

Grand Metropolitan Capital Company Limited

Financial statements 30 June 2004

Registered number 3249862



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 is an investment holding company. The directors foresee no material changes in the nature of 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 (2003 - £nil). The profit for the year transferred to reserves is £18,881,000 (2003 - £20,669,000).

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)
J W Walters	(resigned 14 June 2004)

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 28 ¹⁰¹/₁₀₈p each in the ultimate parent company, Diageo plc:

Directors' report (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	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

	Options over ordinary shares				
	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

6 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 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 Capital Company 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 profit 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>	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Operating profit			
Interest from fellow group undertakings	5	18,881	12,868
Income from other fixed asset investments	4	-	7,693
		<hr/>	<hr/>
Profit on ordinary activities before taxation		18,881	20,561
Taxation on profit on ordinary activities	6	-	108
		<hr/>	<hr/>
Amounts transferred to reserves	11	18,881	20,669
		<hr/>	<hr/>

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.

Grand Metropolitan Capital Company Limited
Year ended 30 June 2004

7

Balance sheet

	<i>Notes</i>	30 June 2004		30 June 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	7		2,561,500		2,561,500
Current assets					
Debtors: due within one year	8	525,463		506,582	
Creditors: due within one year	9	(8,623)		(8,623)	
Net current assets			516,840		497,959
Net assets			3,078,340		3,059,459
Capital and reserves					
Called up share capital	10		3,005,000		3,005,000
Profit and loss account	11		73,340		54,459
Equity shareholders' funds			3,078,340		3,059,459

These financial statements on pages 6 to 12 were approved by the board of directors on 16 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 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.

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.

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.

Deferred taxation

Full provision is 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. Operations

During the financial year the company was engaged in treasury management for Diageo plc and its subsidiary undertakings. The company's operations are based in the United Kingdom. It raises the external funds it requires principally using the London financial markets.

2. Operating costs

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).

3. 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.

4. Income from fixed asset investments

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Income from other fixed asset investments	-	7,693

5. Interest receivable

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Interest receivable on loans to fellow group undertakings	18,881	12,868

Notes to the financial statements (continued)

6. Taxation

	Year ended 30 June 2004 £'000	Year ended 30 June 2003 £'000
Factors affecting current tax charge/(credit) for the year		
Profit on ordinary activities before taxation	18,881	20,561
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2003 - 30%)	5,664	6,168
Items not chargeable for tax purposes	-	(2,307)
Group relief received for nil consideration	(5,664)	(3,861)
Adjustment in respect of prior years	-	(108)
Current ordinary tax charge/(credit) for the year	-	(108)

7. Fixed assets - investments

	Subsidiary undertakings £'000
Cost and net book value	
At 30 June 2003	2,561,500
At 30 June 2004	2,561,500

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

	Country of incorporation	Principal activity	Class and percentage of shares held
Direct holding:			
Subsidiary undertaking			
Grand Metropolitan (Cayman Islands) Limited	Cayman Islands	Investment Holding Company	Ordinary Shares - 100%

The investment in subsidiary undertakings is 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 undertaking is worth at least the amount at which they are stated in the financial statements.

Notes to the financial statements (continued)

8. Debtors

	30 June 2004 £'000	30 June 2003 £'000
Amounts owed by fellow group undertakings	525,463	506,582

All amounts fall due within one year.

9. Creditors due within one year

	30 June 2004 £'000	30 June 2003 £'000
Amounts owed to fellow group undertakings	8,623	8,623

10. Share capital

	30 June 2004 £'000	30 June 2003 £'000
<i>Authorised:</i>		
Equity - 3,500,000,000 ordinary shares of £1 each	3,500,000	3,500,000
<i>Allotted, called up and fully paid:</i>		
Equity - 3,005,000,000 ordinary shares of £1 each	3,005,000	3,005,000

11. Reserves

	Profit and loss account £'000
At 30 June 2003	54,459
Retained profit for year	18,881
At 30 June 2004	73,340

Notes to the financial statements (continued)

12. Reconciliation of movement in shareholders' funds

	30 June 2004 £'000	30 June 2003 £'000
Profit on ordinary activities after taxation	18,881	20,669
Net addition to shareholders' funds	18,881	20,669
Shareholders' funds at beginning of year	3,059,459	3,038,790
Shareholders' funds at end of year	3,078,340	3,059,459

13. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Grand Metropolitan Public Limited Company (83.4% shareholding), 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.