

Guinness Limited

**Directors' report and financial
statements**

Registered number 510607

30 June 2001



A16
COMPANIES HOUSE

AAUD0933

0593
16/03/02

Contents

Directors' report	1
Statement of directors' responsibilities	5
Auditors' report to the members of Guinness Limited	6
Profit and loss account	7
Balance sheet	8
Note of historical cost profits and losses	9
Reconciliation of movements in shareholders' funds	9
Notes	10

Directors' report

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

Review of the business and principal activities

Throughout the year the company continued to brew and market Guinness Stout and Kaliber in Great Britain, as well as being responsible for the supply of raw materials, plant and spares to overseas breweries and for the marketing of Guinness Stout, Harp Lager and other products in overseas markets. Wolverhampton and Dudley Brewery has been licensed to brew, market and distribute Harp Irish Lager in Britain. With effect from 31 January 2001 the company was also engaged in developing part of the Park Royal Site. A more extensive review of the business operations during the period is contained in the Annual Report and Accounts of Diageo plc, the ultimate parent undertaking.

The business assets of Guinness Limited were transferred to Guinness United Distillers & Vintners Limited on 1 July 2001.

Research and development

Expenditure on research and development activities amounted to £0.7 million (2000: £2.0 million).

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 Guinness 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 final dividend for the year (2000: £nil) and the profit after taxation of £10.8 million has been transferred to reserves (2000: loss of £14.2 million transferred from reserves).

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows:

S Dando	(appointed 1 July 2000 –resigned 10 June 2001)
NT Fell	(resigned 29 June 2001)
S R Fletcher	
R J Joy	
J B McGrath	(resigned 18 December 2000)
A F Peeters	
C A Storm	(resigned 12 April 2001)

Since the year-end, S M Bunn and R H Myddelton were appointed directors on 7 December 2001.

Directors' emoluments

The emoluments of the directors are detailed in note 5 of these financial statements.

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 or any subsidiary.

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28 ¹⁰¹/₁₀₈ p each in 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	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
S R Fletcher	25,990	37,025	106,958	52,265	(28,146)	(12,440)	118,637
A F Peeters	78,603	85,428	57,577	17,422	(22,277)	(8,007)	44,715
R J Joy	23,280	30,661	65,976	6,620	(26,474)	(18,305)	27,817

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans, the Share Incentive Plan 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.

(ii) Options over ordinary shares

	At beginning of year	Granted in year	Exercised in year	At end of year
S R Fletcher	153,097	127,768	(8,468)	272,397
A F Peeters	92,424	70,273	-	162,697
R J Joy	167,340 (34,281 ADS 30,216 ord shares)	35,709	-	203,049 (34,281 ADS 65,925 ord shares)

The directors held the above options under Diageo plc share option schemes at prices between 354p and 587p per ordinary share exercisable by 13 September 2010. US grants were at prices between US \$25.21 and US \$29.38 per ADS. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). 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'), introduced with effect from 1 January 2000, 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.

Options granted during the year for S R Fletcher, R J Joy and A F Peeters are principally 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 560p and 792p during the year. The mid-market share price on 30 June 2001 was 780p.

At 30 June 2001, R J Joy had an interest in 200,580 shares and 4,094,870 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; and all the directors had an interest in 20,315,535 shares and 4,074,020 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. A F Peeters had an additional interest in 3,905 shares held by a further trust to satisfy grants made under Diageo incentive plans.

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.

Employment Policies

The company's managers are instructed to give sympathetic consideration, when recruiting, to applications from disabled persons and to bear in mind the special needs of disabled employees in regard to training, structure of company premises and facilities and to ensure that disabled employees are not adversely affected in their career opportunities. 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 policy

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 met by the supplier.

The number of days' purchases included in creditors as at 30 June 2001, in respect of the company, is 30 days (2000: 30 days).

Secretary

On 7 December 2001 R J Joy resigned as secretary of the company and J J Nicholls was appointed in his place.

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 J Nicholls
Secretary

Park Royal Brewery, London NW10 7RR

Date: 6 MARCH 2002

Directors' responsibilities in respect of the preparation of financial statements

The following statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors 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 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 consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that accounting standards 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 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Guinness 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 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 2001 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
Chartered Accountants
Registered Auditor
London

7 March 2002

Profit and loss account
for the year ended 30 June 2001

	<i>Notes</i>	2001 £m	2000 £m
Turnover	2	553.7	560.7
Net Operating Charges before exceptional items	3	(539.8)	(549.8)
Exceptional costs of Guinness UDV Integration		(10.4)	-
Exceptional costs of rationalisation of production		(17.9)	-
Net Operating Charges		(568.1)	(549.8)
Operating (loss) / profit		(14.4)	10.9
Exceptional loss on disposal of shares in Cruz Campo		-	(14.5)
(Loss)/Profit on disposal of fixed assets		(0.3)	0.1
Income from shares in group undertakings		0.6	1.3
Net interest receivable	7	22.1	12.5
Profit on ordinary activities before taxation	2-7	8.0	10.3
Tax on profit on ordinary activities	8	2.8	(24.5)
Amount transferred to/(from) reserves	19	10.8	(14.2)

The notes on pages 10 to 20 form part of these financial statements.

There are no recognised gains or losses other than the result for the year and consequently a statement of total recognised gains and losses has not been presented as part of the financial statement.

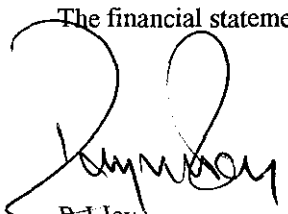
All results are generated from continuing operations.

Balance sheet
at 30 June 2001

	Notes	2001 £m	2000 £m
Fixed assets			
Tangible assets	9	166.6	216.1
Investments	10	0.2	0.2
		166.8	216.3
Current assets			
Stocks	12	32.6	16.5
Debtors	13	1,789.0	1,669.2
Cash at bank and in hand		20.0	24.4
		1,841.6	1,710.1
Creditors: amounts falling due within one year	15	(848.1)	(779.3)
Net current assets		993.5	930.8
Total assets less current liabilities		1,160.3	1,147.1
Provisions for liabilities and changes	16	(2.4)	-
Net assets		1,157.9	1,147.1
Capital and reserves			
Called up share capital	18	1,156.1	1,156.1
Revaluation reserve	19	25.4	28.6
Profit and loss account	19	(23.6)	(37.6)
Equity shareholders' funds		1,157.9	1,147.1

The notes on pages 10 to 20 form part of these financial statements.

The financial statements were approved by the Board of Directors on 6 May 02 and were signed on its behalf by:


R.J. Joy
Director

Note of historical cost profits and losses
for the year ended 30 June 2001

	2001 £m	2000 £m
Reported profit on ordinary activities before taxation	8.0	10.3
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	0.9	3.1
Historical cost profit on ordinary activities before taxation	8.9	13.4
Historical cost profit/(loss) for the year retained after taxation and dividends	11.7	(11.1)

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2001

	2001 £m	2000 £m
Retained profit / (loss) for the financial year	10.8	(14.2)
Effect of foreign exchange rate changes	-	-
Net increase/(reduction) in shareholders' funds	10.8	(14.2)
Opening shareholders' funds	1,147.1	1,161.3
Closing shareholders' funds	1,157.9	1,147.1

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and with the requirements of the Companies Act 1985, **except as explained below**, under the historical cost accounting rules modified to include the revaluation of land and buildings, and in accordance with applicable UK accounting standards.

Properties held for development are included in current assets at the lower of cost and net realisable value. For properties previously held as fixed assets which the directors have decided are to be redeveloped and which are reclassified as development properties, cost is considered to be the latest valuation prior to their reclassification. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The directors consider that compliance with the requirements would fail to give a true and fair view of the profit or loss to the Group on disposal of such development properties from current assets, since such profit or loss would be dependent on the classification of the asset immediately prior to sale. The effect of this departure is to increase both the value of development properties and the balance on the revaluation reserve by £20.3m. The departure has had no impact on operating profit in the current year.

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 the balances) with entities that are part of the Diageo plc group or investees of the Diageo plc group.

Fixed assets and depreciation

Tangible assets are depreciated in equal annual instalments at rates calculated to write off their cost or valuation over the term of their estimated useful economic lives as follows:

Freehold and long leasehold buildings	2% - 5% per annum
Short leasehold buildings	over term of lease
Plant and machinery	
-brewing and racking plant	5% - 12.5%
-containers	5%
-office machinery	33%
Casks and road vehicles	
-distribution vehicles	12.5%
-motor cars	25%-50%
-casks	6.67%

Depreciation rates for motor cars differ from those of the ultimate parent undertaking as salesmen's vehicles are considered to have shorter useful economic lives.

Notes (continued)

Accounting policies (continued)

Long term contracts and contracts provisions

Progress payments received, when greater than recorded turnover, are deducted from the value of work in progress except to the extent that payments on account exceed the value of work in progress on any contract where the excess is included in creditors.

Full provision is made for any estimated losses to completion of contracts having regard to the overall substance of the arrangements. Provided that the outcome of long term contracts can be assessed with reasonable certainty, such contracts are valued at cost plus attributable profit earned to date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling using contract rates of exchange or exchange rates prevailing at the balance sheet date, as appropriate.

Exchange differences arising from foreign currency transactions in the normal course of trading are dealt with in the profit and loss account.

Leases

Assets acquired under finance leases, comprising of vehicles, casks and computer equipment, are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company is a member of a group pension scheme which is operated by its ultimate holding company, Diageo plc. Contributions to the scheme are assessed by a qualified actuary based on the cost of providing pensions across all participating group undertakings. Costs are not determined for each individual undertaking, and accordingly, contributions are charged to the profit and loss account when they become payable.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks, except for development properties which are held at the amount transferred from fixed assets, are stated at the lower of cost and net realisable value. Costs includes raw materials, excise duty and the appropriate proportion of labour costs, production and other overheads.

Deferred taxation

No provision is made for taxation deferred by accelerated taxation allowances on UK Capital expenditure. The company is a member of a group which provides for any deferred tax payable in the foreseeable future on a group basis.

Turnover

Long term contracts are included in turnover on the basis of the sales value of work performed during the year by reference total sales value and stage of completion of the contracts.

Notes (continued)

2 Analysis of turnover and loss on ordinary activities before taxation

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

The company carries out principally one class of business, that of brewing and marketing Guinness Stout and other brands of beer and lager. Turnover and loss predominantly arise within the United Kingdom. Further segmental information is provided in the accounts of the parent company, Diageo plc.

3 Net operating charges

	2001 £m	2000 £m
Changes in stocks of finished goods and work in progress	4.0	(3.2)
Raw materials and consumables	80.2	99.7
Excise duties	127.4	126.0
Staff costs (Note 6)	53.9	71.8
Depreciation	36.5	23.6
Advertising, marketing & promotion	69.5	70.0
Other operating charges (Note 4)	168.3	161.9
	<u>539.8</u>	<u>549.8</u>

Exceptional costs relate to staff costs £8.8m, depreciation £2.1, and other operating charges £17.4m.
Total operating costs include £10.2m gain in respect of foreign exchange (2000: £9.5m gain).

4 Loss on ordinary activities before taxation

	2001 £000	2000 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	113.0	104.0
Other services - fees paid to the auditor and its associates	-	-
Research and development expenditure	<u>719.0</u>	<u>2,034.0</u>

Notes (continued)

5 Directors' Emoluments

	2001 £'000	2000 £'000
Emoluments (excluding pension contributions)	1,328.1	942
Compensation for loss of office	166.5	-
	1,494.6	942

The emoluments and amounts receivable under longer term incentive schemes, of the highest paid director amounted to £640,500 (2000 - £230,600). The highest paid director is a member of a defined benefit scheme under which his accrued annual pension at the year end was £147,700 (2000 - £110,400).

All of the directors are members of the Diageo plc UK group pension fund which is a defined benefit scheme. The fund has a substantial surplus and during the year no company contributions were made to it. Messrs JB McGrath, and CA Storm are directors of the ultimate parent undertaking, Diageo plc, and their emoluments were paid by that company and disclosed in its annual report.

One of the directors exercised options over ordinary shares in the ultimate parent undertaking in the year (2000: Four directors). Three of the directors, including the highest paid director, were awarded ordinary shares in respect of Diageo's share option plans during the year. The highest paid director, during the year, made a gain of £18,100 on the exercise of share options in Diageo plc and was awarded 8,468 ordinary shares in Diageo plc.

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

Notes (continued)

6 Staff numbers and costs

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

	2001	2000
Management, administration and support	395	349
Production	357	452
Sales and marketing	402	371
	<u>1,154</u>	<u>1,172</u>

The aggregate payroll costs of these persons were as follows:

	2001 £m	2000 £m
Wages and salaries	57.3	66.7
Social security costs	5.3	5.0
Other pension costs (note 21)	0.1	0.1
	<u>62.7</u>	<u>71.8</u>

7 Interest

	2001 £m	2000 £m
External interest receivable	0.1	0.2
Interest receivable from fellow group companies	22.0	12.3
	<u>22.1</u>	<u>12.5</u>

Notes (continued)

8 Taxation

	2001 £m	2000 £m
UK corporation tax	-	-
Adjustment in respect of prior years	(2.6)	21.4
Adjustments relating to prior year's deferred tax (note 17)	(0.2)	3.1
Overseas corporation tax	-	-
Tax charge	(2.8)	24.5

Companies in the Diageo plc group generally apply group relief in administering their taxation positions. Group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit for the years ended 30 June 2000 and 2001.

The prior year adjustments principally result from a reassessment of group relief in respect of earlier periods.

9 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Casks and Road vehicles £m	Total £m
Cost or valuation				
At 1 July 2000	67.2	257.6	60.5	385.3
Additions	2.4	18.1	3.2	23.7
Transfer to Stock	(30.6)	-	-	(30.6)
Disposals	-	(2.8)	(10.8)	(13.6)
At 30 June 2001	39.0	272.9	52.9	364.8
Depreciation				
At 1 July 2000	(15.3)	(119.0)	(34.9)	(169.2)
Charge for year	(1.6)	(30.7)	(4.2)	(36.5)
Exceptional asset write down	(0.7)	(9.6)	-	(10.3)
Transfer to Stock	7.2	-	-	7.2
Disposals	-	1.0	9.6	10.6
At 30 June 2001	(10.4)	(158.3)	(29.5)	(198.2)
Net book value				
At 30 June 2001	28.6	114.6	23.4	166.6
At 1 July 2000	51.9	138.6	25.6	216.1

Notes (continued)

9 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2001 £m	2000 £m
Freehold	27.0	50.4
Long leasehold (over 50 years unexpired)	1.4	1.5
	<u>28.4</u>	<u>51.9</u>

The amount of land and buildings shown at cost or valuation is given below:

	2001 £m	2000 £m
At cost	17.1	21.4
At valuation		
- prior to 1992	2.0	2.0
- 1992	19.8	43.8
	<u>38.9</u>	<u>67.2</u>
Historical cost of revalued assets	23.3	29.9
Aggregate depreciation based on historical cost	(13.8)	(13.2)
	<u>9.5</u>	<u>16.7</u>

Included in the cost of fixed assets are the following amounts in respect of assets under construction

	2001 £m	2000 £m
Land and buildings	-	-
Plant and machinery	10.8	7.0
	<u>10.8</u>	<u>7.0</u>

Notes (continued)

10 Fixed asset investments

	£m
At 1 July 2000	0.2
Additions	-
Disposals	-
30 June 2001	0.2

All shares are either unclassified or classified as ordinary.

In the opinion of the directors, the aggregate value of the company's investments in its subsidiaries is not less than the aggregate amount at which they are stated in the balance sheet.

11 Subsidiary Companies

The company had the following subsidiary undertakings:

	Principal activity	Percentage of shares held
<i>Brewing</i>		
E.S. Beaven (Maltings) Limited	Maltster	100%
The Interesting Drinks Co. Ltd	Dormant	100%
H.K.S. Properties Ltd	Dormant	100%

12 Stocks

	2001 £m	2000 £m
Raw materials and consumables	3.6	4.3
Work in progress	1.2	1.7
Finished goods and goods for resale	7.0	10.5
Development Properties	20.8	-
	32.6	16.5

The replacement cost of stocks is not materially different from their book value, except for the development properties.

Notes (continued)

13 Debtors

	2001 £m	2000 £m
Trade debtors	28.8	42.0
Amounts owed by parent undertaking	1,497.3	1,360.5
Amounts owed by subsidiary undertakings	1.0	-
Amounts owed by fellow subsidiary undertakings	237.2	261.9
Corporation tax	5.0	2.4
Other debtors	19.7	2.4
Deferred tax (note 17)	-	-
	<u>1,789.0</u>	<u>1,669.2</u>

The amounts owed by the parent undertaking include a loan of £1,150,000,000 repayable on demand. The loan became non-interest bearing in January 1997. The loan was made to finance the acquisition of the company's own shares as permitted under section 155 of the Companies Act, 1985.

14 Cash at Bank

The company has entered into joint and several guarantee with certain other Diageo plc UK subsidiary undertakings such that any balance on the company's bank account within the cashpool may be offset against the bank balances or accruals of these companies included in the cashpool.

15 Creditors: amounts falling due within one year

	2001 £m	2000 £m
Bank loans and overdrafts	-	6.7
Trade creditors	10.0	12.8
Payment on Account	5.2	-
Amounts owed to fellow subsidiary undertakings	-	1.1
Amounts owed to subsidiary undertakings	728.7	666.0
Other creditors	27.2	18.9
Accruals and deferred income	77.0	73.8
	<u>848.1</u>	<u>779.3</u>

Notes (continued)

16 Provisions for liabilities and charges

	Rationalisation of production £m	Total £m
As at 1 July 2000	-	-
Profit and loss account transfers 2001	2.4	2.4
At 30 June 2001	2.4	2.4

The provision relates to redundancy and decommissioning costs in relation to the rationalisation of the production facilities. These costs are expected to be incurred in the current financial year.

17 Deferred taxation

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000	
	Recognised £m	Unrecognised £m	Recognised £m	Unrecognised £m
Provisions allowable for tax in future years	-	14.1	-	10.5

18 Called up share capital

	2001 £m	2000 £m
<i>Authorised</i>		
Equity: 1,157,500,000 Ordinary shares of £1 each	1,157.5	1,157.5
<i>Allotted, called up and fully paid</i>		
Equity: 1,156,100,000 Ordinary shares of £1 each	1,156.1	1,156.1

19 Reserves

	Revaluation reserve £m	Profit and loss account £m
At 1 July 2000	28.6	(37.6)
Retained profit for the year	-	10.8
Transfer to retained earnings	(3.2)	3.2
At 30 June 2001	25.4	(23.6)

Notes (continued)

20 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2001 £m	2000 £m
Contracted	-	-

21 Pension scheme

The company is a member of a group pension scheme which is operated by its ultimate holding company Diageo plc. The scheme is of the defined benefit type, is administered by a trustee company and is maintained independently of the finances of Diageo plc and its subsidiary undertakings.

Contributions to the scheme are assessed by a qualified actuary based on the costs of providing pensions across all participating Group undertakings. Costs are not determined for each individual undertaking and accordingly, contributions are charged to the profit and loss account when they become payable.

A valuation of the scheme was performed in 2000 by the actuary and particulars of the valuation are included in the 2001 Annual Report and Accounts of Diageo plc. The charge in the profit and loss account in respect of pensions costs in the year was £64,307 (2000: £61,535).

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2000 and was updated to 30 June 2001 by qualified actuaries. The updated valuation showed a surplus in the scheme.

22 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Diageo plc, which is 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.

23 Post balance sheet event

On 1 July 2001 the brewery trade and assets were transferred to another Diageo Group subsidiary at a consideration yet to be agreed.

24 Contingent liabilities

As part of the Park Royal redevelopment, contingent air right payments, relating to a new bridge as part of the redevelopment, to Railtrack and London Underground Limited are being disputed by the company. The dispute is currently under a binding arbitration process at the Lands Tribunal, the outcome of which may be material. The anticipated outcome cannot be accurately assessed by the directors.