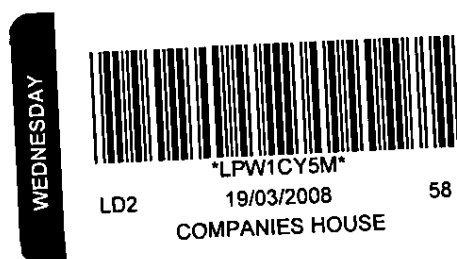


Grand Metropolitan Second Investments Limited

Financial statements 30 June 2007

Registered number 2303960



Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2007

Activities

The company acts as a financing vehicle for the Diageo Group. The results of the company and the development of its business are, therefore, influenced to a considerable extent by group financing requirements. The directors foresee no changes in the company's activities.

Financial

The results for the year ended 30 June 2007 are shown on page 5. The directors do not recommend the payment of an ordinary dividend for the year (2006 - £nil). The profit for the year transferred to reserves is £132,894,000 (2006 - £110,694,000).

Directors

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

S M Bunn
C D Coase
G P Crickmore (appointed 28 June 2007)
J Kyne (appointed 28 June 2007)
M J Lester (resigned 31 August 2006)
D A Mahlan (appointed 27 April 2007)
C R R Marsh
S C Moore (appointed 28 June 2007)

C R R Marsh resigned as a director of the company on 30 September 2007.

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2006- £nil).

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 reappointed on the expiry of its term in office in respect of the year ended 30 June 2007.

Directors' report (continued)

Auditor (continued)

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

A handwritten signature in black ink, appearing to read 'C D Coase', written over the text 'By order of the board'.

C D Coase
Director
8 Henrietta Place
London
W1G 0NB
20 December 2007

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 Second Investments Limited

We have audited the financial statements of Grand Metropolitan Second Investments Limited for the year ended 30 June 2007, 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 3. 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 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 2007 and of its profit 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 2007

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Interest receivable	3	142,747	118,857
Interest payable	4	(9,444)	(7,870)
Profit on ordinary activities before taxation	1, 2	133,303	110,987
Taxation on profit on ordinary activities	5	(409)	(293)
Profit for the financial year		132,894	110,694

There are no recognised gains and 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

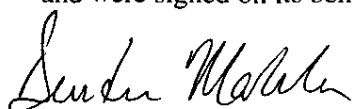
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis

All results arise from continuing operations

Balance sheet

	<i>Notes</i>	30 June 2007 £'000	30 June 2006 £'000
Current assets			
Debtors due within one year	6	2,726,911	2,593,632
Creditors due within one year	7	(38,957)	(38,572)
Net Assets		2,687,954	2,555,060
Capital and reserves			
Called up share capital	8	-	-
Other distributable reserves	9	164,376	164,376
Profit and loss account	9	2,523,578	2,390,684
Shareholders' funds	10	2,687,954	2,555,060

These financial statements on pages 5 to 11 were approved by the board of directors on 20 December 2007 and were signed on its behalf by



D A Mahlan
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

The accounting policies of the company are consistent with those applied last year

Basis of preparation

The financial statements 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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates, or if hedged forward, at the rate of exchange under the related foreign currency contract

Exchange gains and losses are taken to the profit and loss account

Notes to the financial statements

1. Operating costs

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. Fees in respect of services provided by the auditors were: Statutory audit £5,000 (2006 - £5,000), Group audit £nil (2006 - £nil) and other non-audit work £nil (2006 - £nil).

2. 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 (2006 - £nil).

3. Interest receivable

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
On loans to group undertakings	142,662	118,843
Foreign exchange gains	85	14
	<u>142,747</u>	<u>118,857</u>

4. Interest payable

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
On loans from group undertakings	(9,444)	(7,870)
	<u>(9,444)</u>	<u>(7,870)</u>

Notes to the financial statements (continued)

5. Taxation

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	133,303	110,987
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2006 - 30%)	(39,991)	(33,296)
Non-taxable income	2,572	-
Group relief received for nil consideration	37,010	33,003
Double tax relief	409	293
Overseas corporation tax	(409)	(293)
Current ordinary tax charge for the year	(409)	(293)

6. Debtors: due within one year

	30 June 2007 £'000	30 June 2006 £'000
Amounts owed by fellow group undertakings	2,726,911	2,593,632

Amounts owed by fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. These financing relationships are expected to continue for the foreseeable future. For the purposes of financial statement classification, amounts owed by group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value, which is not materially different to the book value.

These amounts are all at a floating rate of interest.

Notes to the financial statements (continued)

7. Creditors: due within one year

	30 June 2007 £'000	30 June 2006 £'000
Amounts owed to fellow group undertakings	(38,957)	(38,572)

Amounts owed to fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. These financing relationships are expected to continue for the foreseeable future. For the purposes of financial statement classification, amounts owed to group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value, which is not materially different to the book value.

The sum of £6,422,082 is at a floating rate of interest. The remaining balance is interest free.

8. Share capital

	30 June 2007 £	30 June 2006 £
<i>Authorised:</i>		
500 ordinary shares of US \$1 each	316	316
100 deferred shares of £1 each	100	100
	416	416
<i>Allotted, called up and fully paid:</i>		
500 ordinary shares of US \$1 each	316	316
2 deferred shares of £1 each	2	2
	318	318

The ordinary shares of US\$1 each have been translated into sterling at the historic exchange rate when the accounts were first reported in sterling.

The deferred shares give no right to any dividend and no rights to vote, except for matters affecting the rights to those shares. On a winding up, deferred shares give the right to receive the amount paid up on those shares after the holders of the ordinary shares have been paid the equivalent of US\$100,000,000 per ordinary share, but no further rights to participate in assets. In all other respects they have the same rights as ordinary shares.

Notes to the financial statements (continued)

9. Reserves

	Other distributable reserves £'000	Profit and loss account £'000	Total £'000
At 30 June 2006	164,376	2,390,684	2,555,060
Profit for year	-	132,894	132,894
At 30 June 2007	164,376	2,523,578	2,687,954

'Other distributable reserves' represent capital contributions from the parent company, Grand Metropolitan Investments Limited, since 1989

10. Reconciliation of movement in shareholders' funds

	30 June 2007 £'000	30 June 2006 £'000
Profit for the financial year	132,894	110,694
Net addition to shareholders' funds	132,894	110,694
Shareholders' funds at beginning of year	2,555,060	2,444,366
Shareholders' funds at end of year	2,687,954	2,555,060

11. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan Investments 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 plc can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB