

# **Grand Metropolitan Estates (Developments) Limited**

## **FINANCIAL STATEMENTS**

**30 JUNE 2006**

**Company Registration No. 694994**

MONDAY



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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 2006

### **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 2006 are shown on page 6. The directors do not recommend the payment of a dividend (2005 - £nil)

The profit for the year transferred to reserves is £1,005,000 (2005 - £1,041,000)

### **Directors**

The directors who held office during the year were as follows

S M Bunn  
D C Carter  
C D Coase  
M C Flynn  
R J Joy  
M J Lester  
C R R Marsh (appointed 17 February 2006)

N Makos was appointed a director of the company on 27 July 2006

M J Lester resigned as a director on 31 August 2006

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2005 - £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 <sup>101</sup>/<sub>108</sub> 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	128	132	-	-	-	-	-
D C Carter	12,289	12,868	-	-	-	-	-
C D Coase	14,207	15,000	-	23,380	-	-	23,380
M C Flynn	11,743	12,377	-	-	-	-	-
R J Joy	48,283	54,202	22,784	9,443	(3,296)	(4,797)	24,134
M J Lester	26,306	28,852	30,790	8,361	(3,521)	-	35,630
C R R Marsh	984	1,067	-	-	-	-	-

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	52,437	12,420	(19,033)	45,824
D C Carter	51,305	4,344	-	55,649
C D Coase	141,269	16,366	(18,550)	139,085
M C Flynn	17,991	3,037	(3,608)	17,420
R J Joy	182,507	20,553	(3,341)	199,719
M J Lester	113,567	17,693	(55,550)	75,710
C R R Marsh	10,004	-	-	10,004

## **DIRECTORS' REPORT (continued)**

### **Directors' interests (continued)**

The directors held the above options under Diageo plc share option schemes at prices between 518 pence and 815 pence per ordinary share exercisable between 2006 and 2015. 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 778 pence and 928 pence during the year. The mid-market share price on 30 June 2006 was 917 pence.

At 30 June 2006, all the directors had an interest in 17,791,320 shares and 8,045,000 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 and M J Lester both had a further interest in 6,460,442 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

### **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 2006.

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



J Nicholls  
Secretary

8 Henrietta Place, London W1G 0NB  
11 December 2006

## **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 ESTATES (DEVELOPMENTS) LIMITED**

We have audited the financial statements of Grand Metropolitan Estates (Development) Limited for the year ended 30 June 2006 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 4. 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. We also 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 with the company 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 2006 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*

**KPMG Audit Plc**

Chartered Accountants

Registered Auditor

*London, 20 December 2006*

**PROFIT AND LOSS ACCOUNT**

	Notes	Year ended 30 June 2006 £'000	Year ended 30 June 2005 £'000
Interest receivable	5	<u>1,005</u>	<u>1,041</u>
<b>Profit on ordinary activities before taxation</b>	2	<b>1,005</b>	<b>1,041</b>
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
<b>Transferred to reserves</b>	11	<b><u>1,005</u></b>	<b><u>1,041</u></b>


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 2006</u> £'000	<u>30 June 2005</u> £'000
<b>Current assets</b>			
Debtors - due within one year	7	18,507	17,588
Cash at bank and in hand	8	<u>18,235</u>	<u>18,235</u>
		36,742	35,823
<b>Creditors - due within one year</b>			
Other creditors	9	(27,668)	(27,754)
<b>Net assets</b>		<u>9,074</u>	<u>8,069</u>
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Profit and loss account	11	9,074	8,069
<b>Equity shareholders' funds</b>		<u>9,074</u>	<u>8,069</u>

These financial statements on pages 6 to 10 were approved by the board of directors on  
11 December 2006 and signed on its behalf by



N Makos  
Director



## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **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

#### **New accounting policies**

The accounting policies of the company are consistent with those applied last year, apart from where the company has adopted the following accounting standards in the year

**FRS 21 – Events after the balance sheet date:** This standard specifies the accounting treatment to be adopted and the disclosures to be provided by entities for events occurring after the balance sheet date. The adoption of this standard has not resulted in the restatement of information reported in respect of the year ended 30 June 2005, nor has it impacted the results in respect of the year ended 30 June 2006

**FRS 28 – Corresponding amounts:** FRS 28 sets out the requirements for the disclosure of corresponding amounts for items disclosed in a company's primary financial statements and the notes to the financial statements

### **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 (2005 - £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 (2005 - £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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. Interest receivable**

	<b>Year ended 30 June 2006 £'000</b>	<b>Year ended 30 June 2005 £'000</b>
On cash at bank	1,005	1,041

**6. Taxation**

	<b>Year ended 30 June 2006 £'000</b>	<b>Year ended 30 June 2005 £'000</b>
<b>Factors affecting current tax charge for the year</b>		
Profit on ordinary activities before taxation	1,005	1,041
Notional tax charge at UK corporation tax rate of 30% (2005 – 30%)	(302)	(312)
Group relief received for nil consideration	302	312
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 2006 and 2005.

**7. Debtors – due within one year**

	<b>30 June 2006 £'000</b>	<b>30 June 2005 £'000</b>
Amounts owed by fellow group undertakings	18,416	17,496
Other debtors	<u>91</u>	<u>92</u>
	<u>18,507</u>	<u>17,588</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 2006</u>	<u>30 June 2005</u>
	£'000	£'000
Amounts owed to fellow group undertakings	<u>27,668</u>	<u>27,754</u>

**10. Share capital**

	<u>30 June 2006</u>	<u>30 June 2005</u>
	£	£
<b>Authorised, allotted, called up and fully paid</b>		
Equity - 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**11. Reserves**

	<b>Profit and loss account £'000</b>
At 30 June 2005	8,069
Profit for the year	<u>1,005</u>
At 30 June 2006	<u>9,074</u>

**12. Reconciliation of movement in shareholder's funds**

	<u>Year ended 30 June 2006</u>	<u>Year ended 30 June 2005</u>
	£'000	£'000
Profit on ordinary activities after taxation	<u>1,005</u>	<u>1,041</u>
Net addition to shareholder's funds	1,005	1,041
Shareholder's funds at beginning of year	<u>8,069</u>	<u>7,028</u>
Shareholder's funds at end of year	<u>9,074</u>	<u>8,069</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