

Grand Metropolitan Capital Company Limited

FINANCIAL STATEMENTS

30 June 2000

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 2000.

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 on 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 period shown on page 8 are for the year from 1 July 1999 to 30 June 2000.

The directors do not recommend the payment of a dividend (1999: £200,000,000).

After deducting total ordinary dividends of £nil (1999: £200,000,000) the profit for the year transferred to reserves is £56,540,000 (1999: deficit of £26,098,000).

Directors

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	
D C Stainton	(resigned 30 June 2000)
J Walters	(appointed 30 June 2000)

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

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as director of the company (1999: £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
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
D C Stainton	-	3,750	44,435	-	7,278	(5,719)	38,716
J Walters	-	-	30,720	-	-	-	30,720

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, D C Stainton and J Walters did not have their shares released until September 2000, these are shown under the "Vested in year" column above for R H Myddelton and D C Stainton and are included in the "At date of appointment" and "At end of year" figures for J Walters. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

Grand Metropolitan Capital Company Limited

DIRECTORS' REPORT (continued)

(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)
<i>United Kingdom</i>						
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	437.75 437.75
D C Stainton	4,886	1,981	4,886	1,981	353	619
<i>United States</i>						
J Walters	78,928	-	-	78,928		

For executive option schemes, UK grants were between 1994 and 1999 at prices between 353 pence and 518 pence with the 1999 grants being at 518 pence, and US grants were between 1996 and 1999 at prices between US \$29.38 and US \$33.63 per ADS with the 1999 grants being at US \$33.63. US options were granted over ADSs at dollar price (one ADS is equivalent to four ordinary shares); the option holdings and prices in the table are stated as ordinary share equivalents in 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, R H Myddelton, D C Stainton and J Walters 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 31,557,529 shares and 3,132,000 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.

Grand Metropolitan Capital Company Limited

DIRECTORS' REPORT (continued)

Options granted during the year for P K Bentley, I S Cray, R H Myddelton and J Walters 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

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 7 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAND METROPOLITAN CAPITAL COMPANY LIMITED

We have audited the financial statements of Grand Metropolitan Capital Company Limited for the year ended 30 June 2000 which comprise the Accounting Policies, 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Registered Accountants

30 July 2001

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.

Preference dividends payable

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

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 2000

	Notes	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Income from group undertakings	1	31,300	186,623
Income from other investments	6	10,332	-
Profit on ordinary activities before taxation	2	41,632	186,623
Taxation on profit on ordinary activities	4	14,908	(12,721)
Profit for the financial period after taxation		56,540	173,902
Equity dividends paid		-	(200,000)
Transferred to/(from) reserves	10	56,540	(26,098)

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 2000

		Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Profit for the financial year		56,540	173,902
Equity dividends paid		-	(200,000)
Net addition/(reduction) to shareholders' funds	10	56,540	(26,098)
Shareholders' funds at beginning of the year		3,216,912	3,243,010
Shareholders' funds at end of the year		3,273,452	3,216,912

Grand Metropolitan Capital Company Limited

BALANCE SHEET

As at 30 June 2000

	Notes	30 June 2000 £'000	30 June 1999 £'000
Fixed assets			
Investments in group undertakings	5	2,561,500	2,561,500
Other investments	6	300,000	-
		2,861,500	2,561,500
Current assets			
Debtors - due within one year	7	411,952	668,094
Creditors - due within one year	8	-	(12,682)
Net current assets		411,952	655,412
		3,273,452	3,216,912
Capital and reserves			
Called up share capital - equity	9	3,005,000	3,005,000
Profit and loss account	10	268,452	211,912
		3,273,452	3,216,912

The financial statements on pages 7 to 12 were approved by the board of directors on 30 July 2001 and were signed on its behalf by:

R H Myddleton
Director



Grand Metropolitan Capital Company Limited

NOTES TO THE FINANCIAL STATEMENTS

1 Income from group undertakings

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
Dividends from shares in group undertakings	7,183	145,253
Interest on loans to group undertakings	24,117	41,370
	31,300	186,623

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 pages 2 and 3.

4 Taxation

	Year ended 30 June 2000 £'000	Year ended 30 June 1999 £'000
UK corporation tax at 30% (1999:30.75%)	-	(12,721)
Adjustments in respect of prior years	14,908	-
	14,908	12,721

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 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 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 2000 £'000	30 June 1999 £'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 and other investments are:

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

6 Other Investments

	30 June 2000 £'000	30 June 1999 £'000
Preference shares	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.

Grand Metropolitan Capital Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Debtors - due within one year

	30 June 2000 £'000	30 June 1999 £'000
Amount owed by group undertakings	408,398	668,094
Other debtors	1,328	-
Corporation tax recoverable	2,226	-
	411,952	668,094

8 Creditors - due within one year

	30 June 2000 £'000	30 June 1999 £'000
Corporation tax	-	12,682

9 Share Capital

	30 June 2000 £'000	30 June 1999 £'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 2000 £'000	30 June 1999 £'000
Balance brought forward	211,912	238,010
Retained profit/(loss) for the financial year	56,540	(26,098)
Balance carried forward	268,452	211,912

11 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 2000 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 2000, can be obtained from the Registered Office at 8 Henrietta Place, London W1G ONB.