

Diageo US Limited

Financial statements 30 June 2005

Registered number: 2476751



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COMPANIES HOUSE 06/04/2006

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2005.

Activities

The principal activity of the company is acting as an investment holding company. The directors foresee no changes in the company's activities.

Details of changes in investments during the year are set out in note 7 of these financial statements.

In October 2004, the company sold 53.9 million shares which it held in General Mills, Inc. for net proceeds of £1,342,236,000. This disposal generated a profit before tax of £36,502,000. On 26 September 2005, the company sold the remaining 25 million shares it held in General Mills, Inc. for \$1,154,391,000 (£650,361,000). This disposal generated a profit before tax of £43,896,000, which will be accounted for in the year ending 30 June 2006.

Financial

The results for the year ended 30 June 2005 are shown on page 6.

The directors do not recommend the payment of a dividend (2004 - £nil).

The profit for the year transferred to reserves is £63,668,000 (2004 - £nil).

Directors

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

S M Bunn
C D Coase (appointed 7 April 2005)
G P Crickmore
M C Flynn (appointed 7 April 2005)
M J Lester
R Rajagopal (resigned 7 April 2005)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2004 - £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.

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:

Directors' report (continued)

Directors' interests (continued)

(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)	Vested in year	At end of year
S M Bunn	1,088	128	-	-	-
C D Coase	14,207	14,207	-	-	-
G P Crickmore	11,683	10,398	-	-	-
M C Flynn	11,673	11,743	-	-	-
M J Lester	20,658	26,306	34,311	(3,521)	30,790

Certain directors are 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 the year	At end of year
S M Bunn	46,319	15,434	(9,316)	52,437
C D Coase	141,269	-	-	141,269
G P Crickmore	31,055	2,663	-	33,718
M C Flynn	17,991	-	-	17,991
M J Lester	150,846	23,758	(61,037)	113,567

The directors held the above options under Diageo plc share option schemes at prices between 460p and 863p per ordinary share exercisable between 2005 and 2014. 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.

The mid-market share price of Diageo plc shares fluctuated between 658p and 824p per share during the year. The mid-market share price on 30 June 2005 was 823p.

At 30 June 2005, all the directors had an interest in 21,465,587 shares and 8,233,337 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Directors' report (continued)

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 2005.

By order of the board



J Nicholls
Secretary
8 Henrietta Place
London, W1G 0NB
16 December 2005

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 5, 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 Diageo US Limited

We have audited the financial statements on pages 6 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 4, 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 2005 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, 16 December 2005

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Income from other fixed asset investments	3	30,166	-
Foreign exchange gain		200	-
Net interest receivable	4	8	-
Exceptional gain on sale of fixed asset investment	5	36,502	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		66,876	-
Taxation on profit on ordinary activities	6	(3,208)	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		63,668	-
Dividends		-	-
		<hr/>	<hr/>
Amounts transferred to reserves	11	63,668	-
		<hr/>	<hr/>

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 2005		30 June 2004	
		£000	£000	£000	£000
Fixed assets					
Investments	7		4,098,439		5,365,192
Current assets					
Debtors: due within one year	8	1,333,479		-	
Creditors: due within one year	9	(3,058)		-	
Net current assets			1,330,421		-
Total assets less current liabilities			<u>5,428,860</u>		<u>5,365,192</u>
Net assets			<u>5,428,860</u>		<u>5,365,192</u>
Capital and reserves					
Called up share capital	10		1,000		1,000
Share premium account	11	5,364,192		5,364,192	
Profit and loss account	11	63,668		-	
Reserves attributable to equity shareholders			<u>5,427,860</u>		<u>5,364,192</u>
Equity shareholders' funds			<u>5,428,860</u>		<u>5,365,192</u>

These financial statements on pages 6 to 13 were approved by the board of directors on 16 December 2005 and were signed on its behalf by:

C D Coase
 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 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.

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.

All exchange gains and losses are taken to the profit and loss account.

Exceptional items

Exceptional items are those that, in management's judgement, need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss account caption to which they relate and are separately disclosed either in the notes to the financial statements or on the face of the profit and loss account.

Notes to the financial statements

1. Operating costs

The company's operations are based in the United Kingdom.

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 (2004 - £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 (2004 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 and 2.

3. Income from fixed asset investments

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Income from other fixed asset investments:		
Listed	30,166	-

4. Net interest receivable

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Interest receivable on loans to fellow group undertakings	8	-

5. Exceptional gain on sale of fixed asset investment

In October 2004, the company sold 53.9 million shares which it held in General Mills, Inc. for net proceeds of £1,342,236,000. This disposal generated a profit before tax of £36,502,000.

Notes to the financial statements (continued)

6. Taxation

	Year ended 30 June 2005 £000	Year ended 30 June 2004 £000
Profit on ordinary activities before taxation	66,876	-
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2004 - 30%)	(20,063)	-
Double taxation relief on overseas WHT suffered	3,208	-
Non taxable gain on disposal of Investment	10,951	-
Group relief received for nil consideration	5,904	-
Overseas WHT suffered	(3,208)	-
Current ordinary tax charge for the year	(3,208)	-

7. Fixed assets - investments

	Subsidiary undertakings £000	Other fixed asset investments £000	Total £000
Cost and Net Book Value			
At 30 June 2004	3,456,051	1,909,141	5,365,192
Additions	2,448,974	-	2,448,974
Disposals	(2,413,051)	(1,302,676)	(3,715,727)
At 30 June 2005	3,491,974	606,465	4,098,439

Notes to the financial statements (continued)

7. Fixed assets – investments (continued)

The subsidiary undertakings and other investments and the percentage of equity owned are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Direct holdings:			
Subsidiary undertakings			
Diageo Finance (Netherlands) & Co	United Kingdom	Investment company	100% of Class A, B and C Ordinary
Forcerate Limited	United Kingdom	Investment company	100% of Ordinary
Other fixed asset investments			
General Mills, Inc.	U.S.A.	Manufacture and marketing of consumer food products	7% of common stock shares

The investments in subsidiary and other undertakings are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

In March 2005, the company sold its holding in Diageo Inc. for net proceeds of £2,413,051,008, as part of a reorganisation of the Diageo plc group. This disposal generated a profit before tax of £nil.

In May 2005, the company acquired Forcerate Limited from Grand Metropolitan Holdings Limited at a cost of £2,448,973,773.

At 30 June 2005, General Mills' share price was \$46.79 (£26.14) valuing the company's interest at \$1,174,216,000 (£655,989,000).

8. Debtors

	30 June 2005 £000	30 June 2004 £000
Amounts owed by fellow group undertakings	1,329,546	-
Ordinary dividends receivable	3,933	-
	<hr/>	<hr/>
	1,333,479	-
	<hr/>	<hr/>

Amounts owed by fellow group undertakings include £1,329,538,000 which is non-interest bearing and £8,000 which bears interest at floating rates.

Notes to the financial statements (continued)

9. Creditors: due within one year

	30 June 2005 £000	30 June 2004 £000
Amounts owed to fellow group undertakings	3,058	-

These amounts bear interest at floating rates.

10. Share capital

	30 June 2005 £	30 June 2004 £
<i>Authorised:</i>		
Equity - 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
<i>Allotted, called up and fully paid:</i>		
Equity - 1,000,002 ordinary shares of £1 each	1,000,002	1,000,002

11. Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At 30 June 2004	5,364,192	-	5,364,192
Retained profit for year	-	63,668	63,668
At 30 June 2005	5,364,192	63,668	5,427,860

Notes to the financial statements (continued)

12. Reconciliation of movement in shareholders' funds

	30 June 2005 £000	30 June 2004 £000
Profit on ordinary activities after taxation	63,668	-
New share capital issued	-	1,000
Share Premium	-	5,364,192
	<hr/>	<hr/>
Net addition to shareholders' funds	63,668	5,365,192
Shareholders' funds at beginning of year	5,365,192	-
	<hr/>	<hr/>
Shareholders' funds at end of year	5,428,860	5,365,192
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13. Post balance sheet events

On 26 September 2005, the company sold the remaining 25 million shares it held in General Mills, Inc. for \$1,154,391,000 (£650,361,000). This disposal generated a profit before tax of £43,896,000.

14. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is UDV (SJ) 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.