

Grand Metropolitan Holdings Limited

Financial statements 30 June 2007

Registered number 464950



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

Financial

The results for the year ended 30 June 2007 are shown on page 5. The profit for the year transferred to reserves is £233,817,000 (2006 - £209,209,000).

The directors do not recommend the payment of a dividend for the year (2006 - £nil).

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)
M C Flynn (appointed 3 October 2006)
J Kyne (appointed 28 June 2007)
M J Lester (resigned 31 August 2006)
D A Mahlan (appointed 27 April 2007)
C R R Marsh (appointed 3 October 2006)
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).

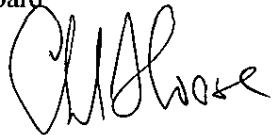
Directors' report (continued)

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

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 printed name.

C D Coase
Director
8 Henrietta Place
London
W1G 0NB

10 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 Holdings Limited

We have audited the financial statements of Grand Metropolitan Holdings 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
 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
Income from shares in group undertakings	3	45,890	45,890
Interest receivable	4	201,889	196,004
Interest payable	5	(13,962)	(19,038)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>1, 2</i>	233,817	222,856
Taxation on profit on ordinary activities	6	-	(13,647)
		<hr/>	<hr/>
Profit for the financial year		233,817	209,209
		<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 2007		30 June 2006	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	7		822,027		822,027
Current assets					
Debtors due within one year	8	3,249,533		2,875,607	
Cash at bank and in hand			-	7,386	
		3,249,533		2,882,993	
Creditors due within one year	10	(102)		(17)	
Net current assets			3,249,431		2,882,976
Debtors due after one year	8		3,150,856		3,283,494
Net assets			7,222,314		6,988,497
Capital and reserves					
Called up share capital	11		6,306,613		6,306,613
Share premium account	12		112,129		112,129
Other reserves	12		1,559		1,559
Profit and loss account	12		802,013		568,196
Shareholders' funds	13		7,222,314		6,988,497

These financial statements on pages 5 to 13 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

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 approved 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

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

Deferred taxation

Full provision is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations using current tax rates. The company does not discount these balances

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 £4,000 (2006 - £4,000), 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. Income from fixed asset investments

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Income from shares in group undertakings	45,890	45,890

4. Interest receivable

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Interest receivable on loans to fellow group undertakings	201,889	196,004

5. Interest payable

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Interest payable on loans from fellow group undertakings	(1)	(13,907)
Other interest	(84)	-
Foreign exchange loss	(13,877)	(5,131)
	(13,962)	(19,038)

Notes to the financial statements (continued)

6. Taxation

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
(i) Analysis of taxation charge for the year		
Current tax		
Current tax charge for the year	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax		
UK	-	(52,952)
Adjustment in respect of prior years	-	39,305
	<hr/>	<hr/>
Total deferred tax	-	(13,647)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	-	(13,647)
	<hr/>	<hr/>
(ii) Reconciliation of current tax charge		
	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Profit on ordinary activities before taxation	233,817	222,856
	<hr/>	<hr/>
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2006 – 30%)	(70,145)	(66,857)
Items not chargeable for tax purposes	13,767	13,767
Group relief surrendered for nil consideration	-	138
Tax losses utilised	56,378	52,952
	<hr/>	<hr/>
Current ordinary tax for the year	-	-
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Notes to the financial statements (continued)

7. Fixed assets – investments

	30 June 2007 £'000	30 June 2006 £'000
Cost and net book value		
Carried forward	822,027	822,027

The investments held during the financial year consist of holdings of 100% of the issued preference share capital of the following undertakings

	Country of incorporation	Principal activity
<i>Direct holdings:</i>		
Diageo Funding Company No 1 Limited	Cayman Islands	Financing company
Diageo Funding Company No 2 Limited	Cayman Islands	Financing company

In the opinion of the directors, the investments are worth at least the amount at which they are stated in the financial statements

8. Debtors

	30 June 2007		30 June 2006	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Amounts owed by fellow group undertakings	3,249,533	3,150,856	2,875,607	3,283,494

Amounts owed by fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. 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. Amounts due within one year include £2,774,717,484, which is interest free, the remaining balance is at a floating rate.

Debtors due after one year include £1,617,229,000, which bears interest at a fixed rate of 5.125% and £248,756,218, £746,268,656, £140,592,956 and £398,009,950, which bear the following fixed rates, 6.16%, 6.27%, 6.31%, and 6.34%, respectively.

Notes to the financial statements (continued)

9. Deferred taxation

	30 June 2007	30 June 2006
	£'000	£'000
Asset at beginning of year	-	13,647
Deferred tax (debit) in profit and loss account	-	(13,647)
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Deferred tax asset	-	-
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10. Creditors: due within one year

	30 June 2007	30 June 2006
	£'000	£'000
Amounts owed to fellow group undertakings	(18)	(17)
Bank Overdraft	(84)	-
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	(102)	(17)
	<hr/>	<hr/>

Amounts owed to fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship. 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. These amounts are all at a variable interest rate.

Notes to the financial statements (continued)

11. Share Capital

	30 June 2007 £'000	30 June 2006 £'000
<i>Authorised</i>		
6,804,000,001 Ordinary shares of £1 each	6,804,000	6,804,000
350,000,000 5 65% 'A' Cumulative Redeemable Preference shares of £1 each	350,000	350,000
350,000,000 5 65% 'B' Cumulative Redeemable Preference shares of £1 each	350,000	350,000
705,000,000 4 6932% 'C' Cumulative Redeemable Preference shares of £1 each	705,000	705,000
50,000,000 4 694% 'D' Cumulative Redeemable Preference shares of £1 each	50,000	50,000
350,000,000 4 69% 'E' Cumulative Redeemable Preference shares of £1 each	350,000	350,000
500,000,000 4 6276% 'F' Cumulative Redeemable Preference shares of £1 each	500,000	500,000
200,000,000 4 6229% 'G' Cumulative Redeemable Preference shares of £1 each	200,000	200,000
1,000,000,000 4 933% 'H' Cumulative Redeemable Preference shares of £1 each	1,000,000	1,000,000
290,999,999 'I' Cumulative Redeemable Preference shares of £1 each	291,000	291,000
300,000,000 4 4715% 'J' Cumulative Redeemable Preference shares of £1 each	300,000	300,000
700,000,000 4 4708% 'K' Cumulative Redeemable Preference shares of £1 each	700,000	700,000
350,000,000 4 75% 'L' Cumulative Redeemable Preference shares of £1 each	350,000	350,000
2,355,000,000 5 75% 'M' Cumulative Redeemable Preference shares of £1 each	2,355,000	2,355,000
850,000,000 5 472592104% 'N' Cumulative Redeemable Preference shares of £1 each	850,000	850,000
800,000,000 5 922709135% 'O' Cumulative Redeemable Preference shares of £1 each	800,000	800,000
10,000,000 5 5% 'P' Cumulative Redeemable Preference shares of £1 each	10,000	10,000
695,000,000 4 75% 'Q' Cumulative Redeemable Preference shares of £1 each	695,000	695,000
400,000,000 5 617624933% 'R' Cumulative Redeemable Preference shares of £1 each	400,000	400,000
	<hr/>	<hr/>
	17,060,000	17,060,000
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<i>Allotted, called up and fully paid</i>		
6,306,613,162 ordinary shares of £1 each	6,306,613	6,306,613
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Notes to the financial statements (continued)

12. Reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 30 June 2006	112,129	1,559	568,196	681,884
Profit for year	-	-	233,817	233,817
At 30 June 2007	112,129	1,559	802,013	915,701

13. Reconciliation of movement in shareholders' funds

	30 June 2007 £'000	30 June 2006 £'000
Profit for the financial year	233,817	209,209
Net addition to shareholders' funds	233,817	209,209
Shareholders' funds at beginning of year	6,988,497	6,779,288
Shareholders' funds at end of year	7,222,314	6,988,497

14. 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