

# **Grand Metropolitan Holdings Limited**

## **Financial statements 30 June 2011**

Registered number 464950

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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 2011

### **Activities**

The company acts as a financing vehicle for the Diageo group

### **Financial**

The results for the year ended 30 June 2011 are shown on page 5. The profit for the year transferred to reserves is £37,881,000 (2010 - £81,467,000)

A dividend of £6,551,032,508 was approved and paid during the year (2010 – £121,000,000)

A restructuring project was implemented during the year in which the company undertook a capital reduction by cancelling and extinguishing 6,306,613,160 of the issued ordinary shares of £1 each and reducing its share premium account from £112,128,981 to nil (Notes 9 & 10) All intercompany balances were eliminated also (Notes 7 & 8) As a result of this, at 30 June 2011 the company's share capital comprises 2 ordinary shares of £1 each

### **Going concern**

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern. On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

### **Directors**

The directors who held office during the year were as follows

S Bolton	(appointed 1 April 2011)
C D Coase	(resigned 31 March 2011)
J A I Franco	(appointed 24 March 2011)
G Geiszl	(resigned 25 January 2011)
D Heginbottom	(appointed 9 September 2010)
D A Mahlan	(resigned 13 December 2010)
A O M Manz	(resigned 1 September 2010)
S C Moore	(resigned 24 March 2011)
M Pais	(resigned 25 January 2011)
A M Smith	
P D Tunnaclyffe	

### **Directors' remuneration**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2010 - £nil)

**Grand Metropolitan Holdings Limited**

**Registered number: 464950**

**Year ended 30 June 2011**

**2**

**Directors' report (continued)**


**Auditor**

Pursuant to Section 487 of the Companies Act 2006, 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 2011

**Disclosure of information to auditors**

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



D Heginbottom  
Director  
Lakeside Drive  
Park Royal  
London  
NW10 7HQ  
15 December 2011

**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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2011 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit/loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

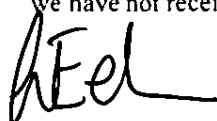
### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Lee S Edwards (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
15 December 2011

**Grand Metropolitan Holdings Limited**

Registered number: 464950

5

Year ended 30 June 2011

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2011 £'000</b>	<b>Year ended 30 June 2010 £'000</b>
Interest income	4	37,881	81,467
<b>Profit on ordinary activities before taxation</b>	1,2,3	37,881	81,467
Taxation on profit on ordinary activities	5	-	-
<b>Profit for the financial year</b>		37,881	81,467

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

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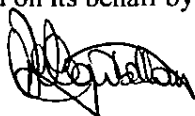
6

Year ended 30 June 2011

**Balance sheet**

		30 June 2011		30 June 2010	
	<i>Notes</i>	£'000	£'000	£'000	£'000
<b>Current assets</b>					
Debtors due within one year	7	-		6,846,484	
Cash at bank and in hand		-		2	
		-		6,846,486	
<b>Creditors due within one year</b>	8	-		(607,089)	
<b>Net current assets</b>			-		6,239,397
<b>Debtors due after one year</b>	7		-		1,721,728
<b>Total assets less current liabilities</b>			-		7,961,125
<b>Creditors due after one year</b>	8		-		(1,447,973)
<b>Net assets</b>			-		6,513,152
<b>Capital and reserves</b>					
Called up share capital	9		-		6,306,613
Share premium account	10		-		112,129
Profit and loss account	10		-		94,410
<b>Shareholders' funds</b>	11		-		6,513,152

These financial statements on pages 5 to 11 were approved by the board of directors on 15 December 2011 and were signed on its behalf by



D Heginbottom  
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 on a going concern basis 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 group ("group undertakings") or investees of the Diageo plc group. The consolidated financial statements of Diageo plc, within which this Company is included, can be obtained from the address given in note 12

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the financial year end exchange rates

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

### **Taxation**

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge



## **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 auditor were Statutory audit - £4,000 (2010 - £4,000)

### **2. Staff costs**

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

### **3. Directors' remuneration**

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2010 - £nil)

### **4. Interest income**

	<b>Year ended 30 June 2011 £'000</b>	<b>Year ended 30 June 2010 £'000</b>
Interest income on loans to fellow group undertakings	36,922	80,052
Foreign exchange gain	959	1,415
	<u>37,881</u>	<u>81,467</u>

The interest income was received from both Diageo Finance Plc and Diageo Brands B V during year ended 30 June 2011 Due to the implementation of a restructuring project during the year and with all intercompany balances eliminated in February 2011, this has led to a significant reduction in interest income year on year

### **5. Taxation**

	<b>Year ended 30 June 2011 £'000</b>	<b>Year ended 30 June 2010 £'000</b>
<b>Factors affecting current tax charge for the year</b>		
Profit on ordinary activities before taxation	37,881	81,467
	<u>          </u>	<u>          </u>
Taxation on profit on ordinary activities at UK corporation tax rate of 27.5% (2010 - 28%)	(10,418)	(22,811)
Group relief received for nil consideration	10,418	22,811
	<u>          </u>	<u>          </u>
Current ordinary tax charge for the year	-	-
	<u>          </u>	<u>          </u>

**Notes to the financial statements (continued)****6. Dividends**

	<b>Year ended 30 June 2011 £'000</b>	<b>Year ended 30 June 2010 £'000</b>
Equity shares		
Approved and paid dividend	6,551,033	121,000

Due to the implementation of the restructuring project during the year whereby the company undertook a capital reduction by cancelling and extinguishing 6,306,613,160 of the issued ordinary shares of £1 each and reducing its share premium account from £112,128,981 to nil, reserves were then made available in order to issue a dividend

**7. Debtors**

	<b>30 June 2011</b>		<b>30 June 2010</b>	
	<b>Due within one year £'000</b>	<b>Due after one year £'000</b>	<b>Due within one year £'000</b>	<b>Due after one year £'000</b>
Amounts owed by fellow group undertakings	-	-	6,846,484	1,721,728

During year ended 30 June 2011, amounts owed by fellow group undertakings were significantly impacted due to the commencement of the restructuring project

The amounts owed by fellow group undertakings were eliminated by transferring the balances to its parent, Grand Metropolitan Ltd in the form of a dividend

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 are interest free and the remaining balance is at a floating rate.

Debtors due after one year bear interest at a fixed rate

## Notes to the financial statements (continued)

### 8. Creditors

	30 June 2011		30 June 2010	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Amounts owed to fellow group undertakings	-	-	607,089	1,447,973

During year ended 30 June 2011, amounts owed to fellow group undertakings were also significantly impacted due to the commencement of the restructuring project. All intercompany balances were eliminated.

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.

Creditors due after one year are at a floating rate.

### 9. Share Capital

	30 June 2011 £'000	30 June 2010 £'000
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	-	6,306,613

On 3 February 2011, the company undertook a capital reduction by cancelling and extinguishing 6,306,613,160 of the issued ordinary shares of £1 each held by Grand Metropolitan Limited. After the capital reduction the company's share capital comprised of 2 ordinary shares of £1 each.

### 10. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At the beginning of the year	112,129	94,410	206,539
Profit for year	-	37,881	37,881
Transfer from share capital	-	6,306,613	6,306,613
Transfer from share premium	(112,129)	112,129	-
Dividend approved and paid	-	(6,551,033)	(6,551,033)
At the end of the year	-	-	-

**Notes to the financial statements (continued)**

**10. Reserves (continued)**

On 3 February 2011, the company undertook a share premium reduction by reducing its share premium account from £112,128,981 to nil by transferring this amount to the profit and loss account. The share premium was held by Grand Metropolitan Limited.

The company also undertook a capital reduction by cancelling and extinguishing 6,306,613,160 of the issued ordinary shares of £1 each (Note 9) and transferred this to the profit and loss account also. A dividend was then approved and paid during the year.

**11. Reconciliation of movement in shareholders' funds**

	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities after taxation	37,881	81,467
<b>Net addition to shareholders' funds</b>	<b>37,881</b>	<b>81,467</b>
Shareholders' funds at beginning of year	6,513,152	6,552,685
Dividend approved and paid	(6,551,033)	(121,000)
<b>Shareholders' funds at end of year</b>	<b>-</b>	<b>6,513,152</b>

**12. Immediate and ultimate parent undertaking**

The immediate parent undertaking of the company is Grand Metropolitan 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 Lakeside Drive, Park Royal, London NW10 7HQ.