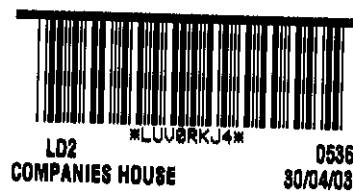


GRAND METROPOLITAN INTERNATIONAL HOLDINGS LIMITED

Registered in England No. 970624

FINANCIAL STATEMENTS

30 JUNE 2002



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2002.

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 2002 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2001 – £nil). The loss for the year transferred from reserves is £109,029,992 (2001 – loss of £108,301,487).

Directors

The directors who served during the year were as follows:

S M Bunn
R J Moore
R H Myddelton

Since the year end, R J Moore resigned as a director of the company on 31 January 2003 and P S Binning and M J Lester were appointed as directors on that date. R H Myddelton resigned as a director of the company on 31 March 2003.

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2001 - £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 28 ¹⁰¹/₁₀₈ p 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 end of year
	At beginning of year	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	
S M Bunn	1,790	2,853	2,400	-	(1,200)	(1,200)	-
R J Moore	130	130	16,568	14,660	-	-	31,228
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598

The directors were granted conditional rights to receive ordinary shares or ADSs (one ADS is equivalent to four ordinary shares) or, exceptionally, a cash sum under certain long term incentive plans. Any conditional rights to ADSs are shown in the table as ordinary share equivalents. The conditional rights to ordinary shares or ADSs are subject to share performance criteria of Diageo plc ordinary shares. 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	Granted in year	Exercised during the year	At end of year
S M Bunn	16,802	4,417	(433)	20,786
R J Moore	71,464	77,184	-	148,648
R H Myddelton	144,898	27,055	(78,748)	93,205

The directors held the above options under Diageo plc share option schemes at prices between 456p and 710p per ordinary share for UK options and at prices between US\$41.20 and US\$41.98 per ADS for US options, exercisable between 2002 and 2011. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). Any ADS options are shown in the table as ordinary share equivalents. 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.

DIRECTORS' REPORT (continued)

Directors' interests (continued)

Options granted under 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 to date 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.

The mid-market share price of Diageo plc shares fluctuated between 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002 S M Bunn and R H Myddelton each had an interest in 16,259,763 shares and 6,124,020 shares subject to call options (and R H Myddelton had an additional interest in 3,763,799 shares) held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. Also at that date, R J Moore had an interest in 21,928,455 shares and 574,300 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Secretary

S M Bunn resigned as secretary of the company on 15 March 2002 and was replaced by J J Nicholls.

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 2002.

By order of the board



J Nicholls
Secretary
8 Henrietta Place,
London,
W1G 0NB

30 April 2003

DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the independent auditor on page 6, 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 profit or loss for the financial year.

The directors, in preparing the 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 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 INTERNATIONAL HOLDINGS LIMITED

We have audited the financial statements on pages 7 to 11.

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 5, 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 2002 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

30 April 2003

PROFIT AND LOSS ACCOUNT

	Note	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Interest payable to other group companies		(109,030)	(108,301)
Loss on ordinary activities before taxation		(109,030)	(108,301)
Taxation	3	—	—
Loss for the financial year transferred from reserves		(109,030)	(108,301)

The notes on pages 9 to 11 form part of these financial statements.

There are no recognised gains or losses other than those disclosed in the profit and loss account and accordingly a statement of total recognised gains and losses is not presented.

There is no difference between the loss for the year and the historical loss for the year, and consequently no note of historical cost losses has been presented as part of the financial statements.

BALANCE SHEET

	Notes	30 June 2002 £'000	30 June 2001 £'000
Fixed assets			
Investments	4	14,530,538	14,529,538
Current assets			
Debtors – amounts owed by group undertakings due within one year		86	86
Creditors – amounts owed to group undertakings due within one year		(4,631,127)	(4,521,097)
Net current liabilities		(4,631,041)	(4,521,011)
Total assets less current liabilities		<u>9,899,497</u>	<u>10,008,527</u>
Capital and reserves			
Share capital	5	101,815	101,815
Reserves			
Share premium account		10,134,028	10,134,028
Profit and loss account		<u>(336,346)</u>	<u>(227,316)</u>
	6	<u>9,797,682</u>	<u>9,906,712</u>
Shareholders' funds		<u>9,899,497</u>	<u>10,008,527</u>

The notes on pages 9 to 11 form part of these financial statements.

The financial statements on pages 7 to 11 were approved by the board of directors on 30 April 2003 and were signed on its behalf by:


P S Binning
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial statements of the company are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The company is a wholly owned subsidiary of Grand Metropolitan Holdings Limited and its ultimate holding company is Diageo plc whose financial statements 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 or investees of the Diageo plc group.

Fixed asset investments

Fixed asset investments are stated individually at cost less, where appropriate, provision for diminution in value where such diminution is expected by the directors to be permanent.

2. Profit and loss account

The company has no employees.

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2001 - £nil).

3. Taxation

	2002	2001
	£'000	£'000
UK corporation tax at 30% (2001 – 30%) on the loss for the year on ordinary activities	<u>—</u>	<u>—</u>

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions and this group relief is settled for nil consideration. As a consequence the company has neither a current tax charge nor credit for the two years ended 30 June 2002.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Investments

£'000

Shares in subsidiary undertakings

Cost at beginning of the year	14,529,538
Additions during the year	<u>1,000</u>
Cost at end of the year	<u>14,530,538</u>

The following are the company's principal subsidiary undertakings as at 30 June 2002 which are all wholly owned:

Subsidiary undertakings	Country of incorporation	Principal activities
Direct subsidiary		
UDV (SJ) Limited	England	Holding company.
Diageo Finance (Netherlands) Investments Limited	England	Financing company.
Indirect subsidiaries		
Diageo Holdings Netherlands BV (formerly Diageo Nederland BV)	The Netherlands	Holding company.
Selviac Nederland BV *	The Netherlands	Holding company.
Guinness United Distillers & Vintners BV *	The Netherlands	Production, marketing and distribution of premium drinks.
Guinness United Distillers & Vintners Amsterdam BV *	The Netherlands	Production, marketing and distribution of premium drinks.
Diageo Inc *	United States of America	Holding company.
R & A Bailey & Co *	Ireland	Production, marketing and distribution of premium drinks.
Diageo Investment Corporation *	United States of America	Financing company for the US group.
Burger King Corporation *	United States of America	Quick service restaurants.
Diageo Ireland * (formerly Guinness Ireland Group)	Ireland	Brewing, marketing and distribution of beer.
Diageo North America, Inc. * (formerly UDV North America, Inc.)	United States of America	Production, importing and marketing of premium drinks.

* Indirectly held by UDV (SJ) Limited.

All holdings are in ordinary share capital.

Subsequent to the year end an indirect subsidiary of the company sold its interest in the Burger King Corporation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Share capital

	2002	2001
	£'000	£'000
Authorised		
103,000,000 unclassified shares of £1 each	<u>103,000</u>	<u>103,000</u>
Allotted, called up and fully paid		
101,815,194 unclassified shares of £1 each	<u>101,815</u>	<u>101,815</u>

6. Reserves

	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000
At beginning of the year	10,134,028	(227,316)	9,906,712
Loss for the year	-	(109,030)	(109,030)
At end of the year	<u>10,134,028</u>	<u>(336,346)</u>	<u>9,797,682</u>

7. Movement in shareholders' funds

	30 June 2002	30 June 2001
	£'000	£'000
At beginning of the year	10,008,527	10,116,828
Loss for the financial year	(109,030)	(108,301)
At end of the year	<u>9,899,497</u>	<u>10,008,527</u>

8. Subsequent events

On 13th December 2002, the Diageo group completed the disposal of Burger King Corporation for £0.9 billion. The sale generated a loss before tax of £1,395 million. Following the disposal, the Diageo group retains £132 million (\$212 million) of subordinated debt with a ten year maturity from the entity owning Burger King.

9. Immediate and ultimate parent undertaking

The immediate parent undertaking is Grand Metropolitan 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 accounts of Diageo plc for the year ended 30 June 2002 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.