2000	28 February 2001
1 December 1998	433	-	-	433	447p	1 December 2001	1 June 2002
1 December 1999	792	-	-	792	489p	1 December 2002	1 June 2003
1 December 2000	-	767	-	767	505p	1 December 2003	1 June 2004
E Bonnot							
Executive share option scheme							
13 October 2000	-	7,745	-	7,745	631p	13 October 2003	13 October 2010

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors held the above options under Diageo plc share option schemes. The conditions for the exercise of options are disclosed in the annual report of the ultimate holding company, Diageo plc. The options are granted at market value on the date of 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 during the year. The mid-market share price on 30 June 2001 was 780p.

Company secretary

The company secretaries who served during the year were as follows:

L Mitchell	(resigned 28 February 2001)
S Bailey	(appointed 28 February 2001)

Political and charitable contributions

The company made no political contributions during the year (2000: £nil). The company made charitable contributions during the year of £30,000 (2000: £12,000) to a variety of UK charities in line with the Diageo group's community investment programme. Further details can be found in the annual report of the ultimate holding company, Diageo plc.

Employee involvement

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the company's operations. The directors continue to place a high priority on good communications practices at all levels. Responsibility for ensuring that company employees are informed of and, where appropriate, consulted upon matters of concern affecting their immediate jobs rests with departmental managers with support from the personnel function. On-site group discussions between managers and employees are encouraged.

On a wider basis, the company provides more general information to and for its employees concerning its performance and on economic and other matters affecting it. The methods used to disseminate such information are bulletins and related publications, including a monthly house journal. In addition, a twice yearly video presentation for employees sets out world-wide developments of the company, its products and its people. Information is also communicated when employees participate in induction or training courses, or by the circulation of information personally to all employees. The company has continued to maintain these practices during the year.

It is the policy of the parent company to encourage employees to participate in a SAYE share option scheme. It is also parent company policy to enable employees to benefit from the contribution they have made to the generation of improved profits. This is done by way of a profit sharing scheme, paid in ordinary shares of Diageo plc, in which all employees are entitled to participate.

The company continues to support initiatives by employees in fund-raising events to assist registered charitable organisations by matching the value of the support so raised.

Directors' report *(continued)*

Employment policies

Depending on their skills and abilities, disabled people are given the same consideration as others when applying for jobs and have the same opportunities for promotion, career development and training as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

It is recognised that the company's continuing success depends upon the quality of its employees and its policies are designed to attract, retain and motivate the best staff. This is achieved by offering equal opportunities regardless of sex, race, religion or disability.

Supplier payment policies

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

The number of days' purchases included in creditors at 30 June 2001, in respect of the company is 33 days.

Auditor

The company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint auditors annually. The auditors, KPMG Audit Plc, are willing to continue in office and will be deemed to be re-appointed on the expiry of their term in office in respect of the year ended 30 June 2001.

By order of the board

S Bailey
Secretary

Edinburgh Park
5 Lochside Way
Edinburgh
EH12 9DT

28 MARCH 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

KPMG

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the members of BurgerKing Limited

We have audited the financial statements on pages 7 to 20.

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 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 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

26 April 2002

Profit and loss account

for the year ended 30 June 2001

	Note	2001 £000	2000 £000
Turnover	*1*	**61,829**	64,327
Cost of sales		**(17,069)**	(18,393)
Gross profit		**44,760**	45,934
Administrative expenses		**(49,338)**	(49,427)
Impairment of fixed assets	*2*	**(10,489)**	-
Operating (loss)/profit		**(15,067)**	(3,493)
Loss on disposal of fixed assets	*2*	**(186)**	(638)
Loss on ordinary activities before interest		**(15,253)**	(4,131)
Interest receivable	*5*	**1,308**	3,184
Interest payable	*5*	**(1,137)**	(3,190)
Loss on ordinary activities before taxation		**(15,082)**	(4,137)
Tax on profit on ordinary activities	*6*	**(217)**	3,789
Loss on ordinary activities after taxation		**(15,299)**	(348)
Finance cost of non-equity shares	*7*	**(2,760)**	(2,760)
Loss attributable to equity shareholders on ordinary activities after taxation and retained loss for the financial year		**(18,059)**	(3,108)

The profit and loss account relates wholly to continuing operations.

A statement of movements on reserves is given in note 18.

There is no material difference between the company's profit and loss account and the historical cost profits and losses. Accordingly no note of the historical profits and losses for the year has been presented.

There are no recognised gains or losses other than loss for the current year and loss for the prior year. Consequently a statement of total recognised gains and losses has not been presented as part of the financial statements.

Balance sheet

at 30 June 2001

	Note		2001		2000
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*8*		-		60
Tangible assets	*9*		29,128		35,240
Current assets					
Stocks	*11*	2,796		1,728	
Debtors (of which £nil due after one year (2000: £381,000))	*12*	14,508		62,932	
Cash at bank and in hand		6,918		4,535	
		24,222		69,195	
Creditors: amounts falling due within one year	*13*	(28,774)		(64,807)	
Net current (liabilities)/assets			(4,552)		4,388
Total assets less current liabilities			24,576		39,688
Provision for liabilities and charges	*14*		(4,227)		(4,040)
Net assets			20,349		35,648
Capital and reserves					
Called up share capital	*16*		40,672		40,672
Share premium account	*17*		36,518		36,518
Other reserves	*17*		(21,384)		(21,384)
Profit and loss account	*17*		(35,457)		(20,158)
Equity	*18*	(37,923)		(19,864)	
Non-equity	*18*	58,272		55,512	
			20,349		35,648

These financial statements were approved by the board of directors on 28 MARCH 2002 and were signed on its behalf by:

E Bonnot
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance 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 CA 1985 as its results are included in the consolidated accounts of Diageo plc.

Turnover

Turnover represents amounts received from the sale of food (excluding VAT), in the United Kingdom.

Fixed assets and depreciation

Fixed assets are stated at cost less depreciation.

Leasehold buildings cost includes an element of capitalised development costs.

No depreciation is provided on freehold land or on assets in the course of construction. Depreciation is provided in equal instalments against profit to write off the original cost of fixed assets, less estimated residual values, over their estimated useful lives as follows:

Freehold buildings	-	20 years
Short leasehold	-	Normal lives are deemed to be between 2 years and the outstanding period of the lease. Where major leasehold improvements are carried out within 5 years of the expiry of the lease and renewal of the lease is anticipated, the assets will be written off over their useful lives even where this exceeds the remainder of the lease.
Plant, machinery and fittings	-	between 2 and 12 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

Leases

Operating lease rentals receivable and payable are taken to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency translations

Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related forward currency contract. All exchange gains and losses are taken to the profit and loss account.

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transactions or, if hedged forward, at the rate of exchange under the related forward currency contract.

Deferred taxation

The charge for taxation is based on the profit/(loss) 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 if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future, taking into account where appropriate of the availability of group relief in the future for which no consideration will be received or paid.

Stocks

Stocks are stated at the lower of cost and net realisable value and comprise the ingredients for preparation of the company's range of food as well as marketing stocks and small tools stock.

Post employment benefits

Certain employees of the company are members of group pension schemes operated by Diageo plc. Contributions by this company are based on pension costs across the Diageo group as a whole. The schemes are of the defined benefit type funded by payments to Trustee administered funds. The cost of providing pensions and other post employment benefits is charged against profits on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension or other plans are treated as assets or liabilities in the balance sheet. Deferred tax is accounted for on these assets and liabilities. Particulars of the valuations of the group schemes are contained in the financial statements of Diageo plc.

Intangible assets

Goodwill

Acquired brands and other intangible assets which are controlled through custody or legal rights and could be sold separately from the rest of the business are capitalised, where fair value can be reliable measured. Where such assets are regarded as having limited useful economic lives they are amortised on a straight line basis over those lives. Where they are regarded as having indefinite useful lives they are not amortised. Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amounts. Any amortisation or impairment write downs are charged to the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

***Intangible assets** (continued)*

Goodwill previously eliminated against reserves

On the acquisition of an unincorporated business fair values are attributed to the net tangible assets acquired. Where the consideration exceeds the aggregate value of these assets, the difference is treated as goodwill and is charged directly to reserves.

If a restaurant, which has acquired goodwill allocated to it, is sold, then the allocated goodwill is transferred from reserves to the profit and loss account. This goodwill is therefore included in the calculation of the profit or loss on disposal of the restaurant.

2 Operating profit

	2001	2000
	£000	£000
Operating profit is stated after charging		
Auditors' remuneration:		
Audit fees	**26**	26
Other services	**20**	11
Depreciation	**4,150**	4,561
Amortisation of intangible assets	**4**	2
Impairment of tangible fixed assets (i)	**10,433**	-
Impairment of intangible assets	**56**	-
Software costs	**15**	1,715
Rentals payable on property held under operating leases	**26,174**	23,914
Hire of plant and machinery - rentals payable under operating leases	**657**	666
Hire of other assets - operating leases	**74**	24
Exceptional item - (note (ii)	**186**	638

(i) Following a review by management, an impairment provision of £10.4 million has been made against certain fixed assets.

(ii) The exceptional item charged represents losses on the disposal of fixed assets. The tax charge on the disposal was £nil.

Notes *(continued)*

3 Directors' emoluments

	2001	2000
	£000	£000
Directors emoluments:		
Remuneration as executives	**365**	221

Emoluments are inclusive of benefits in kind which include the provision of a car and health insurance. No pension fund contributions are paid by the company as the Diageo plc Group Pension Plan has a substantial surplus.

There was no chairman during 2001 or 2000.

The emoluments, excluding pension contributions, of the highest paid director were £139,603 (2000: £124,418). He is a member of a defined benefit scheme, under which his accrued pension was £41,781 per annum at the year end (2000: £32,552). There is no separate accrued tax free cash lump sum.

	2001	2000
	Number	Number
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**3**	2
The number of directors who exercised share options was	**2**	-

Notes *(continued)*

4 ***Staff numbers and costs***

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Sales	**3,238**	3,322
Administration	**155**	126
	3,393	3,448

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£000	£000
Gross wages and salaries, holidays and sick pay	**20,982**	22,147
Employer's social security costs	**1,438**	1,454
Other post employment benefit costs	**84**	31
	22,504	23,632

5 **Interest**

	2001	2000
	£000	£000
Interest receivable:		
Receivable from group undertakings	**915**	3,012
Interest on short term deposits	**305**	144
Other interest receivable	**88**	28
	1,308	3,184
Interest payable:		
Payable on bank loans, overdrafts and other loans wholly repayable within five years	**(25)**	(18)
Payable to group undertakings	**(1,003)**	(3,108)
Other interest payable	**(109)**	(64)
	(1,137)	(3,190)

Notes *(continued)*

6 Taxation

	2001 £000	2000 £000
UK deferred taxation	**(22)**	-
Adjustments relating to prior year's corporation tax	**(195)**	4,523
Adjustments relating to prior year's deferred tax	**-**	(734)
	(217)	3,789

From 1 July 1999, the company has agreed to surrender its taxable loss to other companies in the Diageo plc group for nil consideration. As a consequence the company has neither a current tax charge nor credit. The adjustment relating to prior years principally results from a reassessment of group relief in respect of prior periods.

7 Finance cost of non-equity dividends

	2001 £000	2000 £000
Appropriation of dividends on 9% cumulative non-redeemable preference shares	**2,760**	2,760

8 Intangible assets

Goodwill	Total £000
Cost:	
At beginning of year	62
Additions	-
At end of year	62
Amortisation	
At beginning of year	2
Charge for the year	4
Impairment	56
At end of year	62
Net book value	
At 30 June 2001	-
At 30 June 2000	60

The goodwill arose on acquisition of a restaurant from an existing franchisee in November 1999.

Notes *(continued)*

9 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Assets in course of construction £000	Total £000
Cost				
At beginning of year	42,003	15,701	770	58,474
Additions	3,237	1,085	4,480	8,802
Disposals	(511)	(782)	-	(1,293)
Reclassification	3,075	1,185	(4,260)	-
At end of year	47,804	17,189	990	65,983
Depreciation				
At beginning of year	15,079	8,155	-	23,234
Charge for the year	2,547	1,603	-	4,150
Disposals	(352)	(610)	-	(962)
Reclassification	103	(103)	-	-
Impairment	7,699	2,734	-	10,433
At end of year	25,076	11,779	-	36,855
Net book value				
At 30 June 2001	22,728	5,410	990	29,128
At 30 June 2000	26,924	7,546	770	35,240

The net book value of land and buildings includes £5,778,925 (2000: £5,778,925) in respect of freehold land which is not depreciable.

The net book value of land and buildings includes £874,466 (2000: £1,002,098) in respect of freehold buildings.

The net book value of land and buildings includes £13,442,355 (2000: £20,142,762) in respect of leasehold properties held under leases with less than fifty years to run at 30 June 2001.

The assets of businesses acquired by the company, and assets acquired from other group companies, are reflected in the accounts at their fair value as at acquisition date. These fair values represent the historical cost of the relevant assets to the company.

Notes *(continued)*

10 Investment in subsidiary undertaking

The company holds 100% of the ordinary share capital of King Food Company Limited, a company registered in England. The investment of £440,220 is fully provided.

11 Stocks

	2001	2000
	£000	£000
Raw materials and consumables	**477**	478
Goods for resale	**2,319**	1,250
	2,796	1,728

12 Debtors

	2001		2000	
	Due *within* one year	**Due *after* one year**	Due *within* one year	Due *after* one year
	£000	**£000**	£000	£000
Trade debtors	**4,168**	**-**	1,863	-
Amounts owed by parent and fellow subsidiary undertakings	**3,389**	**-**	53,782	-
Other debtors	**3,792**	**-**	4,087	381
Prepayments and accrued income	**2,955**	**-**	2,593	-
Deferred taxation (note 15)	**204**	**-**	226	-
	14,508	**-**	62,551	381

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	**2,983**	864
Amounts owed to parent and fellow subsidiary undertakings	**6,775**	47,904
Other creditors including taxation and social security:		
Corporation tax	**4,125**	4,169
Other taxes and social security	**2,552**	3,250
Other creditors and provisions	**3,505**	3,058
Accruals and deferred income	**8,834**	5,562
	28,774	64,807

14 Provision for liabilities and charges

	2001 £000	2000 £000
Vacant property costs	**4,227**	4,040

The movement in the provision during the year is as follows:

	2001 £000	2000 £000
At beginning of year	**4,040**	4,756
Utilised during the year	**(503)**	(672)
Released to profit and loss account	**-**	(44)
Additional amounts provided	**690**	-
At end of year	**4,227**	4,040

The vacant property provision relates to the company's commitment to lease rentals and associated property costs payable in relation to vacant properties. Estimates are made as to the duration of the liability (up to 12 years) and amounts payable discounted.

Notes *(continued)*

15 Provided and unprovided deferred taxation

	Short term timing differences provided £000	Accelerated capital allowances unprovided £000
Asset at beginning of year	226	59
Movement during the year	(22)	3,357
Asset at end of year	204	3,416

16 Called up equity and non-equity share capital

	2001 £000	2000 £000
Allotted, called up and fully paid:		
Equity		
10,000,000 ordinary shares of £1 each	**10,000**	10,000
Non-equity		
30,672,000 9% cumulative non redeemable preference shares of £1 each	**30,672**	30,672
	40,672	40,672

The authorised share capital of the company is £50,672,000 (2000: £50,672,000), being made up of 10,000,000 £1 ordinary shares and 40,672,000 £1 9% cumulative non redeemable preference shares.

The arrears on the cumulative non redeemable preference shares amounts to £27,600,000 (2000: £24,840,000).

The preference shares do not carry any right of participation on winding up of the company, other than repayment of their nominal value.

Notes *(continued)*

17 Equity and non-equity reserves

	Share premium £000	Goodwill reserves £000	Equity Profit and loss account £000	Non-equity Profit and loss account £000
At 1 July 2000	36,518	(21,384)	(44,998)	24,840
Loss for the year	-	-	(15,299)	-
Finance cost of non-equity shares	-	-	(2,760)	2,760
At 30 June 2001	36,518	(21,384)	(63,057)	27,600

18 Reconciliation of movements in shareholders' funds

	2001 **£000**	2000 £000
Loss for the financial year	**(15,299)**	(348)
Shareholders' funds at beginning of year	**35,648**	35,996
Shareholders' funds at end of year	**20,349**	35,648

Shareholders' funds comprises:

	2001		2000	
	Equity £000	**Non Equity £000**	Equity £000	Non equity £000
Share capital	**10,000**	**30,672**	10,000	30,672
Share premium	**36,518**	**-**	36,518	-
Goodwill reserves	**(21,384)**	**-**	(21,384)	-
Profit and loss account	**(63,057)**	**27,600**	(44,998)	24,840
	(37,923)	**58,272**	(19,864)	55,512

Notes *(continued)*

19 Commitments

Annual capital commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings	**Other**	Land and buildings	Other
	£000	***£000***	*£000*	*£000*
Operating leases which expire:				
Within one year	**72**	**-**	254	-
In the second to fifth years inclusive	**3,147**	**-**	1,793	-
Over five years	**20,190**	**50**	20,867	50
	23,409	**50**	22,914	50

Capital expenditure commitments not provided for in these financial statements are estimated at £1,172,000 (2000: £554,000).

20 Contingent liability

The company has assigned property leases in the normal course of business. Should the assignees fail to fulfil any obligation in respect of those leases, the company may be liable for those defaults. The directors are not aware of any instances where such defaults have taken place and hence it is not practicable to estimate the financial effect of these assignments.

The company has guaranteed the debts of one of its franchisees with the distributor. The maximum amount of contingent liability is £125,000 (2000: £125,000).

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England.

The consolidated financial statements of Diageo plc for the year ended 30 June 2001 can be obtained from the Registered Office at 8 Henrietta Place, London, W1G 0NB, United Kingdom.

22 Post balance sheet events

As part of a restructuring of the Diageo group £30,672,000 of preference shares in BurgerKing Limited were converted to ordinary shares on 26 July 2001.