

# **Grand Metropolitan Investments Limited**

## **Financial statements 30 June 2004**

Registered number: 1732518



## **Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2004.

### **Activities**

The company acts as an investment holding company. The directors foresee no changes in the company's activities.

### **Financial**

The results for the year ended 30 June 2004 are shown on page 6. The directors do not recommend the payment of a dividend for the year (2003 - £nil). The loss for the year transferred from reserves is £76,173,000 (2003 - loss of £111,991,000).

### **Directors**

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

P S Binning     (resigned 3 October 2003)  
S M Bunn  
M J Lester  
R Rajagopal     (appointed 3 October 2003)

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2003 - £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 the ordinary shares of 28 <sup>101</sup>/<sub>108</sub> p each in the ultimate parent company, Diageo plc:

**Directors' report (continued)**

**Directors' interests (continued)**

**(i) Ordinary shares and conditional rights to ordinary shares**

	<b>Ordinary shares</b>		<b>Conditional rights to ordinary shares</b>				
	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	3,351	1,088	-	-	-	-	-
M J Lester	15,803	20,658	10,563	27,269	(3,521)	-	34,311
R Rajagopal	912	3,810	-	-	-	-	-

Certain directors are granted conditional rights to receive ordinary shares or exceptionally, a cash sum under certain long term incentive plans. 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**

	<b>Options over ordinary shares</b>				
	At beginning of year (or date of appointment)	Granted in year	Exercised in year	Lapsed in year	At end of year
S M Bunn	30,743	15,959	(383)	-	46,319
M J Lester	116,587	34,259	-	-	150,846
R Rajagopal	97,459	28,011	(4,754)	-	120,716

The directors held the above options under Diageo plc share option schemes at prices between 518p and 863p per ordinary share exercisable between 2004 and 2013. 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.

The mid-market share price of Diageo plc shares fluctuated between 625p and 780p during the year. The mid-market share price on 30 June 2004 was 744p.

At 30 June 2004 all the directors had an interest in 21,109,889 shares and 7,710,285 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

**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 2004.

By order of the board



J Nicholls  
Secretary  
8 Henrietta Place,  
London  
W1G 0NB  
16 December 2004

**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 set out 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 as at the end of the financial year and of the result 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 Investments 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 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 2004 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

16 December 2004

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2004 £'000</b>	<b>Year ended 30 June 2003 £'000</b>
Interest receivable	<i>1</i>	<b>144,687</b>	83,474
Interest payable	<i>2</i>	<b>(253,505)</b>	(195,465)
Net interest payable		<b>(108,818)</b>	(111,991)
<b>Loss on ordinary activities before taxation</b>	<i>3</i>	<b>(108,818)</b>	(111,991)
Taxation on loss on ordinary activities	<i>5</i>	<b>32,645</b>	-
<b>Loss on ordinary activities after taxation</b>		<b>(76,173)</b>	(111,991)
<b>Amounts transferred from reserves</b>	<i>10</i>	<b>(76,173)</b>	(111,991)

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>	<b>30 June 2004</b>	<b>30 June 2003</b>
		<b>£'000</b>	<b>£'000</b>
<b>Fixed assets:</b>			
Investments	6	3,547,681	3,547,681
<b>Current assets:</b>			
Debtors: due within one year	7	1,603,453	1,544,358
<b>Current liabilities:</b>			
Creditors: due within one year	8	(4,613,645)	(4,478,377)
<b>Net current liabilities</b>		<b>(3,010,192)</b>	<b>(2,934,019)</b>
<b>Net assets</b>		<b>537,489</b>	<b>613,662</b>
<b>Capital and reserves</b>			
Called up share capital	9	1,095,000	1,095,000
Profit and loss account	10	(557,511)	(481,338)
<b>Equity shareholders' funds</b>		<b>537,489</b>	<b>613,662</b>

These financial statements on pages 6 to 12 were approved by the board of directors on 6 December 2004 and were signed on its behalf by:

M J Lester  
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 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.

#### **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 are in respect of balances due to fellow group undertakings.

#### **Fixed asset investments**

Income from fixed assets 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.

#### **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 now 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. Interest receivable**

	<b>Year ended 30 June 2004 £'000</b>	<b>Year ended 30 June 2003 £'000</b>
Loans to group undertakings	<b>144,687</b>	83,448
Other interest	-	26
	<b><u>144,687</u></b>	<b><u>83,474</u></b>

**2. Interest payable**

	<b>Year ended 30 June 2004 £'000</b>	<b>Year ended 30 June 2003 £'000</b>
Loans from group undertakings	<b>(206,814)</b>	(105,149)
Other interest	<b>(24)</b>	(45)
Foreign exchange losses	<b>(46,667)</b>	(90,271)
	<b><u>(253,505)</u></b>	<b><u>(195,465)</u></b>

**3. Loss on ordinary activities before taxation**

The company's operations are based in the United Kingdom.

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 (2003 - £nil).

**4. 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 (2003 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 and 2.

Notes to the financial statements (continued)

5. Taxation

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
<b>Factors affecting current tax charge for the year</b>		
Loss on ordinary activities before taxation	(108,818)	(111,991)
Taxation on loss on ordinary activities at UK corporation tax rate of 30% (2003 - 30 %)	32,645	33,597
Expenses not deductible for tax purposes	-	(5,892)
Group relief surrendered for nil consideration	-	(27,705)
Adjustment in respect of prior years	-	-
Current ordinary tax charge for the year	32,645	-

6. Fixed Assets - investments

	Subsidiary Undertakings £'000
<b>Cost and Net book value</b>	
At 30 June 2003 and 30 June 2004	3,547,681

The subsidiary undertakings and the percentage of equity owned are as follows:

	Country of Incorporation	Principal activity	Class and percentage of shares held
<b>Direct holdings:</b>			
<b>Subsidiary undertakings</b>			
Grand Metropolitan Irish Pension Trust Limited	Ireland	Investment Trust Company	100% holding, Ordinary
Grand Metropolitan Second Investments Limited	England	Investment holding company	100% holding, Deferred and Ordinary
Grand Metropolitan Third Investments Limited	England	Investment holding company	100% holding, Deferred and Ordinary

The investments in subsidiary undertakings are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

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

**7. Debtors**

	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by fellow group undertakings	<b>1,526,900</b>	1,453,759
Group relief receivable	<b>76,549</b>	43,904
Other debtors	<b>4</b>	46,695
	<b><u>1,603,453</u></b>	<b><u>1,544,358</u></b>

All amounts fall due within one year.

**8. Creditors- due within one year**

	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to fellow group undertakings	<b>(4,613,645)</b>	(4,478,377)
	<b><u>(4,613,645)</u></b>	<b><u>(4,478,377)</u></b>

**9. Share capital**

	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>£'000</b>	<b>£'000</b>
<i>Authorised:</i>		
Equity - 4,300,000,000 ordinary shares of £1 each	<b>4,300,000</b>	4,300,000
305,000,000 unclassified shares of £1 each	<b>305,000</b>	305,000
	<b><u>4,605,000</u></b>	<b><u>4,605,000</u></b>
<i>Allotted, called up and fully paid:</i>		
Equity - 1,095,000,000 ordinary shares of £1 each	<b>1,095,000</b>	1,095,000
2 unclassified shares of £1 each	<b>-</b>	-
	<b><u>1,095,000</u></b>	<b><u>1,095,000</u></b>

The unclassified and ordinary shares are entitled to one vote each.

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

**10. Reserves**

	<b>30 June 2004</b>	30 June 2003
	<b>£'000</b>	£'000
<i><b>Profit &amp; loss Account:</b></i>		
At 30 June 2003	<b>(481,338)</b>	(369,347)
Retained loss for year	<b>(76,173)</b>	(111,991)
	<hr/>	<hr/>
At 30 June 2004	<b>(557,511)</b>	(481,338)
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**11. Reconciliation of movement in shareholders' funds**

	<b>30 June 2004</b>	30 June 2003
	<b>£'000</b>	£'000
Loss on ordinary activities after taxation	<b>(76,173)</b>	(111,991)
	<hr/>	<hr/>
<b>Net reduction in shareholders' funds</b>	<b>(76,173)</b>	(111,991)
Shareholders' funds at beginning of year	<b>613,662</b>	725,653
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<b>Shareholders' funds at end of year</b>	<b>537,489</b>	613,662
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**12. 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.