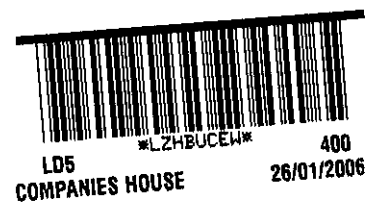


Grand Metropolitan Estates (Developments) Limited

FINANCIAL STATEMENTS

30 JUNE 2005

Company Registration No. 694994



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 has not traded during the year and its only source of income is bank interest.

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 £1,041,000 (2004 - £875,000).

Directors

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

S M Bunn
D C Carter
C D Coase (appointed 7 April 2005)
M C Flynn
R J Joy
M J Lester (appointed 7 April 2005)
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 ordinary shares of 28 $\frac{101}{108}$ pence 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)	Granted in year	Vested in year	Lapsed in year	At end of year
S M Bunn	1,088	128	-	-	-	-	-
D C Carter	9,807	12,289	-	-	-	-	-
C D Coase	14,207	14,207	-	-	-	-	-
M C Flynn	9,927	11,743	-	-	-	-	-
R J Joy	44,481	48,283	26,321	4,746	(7,819)	(465)	22,783
M J Lester	30,945	26,306	30,790	-	-	-	30,790

The directors were 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

	At beginning of year (or date of appointment)	Granted in year	Exercised in year	At end of year
S M Bunn	46,319	15,434	(9,316)	52,437
D C Carter	69,645	8,976	(27,316)	51,305
C D Coase	141,269	-	-	141,269
M C Flynn	15,590	3,490	(1,089)	17,991
R J Joy	241,263 (22,248 ADS and 152,271 ord. Shares)	30,236	(88,992) (22,248 ADS)	182,507
M J Lester	113,567	-	-	113,567

DIRECTORS' REPORT (continued)

Directors' interests (continued)

The directors held the above options under Diageo plc share option schemes at prices between 460 pence and 863 pence per ordinary share exercisable between 2005 and 2014. US grants were at prices between US\$25.21 and US\$29.38 per ADS. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). 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.

Options granted under one of the schemes, the Senior Executive Share Option Plan ('SESOP'), may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to grants of options under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the ultimate holding company, Diageo plc.

Options granted for R J Joy are principally options granted under the SESOP, which are subject to performance conditions as detailed above.

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

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. In addition, R J Joy had a further interest in 6,279,065 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes. Also on that date, R J Joy had an additional interest in 459,180 shares and 544,246 shares subject to call options, held by trusts to satisfy grants made under ex-Grandmet incentive plans.

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

5 January 2006

**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 GRAND METROPOLITAN ESTATES (DEVELOPMENTS) LIMITED**

We have audited the financial statements on pages 6 to 11.

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
Chartered Accountants
Registered Auditor

London

10 January 2006

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Turnover		-	-
Operating costs	3	-	-
Operating profit		<u>-</u>	<u>-</u>
Interest receivable	5	<u>1,041</u>	<u>875</u>
Profit on ordinary activities before taxation	2	1,041	875
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
Transferred to reserves	11	<u>1,041</u>	<u>875</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.

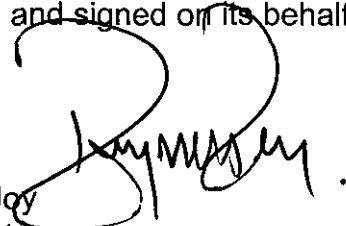
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

BALANCE SHEET

	Notes	<u>30 June 2005</u> £'000	<u>30 June 2004</u> £'000
Current assets			
Debtors - due within one year	7	17,588	16,547
Cash at bank and in hand	8	<u>18,235</u>	<u>18,235</u>
		35,823	34,782
Creditors - due within one year			
Other creditors	9	(27,754)	(27,754)
Net assets		<u>8,069</u>	<u>7,028</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	8,069	7,028
Equity shareholders' funds		<u>8,069</u>	<u>7,028</u>

These financial statements on pages 6 to 11 were approved by the board of directors on 5 January 2006 and signed on its behalf by:

R J Joy
Director



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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is attributable to interest income on cash balances.

3. Operating costs

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

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).

4. Directors' emoluments

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 to 3.

5. Interest receivable

	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year ended</u> <u>30 June 2004</u> £'000
On cash at bank	1,041	875

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation

	<u>Year ended</u> <u>30 June 2005</u> £'000	<u>Year ended</u> <u>30 June 2004</u> £'000
Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	1,041	875
Notional tax charge at UK corporation tax rate of 30% (2004 – 30%)	(312)	(263)
Group relief received for nil consideration	312	263
Current ordinary tax charge for the year	<u>-</u>	<u>-</u>

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. Group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor a credit for the years ended 30 June 2005 and 2004.

7. Debtors – due within one year

	<u>30 June 2005</u> £'000	<u>30 June 2004</u> £'000
Amounts owed by fellow group undertakings	17,496	16,232
Other debtors	<u>92</u>	<u>315</u>
	<u>17,588</u>	<u>16,547</u>

8. Cash at bank and in hand

The company has entered into a joint and several guarantee with certain other Diageo plc UK group undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Creditors – due within one year

	<u>30 June 2005</u> £'000	<u>30 June 2004</u> £'000
Amounts owed to fellow group undertakings	<u>27,754</u>	<u>27,754</u>

10. Share capital

	<u>30 June 2005</u> £	<u>30 June 2004</u> £
Authorised, allotted, called up and fully paid		
Equity - 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. Reserves

	Profit and loss account £'000
At 30 June 2004	7,028
Retained profit for year	<u>1,041</u>
At 30 June 2005	<u>8,069</u>

12. Reconciliation of movement in shareholder's funds

	<u>Year ended 30 June 2005</u> £'000	<u>Year ended 30 June 2004</u> £'000
Profit on ordinary activities after taxation	<u>1,041</u>	875
Net addition to shareholder's funds	1,041	875
Shareholder's funds at beginning of year	<u>7,028</u>	<u>6,153</u>
Shareholder's funds at end of year	<u>8,069</u>	<u>7,028</u>

13. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan Estates Limited, a company incorporated and registered in England.

The company's ultimate parent undertaking 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.