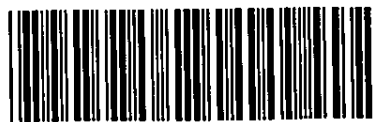


Grand Metropolitan Public Limited Company

Financial statements 30 June 2008

Registered number 291848

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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 2008.

Activities

The principal activity of the company is that of an investment holding company owning subsidiaries which hold assets in the global alcoholic drink sector. The directors foresee no changes in the nature of the company's activities.

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2008

Income arises from dividends received on investments of the company and the company pays interest on its intercompany payables. During the financial year ended 30 June 2008 there were no significant changes to the nature or performance of the business.

Principal risks and uncertainties facing the company as at 30 June 2008

The principal risks and uncertainties facing the company, as a member of the Diageo group, coincide with those facing the group as a whole. These are contained within the annual report of Diageo plc.

In so far as the company is concerned, the business activities are with fellow members of the Diageo group. Therefore, the risk of non-performance by counterparties to transactions with the company is considered remote.

Financial and other key performance indicators

The directors do not consider that analysis using key performance indicators is necessary (or appropriate) for an understanding of the development, performance or position of the business of the company, or that there are any factors by reference to which any meaningful analysis of the development, performance or position of the business of the company could be carried out.

The principal key performance indicators that are used to assess the performance of the Diageo group as a whole are described in the Business Review contained within the annual report of Diageo plc.

Financial

The results for the year ended 30 June 2008 are shown on page 5.

The loss for the year transferred from reserves is £213m (2007 - £42m profit transferred to reserves).

The directors do not recommend the payment of a dividend for the year (2007 - £nil).

Directors' report (continued)

Directors

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

S M Bunn	(resigned 4 January 2008)
C D Coase	
G P Crickmore	
M C Flynn	(resigned 15 June 2008)
J Kyne	
N Mákos	
C R R Marsh	(resigned 30 September 2007)
S C Moore	
P D Tunnacliffe	(appointed 7 January 2008)

A A Abigail was appointed a director of the company on 7 August 2008.

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2007 - £nil).

Auditor

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution for its re-appointment as auditor of the company will be submitted to the Annual General Meeting.

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
29 January 2009

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 Public Limited Company

We have audited the financial statements of Grand Metropolitan Public Limited Company for the year ended 30 June 2008, 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 3. 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. In addition, we 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 other transactions 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 2008 and of its loss 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

30 January 2009

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2008 £m	Year ended 30 June 2007 £m
Operating income/(costs)	<i>1</i>	1	(5)
Operating profit/(loss)		1	(5)
Income from shares in fellow group undertakings		389	570
Net interest payable	<i>3</i>	(598)	(523)
(Loss)/profit on ordinary activities before taxation		(208)	42
Taxation on (loss)/ profit on ordinary activities	<i>4</i>	(5)	-
(Loss)/profit for the financial year	<i>12</i>	(213)	42

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.

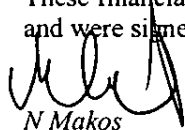
There is no difference between the results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

All results arise from continuing operations.

Balance sheet

	<i>Notes</i>	30 June 2008		30 June 2007	
		£m	£m	£m	£m
Fixed assets					
Tangible assets	5		-		1
Investments	6		40,709		40,777
			<hr/>		<hr/>
			40,709		40,778
Current asset					
Debtors: due within one year	7	727		1,116	
Cash at bank	8	6		5	
		<hr/>		<hr/>	
		733		1,121	
Creditors: due within one year	9	(11,362)		(11,601)	
		<hr/>		<hr/>	
Net current liabilities			(10,629)		(10,480)
			<hr/>		<hr/>
Total assets less current liabilities			30,080		30,298
Provision for liabilities and charges	10		(9)		(14)
			<hr/>		<hr/>
Net assets before post employment liabilities			30,071		30,284
Post employment liabilities	2		(2)		(2)
			<hr/>		<hr/>
Net assets			30,069		30,282
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		690		690
Share premium account	12	9,070		9,070	
Other reserves	12	530		530	
Profit and loss account	12	19,779		19,992	
		<hr/>		<hr/>	
			29,379		29,592
			<hr/>		<hr/>
Shareholders' funds	13		30,069		30,282
			<hr/>		<hr/>

These financial statements on pages 5 to 17 were approved by the board of directors on 29 January 2009 and were signed on its behalf by:


N Makos
Director

Accounting policies

The following accounting policies have been applied consistently in dealing with items that 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.

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.

Tangible fixed assets

Fixed assets are depreciated on a straight-line basis to estimated residual values over their expected useful lives within the following ranges:

Fixtures and fittings	5 to 10 years
-----------------------	---------------

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

Fixed asset investments

Income from fixed asset investments is credited to the profit and loss account when it is approved 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.

Leases

Operating lease payments and receipts are taken to the profit and loss account on a straight-line basis over the life of the lease.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the financial year-end exchange rates.

All exchange gains and losses are taken to the profit and loss account.

Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date.

Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

1. Operating income/(costs)

	Year ended 30 June 2008	Year ended 30 June 2007
	£m	£m
Other external charges (a)	(10)	(13)
Depreciation	(1)	(2)
Other operating income (b)	12	10
	<u>1</u>	<u>(5)</u>

(a) **Other external charges** includes operating lease rentals of £11m (2007 - £11m) of which £3m had been provided for in a prior year.

(b) **Other operating income** comprises rental income of £3m (2007 - £4m), intercompany management income of £7m (2007 - £nil) and reduction in vacant property provision of £2m (2007 - £nil).

The auditor's remuneration of £2,917 (2007 - £2,341) was settled on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2007 - £nil).

2. 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 (2007 - £nil).

Retirement benefits

The company operates the GrandMet Brewing medical plan which provides former employees with post employment benefits in respect of medical costs. The plan is unfunded. The measurement dates used to calculate the disclosures in the financial statements are the respective balance sheet dates.

(a) The following weighted average assumptions were used to determine the company's deficit in the post retirement medical plan at 30 June in the relevant year:

	Year ended 30 June 2008	Year ended 30 June 2007
	%	%
Rate of medical inflation	5.0	5.0
Discount rate for plan liabilities	5.8	5.8

Notes to the financial statements (continued)

2. Directors and employees (continued)

Retirement benefits (continued)

(b) The present values of the GrandMet Brewing medical plan were as follows:

	30 June 2008	30 June 2007
	£m	£m
Present value of plan liabilities	(3)	(3)
	<hr/>	<hr/>
Deficit in the GrandMet Brewing medical plan	(3)	(3)
Related deferred tax assets	1	1
	<hr/>	<hr/>
Net post retirement medical benefit plan liabilities	(2)	(2)
	<hr/> <hr/>	<hr/> <hr/>

3. Net interest payable

	Year ended	Year ended
	30 June 2008	30 June 2007
	£m	£m
Interest payable to Diageo Finance plc	605	528
External interest	1	1
	<hr/>	<hr/>
	606	529
Less:		
Interest receivable from fellow group undertakings	(8)	(6)
	<hr/>	<hr/>
	598	523
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

4. Taxation

	Year ended 30 June 2008 £m	Year ended 30 June 2007 £m
Factors affecting current tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(208)	42
Taxation on loss/(profit) on ordinary activities at UK corporation tax rate of 29.5% (2007 – 30%)	61	(13)
Dividend income not subject to UK corporation tax	115	167
Group relief surrendered for nil consideration	(126)	(153)
Surplus losses	(52)	-
UK/UK transfer pricing adjustment	2	-
Adjustment in respect of prior years	(5)	-
Expenses not deductible for tax purposes	-	(1)
Current ordinary tax charge for the year	(5)	-

Tax audits raised in previous years by the UK tax authorities were closed in December 2008 resulting in an additional tax charge of £5m after group relief.

5. Fixed assets – tangible assets

	Fixtures and fittings £m
Cost:	
At beginning and end of the year	17
Depreciation:	
At beginning of the year	(16)
Depreciation charge for the year	(1)
At end of the year	(17)
Net book value:	
At beginning of the year	1
At end of the year	-

Notes to the financial statements (continued)

6. Fixed assets – investments

	Subsidiary undertakings £m	Other investments £m	Total £m
Cost:			
At beginning of the year	40,841	4	40,845
Additions	144	-	144
Disposal	(204)	(2)	(206)
Strike-off	(6)	-	(6)
	<hr/>	<hr/>	<hr/>
At end of the year	40,775	2	40,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Provision:			
At beginning and end of the year	(67)	(1)	(68)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value:			
At beginning of the year	40,774	3	40,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At end of the year	40,708	1	40,709
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

6. Fixed assets – investments (continued)

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

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage of shares held
Diageo Ireland*	Ireland	Production, marketing and distribution of premium drinks	100
Diageo Scotland Limited*	Scotland	Production, maturation, marketing and distribution of premium drinks	100
Diageo Great Britain Limited	England	Production, marketing and distribution of premium drinks	100
Grand Metropolitan International Holdings Limited	England	Investment holding company	100
Diageo Brands B.V.*	The Netherlands	Marketing and distribution of premium drinks	100
Diageo North America, Inc.*	USA	Production, importing and marketing of premium drinks	100
Diageo Investment Corporation*	USA	Financing company for US group companies	100
R & A Bailey & Co*	Ireland	Production, marketing and distribution of premium drinks	100
Grand Metropolitan Capital Company Limited**	England	Investment holding company	100
Grand Metropolitan Holdings Limited	England	Investment holding company	100
Grand Metropolitan Investments Limited	England	Investment holding company	100
The Old Bushmills Distillery Company Limited*	Northern Ireland	Distilling, blending and distribution of spirits	100
Associated undertaking Moët Hennessy, SNC*	France	Production and distribution of premium drinks	34

* Indirectly owned

** Directly owned – 83%; indirectly owned – 17%

Notes to the financial statements (continued)

6. Fixed assets – investments (continued)

The investments in subsidiary and associated 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.

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

7. Debtors

	30 June 2008	30 June 2007
	£m	£m
Amounts owed by fellow group undertakings:		
Grand Metropolitan Estates Limited	260	261
Diageo Capital plc	183	-
Diageo Scotland Limited	96	96
Grandmet Foods (UK) Limited	32	32
Justerini & Brooks, Limited	30	30
Diageo Great Britain Limited	22	556
Other fellow group undertakings	103	141
Deferred taxation	1	1
	<hr/>	<hr/>
	727	1,116
	<hr/>	<hr/>

All amounts fall due within one year.

8. Cash

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

	30 June 2008 £m	30 June 2007 £m
Amounts owed to fellow group undertakings:		
Diageo Finance plc	8,458	8,740
Grand Metropolitan (Cayman Islands) Limited	2,562	2,562
Diageo plc	165	173
Other fellow group undertakings	170	123
Corporation tax	5	-
Other creditors	2	3
	<u>11,362</u>	<u>11,601</u>

10. Provision for liabilities and charges

	Vacant property £m
At beginning of the year	14
Utilised	(3)
Provision released	(2)
	<u>9</u>

The vacant property provision of £9m (2007 - £14m) represents the estimated discounted rental shortfall in respect of vacant properties over the terms of the leases.

11. Share capital

	30 June 2008 £m	30 June 2007 £m
<i>Authorised:</i>		
3,000,000,000 ordinary shares of 25p each	<u>750</u>	<u>750</u>
<i>Allotted, called up and fully paid:</i>		
2,759,144,946 ordinary shares of 25p each	<u>690</u>	<u>690</u>

Notes to the financial statements (continued)

12. Reserves

	Share premium account £m	Other reserves £m	Profit and loss account		Total £m
			Own shares £m	Other £m	
At 30 June 2007	9,070	530	(2)	19,994	29,592
Loss for the year	-	-	-	(213)	(213)
At 30 June 2008	9,070	530	(2)	19,781	29,379

'Other reserves' comprise a merger reserve of £62m, a special reserve of £426m, a preference share redemption reserve of £12m, and an other reserve of £30m. The merger reserve of £62m arose in 1992 on the issue of shares at a premium in connection with an acquisition. The special reserve was created, with shareholder and court approval, in 1988 by a transfer from the share premium account. The other reserve of £30m was created in 1998, with shareholder and court approval, following the cancellation and reissue of the company's shares to Diageo plc. This reserve is distributable on agreement from all of the creditors of the company which were existing at the date of the scheme of arrangement, or until such time that these creditors cease to exist.

'Own shares' is the company's interest of 459,180 (2007 - 459,180) ordinary shares in Diageo plc, a company incorporated in the United Kingdom and listed on the London Stock Exchange. These shares are held by share trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. At 30 June 2008 Diageo plc's mid-market share price was 924 pence, valuing the company's interest at £4m (2007 - £5m).

13. Reconciliation of movement in shareholders' funds

	30 June 2008 £m	30 June 2007 £m
(Loss)/profit for the financial year	(213)	42
Net (reduction in)/addition to shareholders' funds	(213)	42
Shareholders' funds at beginning of year	30,282	30,240
Shareholders' funds at end of year	30,069	30,282

Notes to the financial statements (continued)

14. Commitments

At 30 June 2008, the company had minimum annual commitments under non-cancellable operating leases as follows:

	30 June 2008	30 June 2007
	£m	£m
Operating leases which expire:		
After five years	5	5
From one to five years	6	6
Within one year	-	-
	<hr/>	<hr/>
	11	11
	<hr/>	<hr/>

15. Contingent liabilities

The company undertakes to provide sufficient funds to various fellow group companies to enable them to meet their obligations, as and when required.

16. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Diageo Holdings Limited, 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.