

Grand Metropolitan International Holdings Limited

Financial statements 30 June 2004

Registered number 970624



Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2004.

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 2004 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2003 – £nil). The loss for the year transferred from reserves is £67,977,000 (2003 – loss of £83,772,000).

Directors

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

P S Binning (resigned 3 October 2003)
S M Bunn
M J Lester
R Rajagopal (appointed 3 October 2003)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2003 - £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.

Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

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 28^{101/108} 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	At end of year
S M Bunn	3,351	1,088	-	-	-	-	-
M J Lester	15,803	20,658	10,563	27,269	(3,521)	-	34,311
R Rajagopal	912	3,810	-	-	-	-	-

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans. 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 the year	At end of year
S M Bunn	30,743	15,959	(383)	46,319
M J Lester	116,587	34,259	-	150,846
R Rajagopal	97,459	28,011	(4,754)	120,716

The directors held the above options under Diageo plc share option schemes at prices between 518 pence and 863 pence per ordinary share exercisable between 2004 and 2013. 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.

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Directors' report (continued)

Directors' interests (continued)

The mid-market share price of Diageo plc shares fluctuated between 625 pence and 780 pence per share during the year. The mid-market share price on 30 June 2004 was 744 pence.

At 30 June 2004 all the directors had an interest in 21,109,889 shares and 7,710,285 shares subject to call options held by trusts 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 2004.

By order of the board



J Nicholls
Secretary
8 Henrietta Place,
London,
W1G 0NB

17 December 2004

Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

Statement of directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the independent auditor's report set out on page 6, 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 at the end of the financial year and of the profit or loss for the financial year.

The directors, in preparing these financial statements, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed and that it is appropriate to prepare the financial statements on a 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 that 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 on pages 7 to 13.

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 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 auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

17 December 2004

Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Adjustment to amounts owing to group undertakings		48	135
Interest payable to group undertakings	4	(97,160)	(83,907)
Loss on ordinary activities before taxation		(97,112)	(83,772)
Taxation on loss on ordinary activities	5	<u>29,135</u>	<u>-</u>
Loss for the financial year transferred from reserves		<u>(67,977)</u>	<u>(83,772)</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 business activities.

Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

Balance Sheet

	<i>Notes</i>	30 June 2004		30 June 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	6		14,531,323		14,530,538
Current asset					
Debtor – amount due from group undertakings due within one year		29,135		-	
Creditors – due within one year	7	(4,812,710)		(4,714,813)	
Net current liabilities			(4,783,575)		(4,714,813)
Total assets less current liabilities			<u>9,747,748</u>		<u>9,815,725</u>
Capital and reserves					
Called up share capital	8		101,815		101,815
Share premium account	9	10,134,028		10,134,028	
Profit and loss account	9	<u>(488,095)</u>		<u>(420,118)</u>	
Reserves attributable to equity shareholders			<u>9,645,933</u>		<u>9,713,910</u>
Equity shareholders' funds			<u>9,747,748</u>		<u>9,815,725</u>

The financial statements on pages 7 to 13 were approved by the board of directors on 17 December 2004 and were signed on its behalf by:

M J Lester,
Director



Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

Notes to 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 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.

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.

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 (2003 - £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 (2003 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 2 to 4.

Grand Metropolitan International Holdings Limited
Year ended 30 June 2004

Notes to the financial statements (continued)

4. Interest payable to group undertakings

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Grand Metropolitan Public Limited Company	56,937	56,781
Diageo Capital plc	-	17
Diageo plc	604	433
Diageo Finance plc	<u>39,619</u>	<u>26,676</u>
	<u>97,160</u>	<u>83,907</u>

5. Taxation

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
(i) Analysis of taxation credit for the year		
Current tax		
Amounts receivable in respect of group relief surrendered	<u>29,135</u>	-
Taxation on loss on ordinary activities	<u>29,135</u>	-
(ii) Factors affecting current tax charge for the year:		
Loss on ordinary activities before taxation	(97,112)	(83,772)
UK corporation tax at 30% (2003 – 30%)	29,135	25,132
Group relief surrendered for nil consideration	<u>-</u>	<u>(25,132)</u>
	<u>29,135</u>	-

6. Fixed assets - investments

	2004 £'000	2003 £'000
Shares in subsidiary undertakings		
Cost at beginning of the year	14,530,538	14,530,538
Additions during the year	<u>785</u>	-
Cost at end of the year	<u>14,531,323</u>	<u>14,530,538</u>

Grand Metropolitan International Holdings Limited
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Notes to the financial statements (continued)

6. Fixed assets - investments (continued)

The company's principal subsidiary undertakings as at 30 June 2004 (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. (formerly Diageo Nederland B.V.)	The Netherlands	Investment holding company
Selviac Nederland B.V. *	The Netherlands	Investment holding company
Diageo Brands B.V.* (formerly Guinness United Distillers & Vintners B.V.)	The Netherlands	Production, marketing and distribution of premium drinks
Guinness United Distillers & Vintners Amsterdam B.V. (merged into Diageo Brands B.V. on 28.01.2004) *	The Netherlands	Production, marketing and distribution of premium drinks
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. * (formerly Guinness UDV North America, Inc.)	United States of America	Production, importing and marketing of premium drinks

* Indirectly held by UDV (SJ) Limited.

All holdings are in ordinary share capital.

In the opinion of the directors, the investment 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.

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Notes to the financial statements (continued)

7. Creditors due within one year

	2004	2003
	£'000	£'000
Amount owed to parent undertaking (Grand Metropolitan Holdings Limited)	185	185
Amounts owed to other group undertakings:		
Diageo Finance plc	1,030,317	989,913
Grand Metropolitan Public Limited Company	1,320,620	1,263,732
Diageo Capital plc	-	-
Diageo plc	12,614	12,009
Forcerate Limited	<u>2,448,974</u>	<u>2,448,974</u>
	<u>4,812,710</u>	<u>4,714,813</u>

8. Called up share capital

	2004	2003
	£'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>

9. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 30 June 2003	10,134,028	(420,118)	9,713,910
Retained loss for the year	-	<u>(67,977)</u>	<u>(67,977)</u>
At 30 June 2004	<u>10,134,028</u>	<u>(488,095)</u>	<u>9,645,933</u>

10. Reconciliation of movement in shareholders' funds

	30 June 2004 £'000	30 June 2003 £'000
Loss for the financial year	<u>(67,977)</u>	<u>(83,772)</u>
Net reduction in shareholders' funds	<u>(67,977)</u>	<u>(83,772)</u>
Shareholders' funds at beginning of the year	<u>9,815,725</u>	<u>9,899,497</u>
Shareholders' funds at end of the year	<u>9,747,748</u>	<u>9,815,725</u>

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Notes to the financial statements (continued)

11. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan Holdings Limited, 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 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.