

Grand Metropolitan International Holdings Limited

Financial statements 30 June 2006

Registered number 970624

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Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2006

Activities

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

Financial

The results for the year ended 30 June 2006 are shown on page 6.

The loss for the year transferred from reserves is £817,000 (2005 – £3,363,549,000 profit transferred to reserves).

The directors do not recommend the payment of a dividend (2005 - £2,500,000,000).

Directors

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

S M Bunn
C D Coase
M C Flynn
M J Lester
C R R Marsh (appointed 17 February 2006)

N Makos was appointed as a director of the company on 27 July 2006.

M J Lester resigned as a director on 31 August 2006.

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2005 - £nil).

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.

Directors' report (continued)

Directors' interests (continued)

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28¹⁰¹/₁₀₈ pence 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 (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
S M Bunn	128	132	-	-	-	-
C D Coase	14,207	15,000	-	23,380	-	-
M C Flynn	11,743	12,377	-	-	-	-
M J Lester	26,306	28,852	30,790	8,361	(3,521)	-
C R R Marsh	984	1,067	-	-	-	-

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long-term incentive plans. Any conditional rights are shown in the table as ordinary share equivalents. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

	Options over ordinary shares		
	At beginning of year (or date of appointment)	Granted in year	Exercised during year
S M Bunn	52,437	12,420	(19,033)
C D Coase	141,269	16,366	(18,550)
M C Flynn	17,991	3,037	(3,608)
M J Lester	113,567	17,693	(55,550)
C R R Marsh	10,004	-	-

The directors held the above options under Diageo plc share option schemes at prices between 518 pence and 815 pence per ordinary share exercisable between 2006 and 2015. Certain options granted in the Republic of Ireland were granted at a price of Euros 7.37 per ordinary share. 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.

Directors' report (continued)

Directors' interests (continued)

The mid-market share price of Diageo plc shares fluctuated between 778 pence and 928 pence per share during the year. The mid-market share price on 30 June 2006 was 917 pence.

At 30 June 2006 all the directors had an interest in 17,791,320 shares and 8,045,000 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. M J Lester had a further interest in 6,460,442 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Auditor

The company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor annually. The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be re-appointed on the expiry of its term in office in respect of the year ended 30 June 2006.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



J Nicholls
Secretary
8 Henrietta Place
London
W1G 0NB

11 December 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Independent auditor's report to the members of Grand Metropolitan International Holdings Limited

We have audited the financial statements of Grand Metropolitan International Holdings Limited for the year ended 30 June 2006, which comprise the Profit and Loss account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

20 December 2006

Profit and loss account

		Year ended 30 June 2006 £'000	Year ended 30 June 2005 £'000
	<i>Notes</i>		
Adjustment to amounts owing to group undertakings		-	(1)
Dividends received from UDV (SJ) Limited		-	3,426,242
Interest payable to group undertakings	4	-	(62,692)
Profit on ordinary activities before taxation		-	3,363,549
Taxation on profit on ordinary activities	5	(817)	-
(Loss)/profit for the year		<u>(817)</u>	<u>3,363,549</u>

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 statements

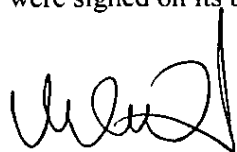
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis

All results arise from continuing operations

Balance Sheet

	<i>Notes</i>	30 June 2006		30 June 2005	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	6		14,531,323		14,531,323
Current assets					
Debtors due within one year	7	29,135		29,135	
Creditors due within one year	8	(3,949,978)		(3,949,161)	
Net current liabilities			(3,920,843)		(3,920,026)
Total assets less current liabilities			<u>10,610,480</u>		<u>10,611,297</u>
Capital and reserves					
Called up share capital	9		101,815		101,815
Share premium account	10	10,134,028		10,134,028	
Profit and loss account	10	<u>374,637</u>		<u>375,454</u>	
Reserves attributable to equity shareholders			<u>10,508,665</u>		<u>10,509,482</u>
Equity shareholders' funds			<u>10,610,480</u>		<u>10,611,297</u>

The financial statements on pages 6 to 13 were approved by the board of directors on 11 December 2006 and were signed on its behalf by



N Makos
Director

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 of the company 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 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 ("group undertakings") 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 published consolidated financial statements of Diageo plc

Going concern

The financial statements have been prepared on a going concern basis, as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date are in respect of balances due

Fixed asset investments

Income from fixed asset investments is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent

Notes to the financial statements

1. New accounting policies

The accounting policies of the company are consistent with those applied last year, apart from where the company has adopted the following accounting standards in the year

FRS 21 – Events after the balance sheet date Formerly, under UK GAAP, the proposed dividends on ordinary shares, as recommended by the directors, were deducted from shareholders' equity and shown as a liability in the balance sheet at the end of the period to which they related. Under FRS 21, proposed dividends are not considered to be a liability until they are approved by the board.

FRS 25 – Financial Instruments: Disclosure and Presentation The company has adopted the presentation requirements of FRS 25 in these financial statements. The presentational requirements apply to the classification of financial instruments into financial assets, financial liabilities or equity instruments, the classification of related interest, dividend, gains and losses, and the circumstances around which financial assets and liabilities should be offset. The adoption of these requirements has not resulted in the restatement of the information in respect of the year ended 30 June 2005, nor has it impacted the results in respect of the year ended 30 June 2006. The company has taken advantage of the transitional arrangements of FRS 25 not to restate corresponding amounts in accordance with the above policy.

FRS 28 – Corresponding amounts FRS 28 sets out the requirements for the disclosure of corresponding amounts for items disclosed in a company's primary financial statements and the notes to the financial statements.

2. Operating costs

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2005 - £nil).

3. Directors and employees

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2005 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 to 3.

Grand Metropolitan International Holdings Limited
Year ended 30 June 2006
Notes to the financial statements (continued)

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4. Interest payable to group undertakings

	Year ended 30 June 2006 £'000	Year ended 30 June 2005 £'000
Interest payable to Grand Metropolitan Public Limited Company	-	50,248
Diageo plc	-	665
Diageo Finance plc	-	<u>11,779</u>
	<u>-</u>	<u>62,692</u>

5. Taxation

	Year ended 30 June 2006 £'000	Year ended 30 June 2005 £'000
(i) Analysis of taxation for the year		
Current tax		
Current tax charge for the year	<u>(817)</u>	<u>-</u>
(ii) Factors affecting current tax for the year:		
Profit on ordinary activities before taxation	-	<u>3,363,549</u>
UK corporation tax at 30% (2005 – 30%)	-	(1,009,065)
Dividend income not taxable	-	1,027,873
Group relief surrendered for nil consideration	-	(18,808)
Adjustment in respect of prior years	<u>(817)</u>	<u>-</u>
	<u>(817)</u>	<u>-</u>

Grand Metropolitan International Holdings Limited
Year ended 30 June 2006
Notes to the financial statements (continued)

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6. Fixed assets - investments

30 June 2006
£'000

Shares in subsidiary undertakings – at cost

At beginning and end of the year 14,531,323

The company's principal subsidiary undertakings as at 30 June 2006 (which are all wholly owned) are as follows

Subsidiary undertakings	Country of incorporation	Principal activities
Direct subsidiaries:		
UDV (SJ) Limited	England	Investment holding company
Diageo Finance (Netherlands) Investments Limited	England	Financing company
Indirect subsidiaries:		
Diageo Holdings Netherlands B V *	The Netherlands	Investment holding company
Diageo Overseas B V **	The Netherlands	Investment holding and financing company
Diageo Ireland Holdings**	Ireland	Investment holding company
Selviac Nederland B V **	The Netherlands	Investment holding company
Diageo Brands Holdings B V **	The Netherlands	Investment holding company
Diageo Brands B V **	The Netherlands	Production, marketing and distribution of premium drinks
Diageo Capital B V **	The Netherlands	Financing company
Diageo Finance B V **	The Netherlands	Financing company
Diageo Inc *	United States of America	Investment holding company
R & A Bailey & Co **	Ireland	Production, marketing and distribution of premium drinks
Diageo Investment Corporation **	United States of America	Financing company for US group companies
Diageo Ireland **	Ireland	Production, marketing and distribution of premium drinks
Diageo North America, Inc **	United States of America	Production, importing and marketing of premium drinks

* Held by UDV (SJ) Limited

** Indirectly held by UDV (SJ) Limited

All holdings are in ordinary share capital

In the opinion of the directors, the investments in the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements

Certain undertakings have been omitted from the lists above, as they are either dormant or not material. A full list of subsidiary (and associated) undertakings will be annexed to the company's annual return

Grand Metropolitan International Holdings Limited
Year ended 30 June 2006
Notes to the financial statements (continued)

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7. Debtors: due within one year

	2006	2005
	£'000	£'000
Amounts owed by group undertakings		
Diageo Scotland Limited	4,893	4,893
Justerini & Brooks, Limited	<u>24,242</u>	<u>24,242</u>
	<u>29,135</u>	<u>29,135</u>

8. Creditors: due within one year

	2006	2005
	£'000	£'000
Amounts owed to other group undertakings		
Diageo Finance plc	1,500,817	1,500,000
Grand Metropolitan Holdings Limited	2,449,159	2,449,159
UDV (SJ) Limited	<u>2</u>	<u>2</u>
	<u>3,949,978</u>	<u>3,949,161</u>

9. Called up share capital

	2006	2005
	£'000	£'000
Authorised		
103,000,000 unclassified shares of £1 each	<u>103,000</u>	<u>103,000</u>
Allotted, called up and fully paid		
101,815,194 unclassified shares of £1 each	<u>101,815</u>	<u>101,815</u>

10. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 30 June 2005	10,134,028	375,454	10,509,482
Loss for the year	<u>-</u>	<u>(817)</u>	<u>(817)</u>
At 30 June 2006	<u>10,134,028</u>	<u>374,637</u>	<u>10,508,665</u>

Notes to the financial statements (continued)

11. Reconciliation of movement in shareholders' funds

	30 June 2006	30 June 2005
	£'000	£'000
(Loss)/profit for the financial year	(817)	3,363,549
Dividends paid	-	<u>(2,500,000)</u>
Net (reduction in)/addition to shareholders' funds	(817)	863,549
Shareholders' funds at beginning of the year	<u>10,611,297</u>	<u>9,747,748</u>
Shareholders' funds at end of the year	<u>10,610,480</u>	<u>10,611,297</u>

12. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan Public Limited Company, a company incorporated and registered in England

The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB