

**Diageo Holdings Limited
(formerly Roslou Limited)**

FINANCIAL STATEMENTS

30 June 2003

Registered Number: 3623314



Diageo Holdings Limited
(formerly Roslou Limited)
Year ended 30 June 2003

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2003.

Change of name

The company changed its name from Roslou Limited to Diageo Holdings Limited on 30 December 2002.

Activities

The company, having been dormant in the previous financial year, commenced operations as an investment company and is involved in the financing of the Diageo group. The results of the company and the development of its business are, therefore, influenced to a considerable extent by group financing requirements.

On 13 December 2002 the company increased its authorised share capital from £100 to £50,000,000,000 and allotted and issued at par 27,000,000,000 ordinary shares of £1 each to Diageo plc in return for the transfer by Diageo plc to the company of the entire issued share capital of Grand Metropolitan Public Limited Company, consisting of 2,759,144,946 ordinary shares of 25p each. On 21 January 2003 the company resolved to reduce its share capital by £14,000 million and this amount has been transferred to reserves. On this date the company cancelled the capital paid up on 14,000,000,000 issued ordinary shares of £1 each and cancelled and extinguished such ordinary shares from its authorised and issued capital. Court approval was granted on 19 February 2003, and became effective on 21 February 2003.

The results for the year ended 30 June 2003 are shown on page 7. An interim dividend of £1,200 million was paid for the year (2002: £nil). The directors do not recommend a final dividend.

Directors

The directors who served during the year were as follows:-

S M Bunn

M J Lester (appointed 31 March 2003)

R H Myddelton (resigned 31 March 2003)

A Williams (resigned 13 December 2002)

P S Binning resigned on 3 October 2003 and R Rajagopal was appointed a director on that date.

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2002: £nil).

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DIRECTORS' REPORT (continued)

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.

The directors who held office at the end of the financial year had the following beneficial interests in the shares of the ultimate parent company, Diageo plc:-

(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
P S Binning	25,693	39,146	95,816	16,518	(16,971)	(7,382)	87,981
S M Bunn	2,853	3,351	-	-	-	-	-
M J Lester	15,521	15,803	15,845	-	-	-	15,845

The directors were 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

	At beginning of year (or date of appointment)	Granted during the year	Exercised during the year	At end of year
P S Binning	163,705	60,679	(1,513)	222,871
S M Bunn	20,786	11,866	(1,909)	30,743
M J Lester	116,587	-	-	116,587

The directors held the above options under Diageo plc share option schemes at prices between 447p and 863p per ordinary share, exercisable between 2003 and 2012. 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.

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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 582p and 851p during the year. The mid-market share price on 30 June 2003 was 647p.

At 30 June 2003 all the directors had an interest in 20,744,545 shares and 6,605,055 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes, and P S Binning had an additional interest in 6,177,180 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

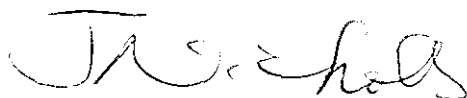
Secretary

On 31 March 2003 R H Myddelton resigned as secretary of the company and J J Nicholls was appointed in his place.

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 2003.

By order of the Board



J Nicholls
Secretary
18th December 2003

8 Henrietta Place,
London, W1G 0NB

Diageo Holdings Limited
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DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the independent auditor 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 loss of the company 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 the 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.

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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF DIAGEO HOLDINGS 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 auditor

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.

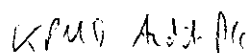
Basis of audit opinion

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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
13 December 2003

Diageo Holdings Limited
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ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention, and comply 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 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 consolidated accounts of Diageo plc.

Taxation

Taxation is calculated based on the results for the period and takes into account deferred taxation. Full provision is now made for all material timing differences. Any potential deferred tax asset is recognised only when, on the basis of all material evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 diminution in values where such diminution is expected by the directors to be permanent.

Diageo Holdings Limited
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PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2003

	Notes	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Profit on ordinary activities before taxation	1	-	-
Taxation on profit on ordinary activities		-	-
Profit for the financial year after taxation		-	-
Dividends	3	(1,200)	-
Transferred to reserves		(1,200)	-

The results in the above profit and loss account relate entirely to continuing operations.

There are no recognised gains or 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 result for the year and the historical cost result for the year and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 June 2003

	Notes	Year ended 30 June 2003 £m	Year ended 30 June 2002 £m
Profit for the financial year		-	-
Dividend paid		(1,200)	-
Deficit for the financial year	7	(1,200)	-
New share capital issued	6	27,000	-
Net addition to shareholders' funds		25,800	-
Shareholders' funds at beginning of the year		-	-
Shareholders' funds at end of the year		25,800	-

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BALANCE SHEET

As at 30 June 2003

	Notes	30 June 2003 £m	30 June 2002 £m
Investments	4	27,000	-
Creditors – due within one year	5	(1,200)	-
Net assets		25,800	-
Capital and reserves			
Called up share capital	6	13,000	-
Other reserves	7	12,800	-
Profit and loss account	7	-	-
Shareholders' funds		25,800	-

The financial statements on pages 6 to 12 were approved by the board of directors on 18th December 2003 and signed on its behalf by:



M. Lester
 Director

Diageo Holdings Limited
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NOTES TO THE FINANCIAL STATEMENTS

1 Operating costs

The company has no employees. The auditor's remuneration was borne by a fellow group company.

2 Directors' interests

Details of directors' share interests are included in the Directors' Report on pages 1 to 3.

3 Dividend

On 10 June 2003 the company declared and paid a dividend of 0.092307692 pence per ordinary share.

4 Investments

	30 June 2003	30 June 2002
	£m	£m
Shares in subsidiary undertaking	27,000	-

Shares in subsidiary undertaking:

On 13 December 2002 the company acquired the entire issued share capital (2,759,144,946 ordinary shares) in Grand Metropolitan Public Limited Company from Diageo plc. The consideration for this transfer comprised the issue and allotment of 27,000,000,000 ordinary shares of £1 each in the company to Diageo plc. Grand Metropolitan Public Limited Company is incorporated in England and is an investment holding company.

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NOTES TO THE FINANCIAL STATEMENTS

4 Investments (continued)

The principal subsidiary and associated undertakings of Grand Metropolitan Public Limited Company, their activities and the percentage of equity owned are set out below:

Subsidiary undertakings *	Country of incorporation	Principal activity	Percentage of ordinary share capital held
Diageo Ireland (formerly Guinness UDV Ireland)	Ireland	Production, marketing and distribution of premium drinks	100
Diageo Scotland Limited (formerly Guinness United Distillers & Vinters Scotland Limited)	Scotland	Production, marketing and distribution of premium drinks	100
Diageo Great Britain Limited (formerly Guinness United Distillers & Vinters Limited)	England	Production, marketing and distribution of premium drinks	100
Guinness United Distillers & Vintners BV	Netherlands	Production, marketing and distribution of premium drinks	100
Guinness United Distillers & Vintners Amsterdam BV	Netherlands	Production, marketing and distribution of premium drinks	100
Diageo North America, Inc (formerly Guinness UDV North America, Inc)	USA	Production, importing and marketing of premium drinks	100
Diageo Investment Corporation	USA	Financing company for the US group	100
Joseph E Seagram & Sons, Inc (Merged into Diageo North America, Inc on 16 December 2002)	USA	Production, marketing and distribution of premium drinks	100
Burger King Corporation (Sold on 13 December 2002)	USA	Quick service restaurants	100
Associated undertakings			
Moët Hennessy, SNC	France	Production and distribution of premium drinks	34
General Mills, Inc	USA	Manufacture and marketing of consumer food products	21

* None of the subsidiary or associated undertakings are directly owned by Grand Metropolitan Public Limited Company with the exception of Diageo Great Britain Limited.

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

Certain undertakings have been omitted from the list above as they are either dormant or not material.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Creditors

	2003 Due within one year £m	2002 Due within one year £m
Amount owed to group undertakings	1,200	-

6 Share capital

	2003 £m	2002 £m
<i>Authorised:</i>		
Ordinary shares of £1 each	36,000	-
<i>Allotted, called up and fully paid:</i>		
13,000,000,001 Ordinary shares of £1 each	13,000	-

On 13 December 2002 the company increased its authorised share capital from £100 to £50,000,000,000 and allotted and issued at par 27,000,000,000 ordinary shares of £1 each to Diageo plc in return for the transfer by Diageo plc to the company of the entire issued share capital of Grand Metropolitan Public Limited Company, consisting of 2,759,144,946 ordinary shares of 25p each. On 21 January 2003 the company resolved to reduce its capital by cancelling the capital paid up on 14,000,000,000 issued ordinary shares of £1 each and by cancelling and extinguishing such ordinary shares from its authorised and issued capital. Court approval was granted on 19 February 2003, and became effective on 21 February 2003.

7 Reserves

	30 June 2003		30 June 2002	
	Other reserves £m	Profit and loss £m	Other reserves £m	Profit and loss £m
At beginning of year	-	-	-	-
Cancellation of share capital	14,000	-	-	-
Deficit for year	-	(1,200)	-	-
Other transfers	(1,200)	1,200	-	-
At end of year	12,800	-	-	-

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8 Immediate and ultimate parent undertaking

The company is a wholly owned subsidiary of Diageo plc. Diageo plc is incorporated and registered in England.

The consolidated financial statements of Diageo plc for the year ended 30 June 2003 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.