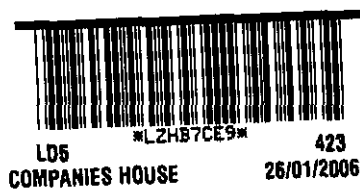


# **Grandmet Foods (UK) Limited**

## **Financial statements 30 June 2005**

Registered number 472217



**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

**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 company did not trade during the year but paid interest on its inter-company obligations. The directors foresee no changes in the company's activities.

**Financial**

The results for the year ended 30 June 2005 are shown on page 6. The directors do not recommend the payment of an ordinary dividend (2004 - £nil). The company paid a preference dividend of £nil (2004 - £nil) for the year. The loss for the year transferred from reserves was £12,105,000 (2004 - profit of £376,000 transferred to reserves).

On 5 January 2005 the preference shareholder waived its rights to both unpaid preference dividends at that date and also any future preference dividends payable by the company.

**Directors**

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

Diageo Corporate Officer A Limited  
Diageo Corporate Officer B Limited

**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 no beneficial interests in the ordinary shares of 28<sup>101</sup>/<sub>108</sub> pence each in the ultimate parent company, Diageo plc.

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

**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 2005.

By order of the board



J Nicholls  
*For and on behalf of*  
*Diageo Corporate Officer A Limited*  
Secretary  
8 Henrietta Place  
London  
W1G 0NB

14 December 2005

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 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 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 Grandmet Foods (UK) Limited**

We have audited the financial statements on pages 6 to 12.

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 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 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

*19 December* 2005

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

**Profit and loss account**

		<b>Year ended</b> <b>30 June 2005</b>	<b>Year ended</b> <b>30 June 2004</b>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
Interest payable to group undertaking – Diageo Finance plc		(18,156)	(14,427)
<b>Loss on ordinary activities before taxation</b>		(18,156)	(14,427)
Taxation on loss on ordinary activities	3	<u>5,447</u>	<u>4,328</u>
<b>Loss on ordinary activities after taxation</b>		(12,709)	(10,099)
Additional finance charge – non-equity	4	<u>604</u>	<u>10,475</u>
<b>Amounts transferred (from)/ to reserves</b>	9	<u>(12,105)</u>	<u>376</u>

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.

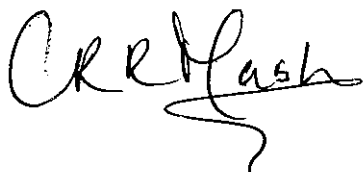
All results arise from continuing operations.

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

**Balance sheet**

		30 June 2005		30 June 2004	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	5		270,966		270,966
<b>Current assets</b>					
Debtors -- due within one year	6	14,213		8,766	
<b>Creditors: due within one year</b>					
Other creditors	7	(353,345)		(335,189)	
<b>Net current liabilities</b>			(339,132)		(326,423)
<b>Total assets less current liabilities</b>			(68,166)		(55,457)
<b>Capital and reserves</b>					
Called up share capital	8		43,000		43,000
<b>Reserves</b>					
Share premium account	9	105		105	
Other reserves	9	1,900		1,900	
Profit and loss account	9	(113,171)		(100,462)	
			(111,166)		(98,457)
<b>Total shareholders' deficit</b>	10		(68,166)		(55,457)
<b>The shareholders' deficit is attributable to:</b>					
Equity shareholders			(110,166)		(98,061)
Non-equity shareholders			42,000		42,604
<b>Total shareholders' deficit</b>			(68,166)		(55,457)

These financial statements on pages 6 to 12 were approved by the board of directors on 14 December 2005 and were signed on its behalf by:



C R R Marsh  
For and on behalf of  
Diageo Corporate Officer B Limited,  
Director

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

**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 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 also 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.

**Non-equity shareholders' interests**

Amounts not declared as dividends during the year in respect of the company's 5.75% fixed rate non-redeemable preference shares are presented as appropriations of profit under the caption "Additional finance charge". Non-equity shareholders' interests reflect the net proceeds from issuance of the shares plus accrued, but unpaid, dividends.

**Going concern**

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date relate to group undertakings.

**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.



**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

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

**2. Operating costs**

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).

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).

**3. Taxation**

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
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**(i) Analysis of taxation credit for the year**

**Current tax**

Amounts receivable in respect of group relief surrendered	<u>5,447</u>	<u>4,328</u>
Taxation on loss on ordinary activities	<u>5,447</u>	<u>4,328</u>

**(ii) Factors affecting current tax credit for the year**

Loss for the year before taxation	(18,156)	(14,427)
Taxation on loss on ordinary activities at UK corporation tax rate of 30% (2004 - 30%)	<u>5,447</u>	<u>4,328</u>

**4. Additional finance charge – non-equity**

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Additional finance charge – non-equity	(1,244)	(2,415)
Waiver of unpaid preference dividends	<u>1,848</u>	<u>12,890</u>
	<u>604</u>	<u>10,475</u>

The additional finance charge in each year represents the difference between the preferential dividend payable and the amounts paid or waived during the year, to the extent that these are not repayable.

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

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

**5. Fixed assets - investments**

	<b>30 June 2005</b>	<b>30 June 2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Shares in subsidiary undertakings</b>		
At cost at beginning and end of the year	<u>378,300</u>	<u>378,300</u>
Provision at beginning and end of the year	<u>(107,334)</u>	<u>(107,334)</u>
Net book value at beginning and end of the year	<u>270,966</u>	<u>270,966</u>

The company's principal subsidiary undertakings are as follows:

<b>Subsidiary undertakings</b>	<b>Principal activity</b>	<b>Class of shares held</b>
Express Foods Group (International) Limited	Investment Company	Ordinary shares of 25p each 'A' ordinary shares of 25p each 6% cumulative preference stock of £1 each 6% 'A' cumulative preference stock of £1 each 7% cumulative preference stock of £1 each 7% 'A' cumulative preference stock of £1 each
East Walls (1997) Limited	Investment Company	Ordinary shares of £1 each
Precis (1057) Limited	Investment Company	Ordinary shares of £1 each

All subsidiary undertakings are incorporated in the United Kingdom and are 100% directly owned by the company.

Certain undertakings have been omitted from the list above as they are either dormant or not material. A full list of subsidiary undertakings will be annexed to the company's annual return.

In the opinion of the directors, the investment in the company's subsidiary undertakings is worth at least the amount at which it is stated in the financial statements.

**6. Debtors – due within one year**

	<b>30 June 2005</b>	<b>30 June 2004</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by group undertakings:		
Pet (UK) Limited	4,438	4,438
Justerini & Brooks, Limited	<u>9,775</u>	<u>4,328</u>
	<u>14,213</u>	<u>8,766</u>

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

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

**7. Other creditors**

	30 June 2005 £'000	30 June 2004 £'000
Amount owed to parent undertaking (Grand Metropolitan Public Limited Company)	31,501	31,501
Amounts owed to other group undertakings:		
Diageo Great Britain Limited	731	731
Diageo Finance plc	<u>321,113</u>	<u>302,957</u>
	<u>353,345</u>	<u>335,189</u>

**8. Called up share capital**

	30 June 2005 £'000	30 June 2004 £'000
<i>Authorised:</i>		
Equity 6,000,000 ordinary shares of 25p each	1,500	1,500
Non-equity 840,000 5.75% fixed rate non-redeemable preference shares of £50 each	<u>42,000</u>	<u>42,000</u>
	<u>43,500</u>	<u>43,500</u>
<i>Allotted, called up and fully paid:</i>		
Equity 4,000,000 ordinary shares of 25p each	1,000	1,000
Non-equity 840,000 5.75% fixed rate non-redeemable preference shares of £50 each	<u>42,000</u>	<u>42,000</u>
	<u>43,000</u>	<u>43,000</u>

**9. Reserves**

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 30 June 2004	105	1,900	(100,462)	(98,457)
Retained loss for the year	-	-	(12,105)	(12,105)
Additional finance charge – non-equity	-	-	(604)	(604)
At 30 June 2005	<u>105</u>	<u>1,900</u>	<u>(113,171)</u>	<u>(111,166)</u>

Non-equity interests in reserves totalled £nil (2004 - £604,000).

**Grandmet Foods (UK) Limited**  
**Year ended 30 June 2005**

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

**10. Reconciliation of movement in shareholders' deficit**

	<b>30 June 2005</b>	<b>30 June 2004</b>
	<b>£'000</b>	<b>£'000</b>
Retained (loss)/profit for the year	(12,105)	376
Additional finance charge – non-equity	<u>(604)</u>	<u>(10,475)</u>
<b>Net increase in shareholders' deficit</b>	<b>(12,709)</b>	<b>(10,099)</b>
Shareholders' deficit at beginning of year	<u>(55,457)</u>	<u>(45,358)</u>
<b>Shareholders' deficit end of year</b>	<b><u>(68,166)</u></b>	<b><u>(55,457)</u></b>

**11. 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.