

**Grand Metropolitan Investments Limited**

**FINANCIAL STATEMENTS**

**30 June 2000**

Registered Number: 1732518



# **Grand Metropolitan Investments Limited**

## **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 is an investment holding company. 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 Investments 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 to 30 June 2000 are shown on page 7.

No ordinary dividend (1999: £269,000,000) was paid during the year.

The retained deficit for the period of £242,588,000 (1999: deficit of £54,693,000) after equity and non-equity dividends of £64,782,000 (1999: £333,428,000) was transferred from reserves.

### **Directors' and directors' interests**

The directors who served during the year were as follows:-

P K Bentley (resigned 30 June 2000)  
S M Bunn  
I S Cray (appointed 30 June 2000)  
R H Myddelton  
M D Peters

Subsequent to year end, M D Peters resigned as a director on 10 November 2000 and I S Cray resigned as a director on 12 January 2001. On 15 January 2001 R J Moore was appointed a director.

On 17 August 1999, V A Lynch resigned as Secretary and S M Bunn was appointed in her stead.

### **Emoluments**

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

## Grand Metropolitan Investments Limited

### 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.

The directors who held office at the end of the financial year had the following beneficial interests in the shares 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 (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
P K Bentley	10,000	16,557	63,255	31,935	(8,750)	(6,875)	79,565
S M Bunn	2,061	682	4,650	-	-	-	4,650
I S Cray	6,827	6,827	18,700	-	-	-	18,700
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	-	-	-	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. R H Myddelton did not have his 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.

#### (ii) Options

	At beginning of year (or date of appointment)	Granted during The year	Exercised during the year	At end of year	Option Price (pence)	Market price (pence)
P K Bentley	27,138	41,920	-	69,058		
S M Bunn	4,021	5,032	(977)	8,076	353	635
I S Cray	68,389	-	-	68,389		
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

## **Grand Metropolitan Investments Limited**

For executive option schemes, UK grants were between 1992 and 1999 at prices between 354 pence and 518 pence with the 1999 grants being at 518 pence.

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 K Bentley, I S Cray 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 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.

Options granted during the year for P K Bentley, I S Cray 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.

By Order of the Board



S M Bunn  
Secretary

30 July 2001

8 Henrietta Place, London W1G ONB

**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, 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 loss of the company for the financial year.

The directors, in preparing the financial statements on pages 6 to 13, 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 Investments Limited**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAND METROPOLITAN INVESTMENTS LIMITED**

We have audited the financial statements of Grand Metropolitan Investments Limited for the year ended 30 June 2000 which comprise the Accounting Policies, the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*XP46 Audit 1/1*

KPMG Audit Plc  
Registered Accountants

30 July 2001

# **Grand Metropolitan Investments 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 Investments Limited as an individual undertaking and not about its group.

### **Investments**

Fixed asset investments are stated individually at cost less, where appropriate, provision for impairment.

### **Foreign currencies**

The functional currency of the company is determined as the currency to which predominately all of its transactions and balances are effectively exposed. In 2000 and 1999 the functional currency was sterling.

Transactions in foreign currencies, other than the functional currency, are translated into the functional currency at the rate of exchange on the date of the transaction. Assets and liabilities in foreign currencies are translated into the functional currency at the financial period end exchange rates or, if hedged forward, at the rate of exchange derived from the related forward currency contracts. Any resulting net foreign exchange gains or losses are recognised in the profit and loss account.

### **Taxation**

The credit for taxation is based on the taxable 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.

# Grand Metropolitan Investments Limited

## PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2000

	Notes	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Income from fixed asset investments	1	1,457	376,458
Interest receivable	2	274,736	269,205
Interest payable and similar items	3	(453,991)	(410,832)
<b>(Loss)/Profit on ordinary activities before taxation</b>	4	<b>(177,798)</b>	234,831
Taxation on profit on ordinary activities	6	(8)	43,904
<b>(Loss)/Profit for the financial year</b>		<b>(177,806)</b>	278,735
Equity and non-equity dividends paid and accrued	7	(64,782)	(333,428)
<b>Transferred from reserves</b>	12	<b>(242,588)</b>	(54,693)

The results for the current and preceding year relate entirely to continuing operations.

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

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 June 2000

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
(Loss)/Profit for the financial year	(177,806)	278,735
Non-equity dividends paid and accrued	(64,782)	(64,428)
Equity dividends paid	-	(269,000)
Net reduction to shareholders' funds	(242,588)	(54,693)
Shareholders' funds at beginning of the year	1,374,479	1,429,172
Shareholders' funds at end of the year	1,131,891	1,374,479



# Grand Metropolitan Investments Limited


## BALANCE SHEET

At 30 June 2000

	Notes	30 June 2000 £'000	30 June 1999 £'000
<b>Fixed assets</b>			
Investments	8	3,567,781	3,567,781
<b>Current assets</b>			
Debtors	9	3,647,800	2,813,592
Creditors - due within one year	10	(2,124)	(2,124)
<b>Net current assets</b>		<b>3,645,676</b>	<b>2,811,468</b>
<b>Total assets less current liabilities</b>		<b>7,213,457</b>	<b>6,379,249</b>
<b>Creditors - due after more than one year</b>	10	<b>(6,081,566)</b>	<b>(5,004,770)</b>
		<b>1,131,891</b>	<b>1,374,479</b>
<b>Capital and reserves</b>			
Called up share capital - non-equity	11	1,095,000	1,095,000
Profit and loss account	12	36,891	279,479
		<b>1,131,891</b>	<b>1,374,479</b>

Debtors and net current assets include amounts recoverable after more than one year of £1,490 million (1999: £2,679 million).

The financial statements on pages 6 to 13 were approved by the board of directors on 30 July 2001 and signed on its behalf by:

  
R H Myddelton, Director

# Grand Metropolitan Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Income from fixed asset investments

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Income from shares in subsidiary undertakings	-	375,000
Income from other fixed asset investments – unlisted	1,457	1,458
	<b>1,457</b>	<b>376,458</b>

### 2 Interest receivable

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Loans to group undertakings	274,736	269,205

### 3 Interest payable and similar items

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Loans from group undertakings	362,068	320,400
Other interest	54	47
Foreign exchange losses	91,869	90,385
	<b>453,991</b>	<b>410,832</b>

### 4 Profit on ordinary activities before taxation

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

### 5 Directors' interests

Details of directors' interests are included in the Directors' Report on page 2.

# Grand Metropolitan Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6 Taxation on profit on ordinary activities

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
UK corporation tax credit at 30% (1999: 30.75%)	-	43,904
Adjustment in respect of prior years	(8)	-
	(8)	43,904

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. During the year the company 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 2000. The taxation credit for 1999 is affected by the tax treatment of dividends receivable from group companies that are not subject to taxation.

### 7 Dividends

	30 June 2000			30 June 1999		
	Paid £'000	Accrued £'000	Total £'000	Paid £'000	Accrued £'000	Total £'000
<b>Equity:</b>						
Ordinary Shares	-	-	-	269,000	-	269,000
<b>Non-equity:</b>						
5.9% "C" Cumulative Redeemable Preference Shares of £1 each	40,055	1,358	41,413	39,829	1,358	41,187
5.90% "D" Cumulative Redeemable Preference Shares of £1 each	22,603	766	23,369	22,475	766	23,241
	62,658	2,124	64,782	331,304	2,124	333,428

### 8 Fixed assets - investments

	Shares in subsidiary undertakings £'000	Other Investments £'000	Total £'000
Cost/valuation at beginning and end of the year	3,547,681	20,100	3,567,781

#### (i) Shares in subsidiary undertakings:

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

# Grand Metropolitan Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The company's subsidiary undertakings and their activities, all of which are wholly owned and registered in England, are set out below:

Grand Metropolitan Second Investments Limited - an investment holding company.

Grand Metropolitan Third Investments Limited - an investment holding company.

GrandMet Limited - a dormant company.

### (ii) Other investments:

The company owns the entire issued cumulative participating redeemable preference share capital of Minneapolis (Holdings) Limited, an investment holding company, which is registered in England.

## 9 Debtors

	30 June 2000	30 June 1999
	£'000	£'000
Amount owed by group undertakings	3,286,689	2,362,047
Group relief receivable	43,906	43,919
Other debtors	317,205	407,626
	<b>3,647,800</b>	<b>2,813,592</b>

Amounts due from parent and fellow subsidiary undertakings include £1,263 million (1999: £2,362 million) due after more than one year. Other debtors include £227 million (1999: £317 million) due after more than one year.

## 10 Creditors

	30 June 2000		30 June 1999	
	Due within one year	Due after more than one year	Due within one year	Due after more than one year
	£'000	£'000	£'000	£'000
Amount owed to group undertakings	2,124	6,081,566	2,124	5,004,770

The amounts due to group undertakings after more than one year are scheduled for repayment between 2003 and 2004.

# Grand Metropolitan Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11 Share capital

	30 June 2000 £	30 June 1999 £
<i>Authorised:</i>		
<b>Equity</b>		
305,000,000 unclassified shares of £1 each	305,000,000	305,000,000
4,300,000,000 ordinary shares of £1 each	4,300,000,000	4,300,000,000
	<b>4,605,000,000</b>	<b>4,605,000,000</b>
<b>Non-equity</b>		
700,000,000 5.9% "C" Cumulative Redeemable Preference Shares of £1 each	700,000,000	700,000,000
395,000,000 5.9% "D" Cumulative Redeemable Preference Shares of £1 each	395,000,000	395,000,000
	<b>1,095,000,000</b>	<b>1,095,000,000</b>
<i>Allotted and called up:</i>		
<b>Equity</b>		
2 unclassified shares of £1 each	2	2
<b>Non-equity</b>		
700,000,000 5.9% "C" Cumulative Redeemable Preference Shares of £1 each	700,000,000	700,000,000
395,000,000 5.9% "D" Cumulative Redeemable Preference Shares of £1 each	395,000,000	395,000,000
	<b>1,095,000,000</b>	<b>1,095,000,000</b>

The unclassified and ordinary shares are entitled to one vote each. Preference shares carry no voting rights other than at a class meeting of preference shareholders.

The "C" preference shares are redeemable at the shareholders' option, by giving written notice to the company, up to 29 October 2001. They will be redeemed by the company on 29 October 2001 unless the company exercises its option to redeem them at an earlier date. The "C" preference shares are redeemable at par.

The "D" preference shares are redeemable at the shareholders' option, by giving written notice to the company, up to 29 October 2001. They will be redeemed by the company on 29 October 2001 unless the company exercises its option to redeem them at an earlier date.

The "D" preference shares are redeemable at par. The "D" preference shares rank *pari passu* with the "C" preference shares.

## Grand Metropolitan Investments Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12 Reserves

	30 June 2000 £'000	30 June 1999 £'000
<i>Profit and loss account:</i>		
Balance brought forward	279,479	334,172
Retained loss for the financial year	(242,588)	(54,693)
Balance carried forward	36,891	279,479

#### 13 Post Balance Sheet Events

On 25 July 2001, the 700,000,000 5.9% 'C' cumulative redeemable preference shares of £1 each and the 395,000,000 5.9% 'D' cumulative redeemable preference shares of £1 each 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.

#### 14 Ultimate parent undertaking

The company is a wholly owned subsidiary of Grand Metropolitan plc and Grand Metropolitan Holdings Limited, and its ultimate holding company at 30 June 2000 was Diageo plc. All companies are incorporated and registered in England. Diageo plc has an accounting period end of 30 June.

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.