

DIAGEO

IRELAND



Guinness Ireland Group Pension Scheme  
Summary report to members 2006

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# Introduction



I am pleased to present my first summary report to members of the Guinness Ireland Group Pension Scheme ('the Scheme'). This report provides a summary of the full Report of the Trustees and Financial Statements for the year ended 31 December 2006.

2006 proved to be another positive one in terms of investment performance. During the year, the value of the Scheme increased by €106.2 million, from €1,486.1 million to €1,592.3 million, after allowing for pension payments and other benefits. Further details can be found on page 5 of this report.

The Company's commitment to the Scheme remains strong and the Scheme continues to provide a wide range of high quality benefits and provides excellent value for money.

Finally, I would like to take this opportunity to thank my fellow Trustees, the Pensions Team and the Scheme's advisers for their continued dedication to and valuable support of the Scheme.

I hope that you find this summary report of interest and value to you.

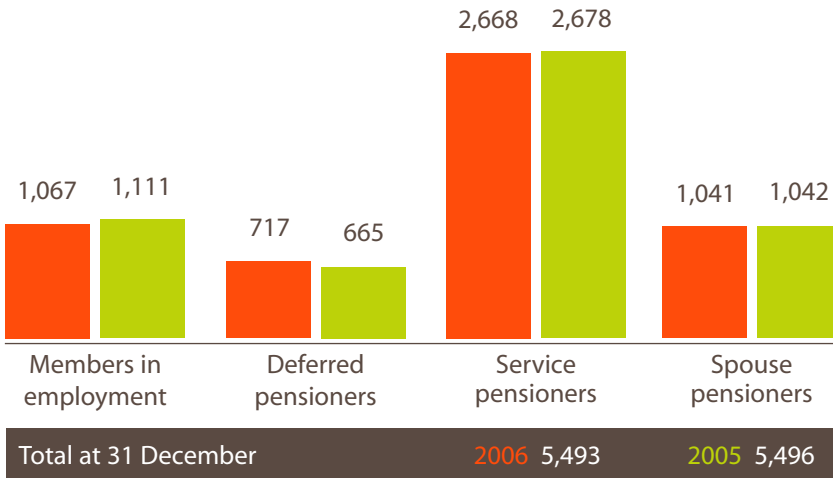
**Paddy Gallagher**

Chairman of the Trustees  
September 2007

# Scheme membership

## You the members

The bar chart below shows the membership details of the Scheme at 31 December 2006, compared with the previous year.



## Member companies

Diageo Ireland was the sole contributing member company during the year.

### Pension increase

With effect from 1 January 2006, a general increase of 2.6% (in line with the rise in the Consumer Price Index) was applied to all pensions in payment.

# Financial summary



During the year to 31 December 2006, the value of the Scheme's net assets increased by €106.2 million to €1,592.3 million.

Over the year, the Scheme's total expenditure of €80.3 million exceeded its income by €25.7 million. Members' benefits accounted for €77.7 million of the total expenditure. The increase in the value of investments during the year of €131.8 million meant that the Scheme's net assets increased to €1,592.3 million as at 31 December 2006.

This financial summary has been extracted from the formal Report of the Trustees and Financial Statements for the year ended 31 December 2006. If you would like a copy of the full formal Report, please contact the Pensions Team (contact details can be found on page 8).

## Actuarial valuation

The Trustees are required to have a full actuarial valuation of the Scheme carried out every three years. The latest valuation of the Scheme was carried out by the Actuary as at 31 December 2006 and the results of this review have been shared with the Company and the Trustees. The next step is for the Actuary to issue his formal report on the valuation and this is to be completed by 30 September 2007.

In presenting his results, the Actuary confirmed that the Scheme's assets were sufficient to meet accrued liabilities at that date and that an appropriate level of contributions were also being paid into the Scheme. The Actuary also confirmed that the Scheme continued to meet the statutory funding test which was carried out as at 31 December 2006 and has issued his statutory certificate confirming this.

If you would like to obtain a copy of the latest Valuation Report, please contact the Pensions Team (contact details can be found on page 8).

## Financial summary of the Scheme for the year ended 31 December 2006

€'000

Value of the Scheme's assets at start of year 1,486,089

Received by Scheme	€'000	Paid from Scheme	€'000
Company contributions	3,312	Pensions	74,854
Member contributions	2,214	Lump sums on retirement	842
AVCs from members invested in Scheme	4,526	Death benefits & gratuities	195
Transfers from other schemes	114	AVC benefits	1,755
Investment income	44,460	Transfer out of Scheme	30
		Leavers benefits	9
		Administration costs	1,247
		Investment expenses	1,360

Total received 54,626 Total paid 80,292

Net outflow (25,666)  
Increase in value of investments 131,848

Value of the Scheme's assets at end of year 1,592,271



# Scheme investments

## Investment policy

The overall objective of the Trustees is to maximise the level of investment return at an acceptable level of risk, through adopting a prudent and carefully planned investment policy.

As at December 2006, the Scheme's strategic asset allocation was:

<b>Equities:</b>	<b>65%</b>
<b>Bonds:</b>	<b>20%</b>
<b>Property:</b>	<b>15%</b>

In June 2007, due to the increase in the Scheme's funding level, the Trustees decided to reduce the Scheme's equity exposure by switching 20% of the Scheme's assets to bonds. Equities, by their nature, are more risky than bonds as equity prices are much more volatile.

In August 2007, Bank of Ireland, the Scheme's equity manager was replaced by two new equity managers, AXA Rosenberg and Alliance Bernstein. Having two equity managers will increase diversification and reduce risk for the Scheme.

## Investment performance

The Northern Trust Company independently measures the Scheme's investment returns. The overall return on investments for the Scheme over the year to 31 December 2006 was 12.2%, compared to its benchmark return of 12.3%. Over the last three years, an annualised return of 13.4% was achieved, compared to a benchmark return of 15.7%. This under performance was due to the disappointing return from the Scheme's equity portfolio.

## Top 10 equity investments of the Scheme at 31 December 2006

The table below shows the 10 largest equity investments which together represent 14.3% of the Scheme's net assets, excluding AVCs.

Company	Sector	Country	Market value €'m
Allianz	Insurance	Germany	26.9
Johnson & Johnson	Pharmaceuticals	USA	24.0
Telefonica	Telecommunications	Spain	24.0
Total	Oil & Gas	France	23.4
BNP	Banks	France	23.4
RBS	Banks	UK	21.8
Altria	Tobacco	USA	21.4
ING	Life Insurance	Netherlands	21.1
E.ON	Utilities	Germany	19.0
ENI	Oil & Gas	Italy	17.9

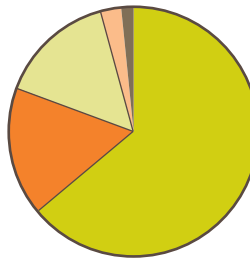
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## Summary of the Scheme's assets

The pie chart below shows the distribution of the Scheme's asset portfolio at 31 December 2006:

The 2005 figures are shown in brackets.

Equities	64.0%	(68.4%)
Bonds/Fixed-Interest	16.7%	(15.1%)
Property	14.9%	(13.2%)
Cash	2.8%	(1.9%)
AVCs	1.6%	(1.4%)



**Total 100%**



## The Trustees and their advisers

### Trustees

Mr. H J Byrne, Chairman (resigned 26 May 2006)  
Mr. P Gallagher, Chairman (appointed 26 May 2006)  
Mr. P B Armstrong  
Mr. P J Cahill  
Mr. C D Coase  
Ms. M T Donovan  
Mrs. P T Dromey  
Mr. M C Reville (resigned 23 February 2007)  
Mr. T Maher (appointed 23 February 2007)

### Secretary

Mr. C W Gouldson (resigned 1 May 2007)  
Mr. M Glasgow (appointed 1 May 2007, resigned 24 August 2007)  
Ms. C Gilleece (appointed 24 August 2007)

### Advisers

Actuary	Derek Hunter, Watson Wyatt (Ireland) Limited
Auditors	Ernst & Young
Bankers	Royal Bank of Scotland
Custodians	Northern Trust Company
Solicitors	McCann FitzGerald

### Investment Managers

Equities	Bank of Ireland Asset Management Limited (resigned 16 August 2007)
	AXA Rosenberg Investment Management Limited (appointed 24 August 2007)
	Alliance Bernstein (appointed 24 August 2007)
Fixed-Interest	Morgan Stanley Investment Management Limited
Property	Irish Property Unit Trust
AVCs	Irish Life Investment Managers Limited



## Where to get further information

If you have any questions about this summary report, or any other pension related queries, please contact:

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Edinburgh EH12 9DT  
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