

RE-SCAN

DIAGEO (IH) LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003
Registered in England No. 4222753



4/8/04 171

DIAGEO (IH) LIMITED
Year ended 30 June 2003

DIRECTORS' REPORT

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

Activities

On 21 December 2001, the Diageo group and Pernod Ricard S.A. completed the acquisition of the Seagram Spirits and Wine business from Vivendi Universal S.A.. Diageo (IH) Limited participated in this acquisition. During the year under review, Myers Rum Company, Limited, a wholly owned subsidiary of the company, sold the intellectual property rights relating to Myers Rum.

Financial

The results for the year ended 30 June 2003 are shown on page 7. The company was incorporated on 24 May 2001 and the comparative figures are therefore for the period from 24 May 2001 to 30 June 2002. The directors do not recommend the payment of a dividend (2002 - £nil). The loss for the year transferred from reserves is £16,069,000 (2002 - loss of £1,000).

Post balance sheet event

On 30 June 2004 the company sold its investment in GUDV Canada IV Inc., a company incorporated in Canada, for £110,502,000 to a fellow subsidiary of Diageo plc. GUDV Canada IV Inc.'s net assets are denominated in currencies other than sterling, and whilst the underlying value of the assets is not believed to have decreased since the original acquisition by the company, movements in exchange rates has meant that the sterling equivalent received on disposal was less than the historic book value recorded by the company. The transaction therefore resulted in a loss on disposal of £23,616,463 of which £13,000,000 has been accounted for in the year ended 30 June 2003.

Directors

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

| | |
|---------------|-----------------------------|
| P S Binning | |
| S M Bunn | |
| M J Lester | (appointed 31 January 2003) |
| J W Walters | |
| R J Moore | (resigned 31 January 2003) |
| R H Myddelton | (resigned 31 March 2003) |
| A Williams | (resigned 18 April 2003) |

P S Binning resigned as a director of the company on 3 October 2003 and R Rajagopal was appointed a director of the company on that date. J W Walters resigned as a director of the company on 14 June 2003.

DIAGEO (IH) LIMITED
Year ended 30 June 2003

DIRECTORS' REPORT (continued)

Directors' emoluments

The directors did not receive any remuneration during the year (2002 - £nil) in respect of their services as directors of the company.

Directors' interests

The directors had no 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:

(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 | 79,405 | 16,518 | (16,971) | (1,911) | 77,041 |
| S M Bunn | 2,853 | 3,351 | - | - | - | - | - |
| M J Lester | 15,459 | 15,803 | 10,563 | - | - | - | 10,563 |
| J W Walters | 26,376 | 31,452 | 42,744 | 24,526 | - | - | 67,270 |

A number of directors were granted conditional rights to receive ordinary shares or American Depositary Shares (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. 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 during 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 |
| J W Walters | 230,588 | 70,492 | - | 301,080 |

DIAGEO (IH) LIMITED
Year ended 30 June 2003

DIRECTORS' REPORT (continued)

Directors' interests (continued)

The directors held the above options under Diageo plc share option schemes at prices between 447p and 863p per ordinary share for UK options and US\$29.38 and US\$47.31 per ADS for US options, exercisable between 2003 and 2012. 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.

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.

Options granted during the year to P S Binning and J W Walters are options granted under the SESOP, which are subject to performance conditions as detailed above.

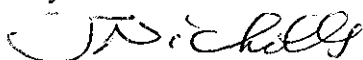
The mid-market share price of Diageo plc shares fluctuated between 582p and 851p per share during the year. The mid-market share price on 30 June 2003 was 647p.

At 30 June 2003, P S Binning, S M Bunn and M J Lester each 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; 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; and J W Walters had an interest in 144,098 shares and 502,360 shares subject to call options held by a trust to satisfy grants made under ex-Grandmet incentive plans, and 23,287,316 shares and 413,940 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Auditor

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

By order of the board



J Nicholls
Secretary
8 Henrietta Place
London
W1G 0NB

29th July 2004

DIAGEO (IH) LIMITED
Year ended 30 June 2003

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the independent auditor's report set out 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAGEO (IH) LIMITED

We have audited the financial statements on pages 7 to 13.

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 the directors and auditor

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 affairs of the company as at 30 June 2003 and of the loss of the company 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 July 2004

DIAGEO (IH) LIMITED
Year ended 30 June 2003

PROFIT AND LOSS ACCOUNT

| | | Year ended | Period from 24 |
|--|--------------|---------------------|-----------------------|
| | | 30 June 2003 | May 2001 to |
| | Notes | £'000 | 30 June 2002 |
| | | | £'000 |
| Provision against investment in subsidiary undertakings | 4 | (19,124) | - |
| Foreign exchange gain | | <u>3,058</u> | <u>-</u> |
| Operating loss | | (16,066) | - |
| Interest paid to group undertaking - Diageo Finance plc | | <u>(3)</u> | <u>(1)</u> |
| Loss on ordinary activities before taxation | | (16,069) | (1) |
| Taxation | 3 | <u>-</u> | <u>-</u> |
| Loss for the financial year transferred from reserves | | <u>(16,069)</u> | <u>(1)</u> |

The notes on pages 9 to 13 form part of these financial statements.

The comparative figures are for the period from the company's date of incorporation, 24 May 2001, to 30 June 2002.

There are no recognised gains and losses other than the loss for the financial 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 loss for the years shown in the profit and loss account and the loss for the relevant years restated on an historical cost basis and consequently no note of historical cost profits and losses has been presented as part of the financial statements.


DIAGEO (IH) LIMITED
Year ended 30 June 2003

BALANCE SHEET

| | | 30 June 2003 | | 30 June 2002 | |
|---|-------|--------------|-----------|--------------|-----------|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Investments | 4 | | 222,426 | | 242,556 |
| Current asset | | | | | |
| Debtor – amount due from subsidiary undertaking (Guinness UDV Canada IV Inc.) due within one year | | 1,119 | | 2,155 | |
| Creditors – amounts due within one year | 5 | (239,613) | | (244,710) | |
| Net current liabilities | | | (238,494) | | (242,555) |
| Net assets | | | (16,068) | | <u>1</u> |
| Capital and reserves | | | | | |
| Called up share capital | 6 | | 2 | | 2 |
| Reserves | | | | | |
| Profit and loss account | 7 | | (16,070) | | (1) |
| Equity shareholder's (deficit)/funds | | | (16,068) | | <u>1</u> |

The notes on pages 9 to 13 form part of these financial statements.

The financial statements on pages 7 to 13 were approved by the board of directors on 29 July 2004 and were signed on its behalf by:


R Rajagopal
Director

DIAGEO (IH) LIMITED
Year ended 30 June 2003

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 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.

Under Financial Reporting Standard No 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

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.

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

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date relate to amounts due to group undertakings.

2. Operating costs

The company has no employees.

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 (2002 - £nil).

The directors have not received any remuneration during either the current year or the prior period in respect of their services as directors of the company.

DIAGEO (IH) LIMITED
Year ended 30 June 2003

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Taxation

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Factors affecting the current tax charge for the year/period: | | |
| Loss on ordinary activities before taxation | (16,069) | (1) |
| Taxation on loss on ordinary activities at UK corporation tax rate of 30% (2002 – 30%) | (4,821) | - |
| Items not deductible for tax purposes | 5,737 | - |
| Group relief received for nil consideration | (916) | - |
| | <u>-</u> | <u>-</u> |

4. Investments

| | 2003 £'000 |
|--|-----------------|
| Shares in subsidiary undertakings | |
| Cost | |
| At beginning of the year | 242,556 |
| Purchase price adjustment | (1,006) |
| Additions | - |
| At end of the year | <u>241,550</u> |
| Provision | |
| At beginning of the year | - |
| Impairment charge | (19,124) |
| At end of the year | <u>(19,124)</u> |
| Net book value | |
| At 30 June 2003 | <u>222,426</u> |
| At 30 June 2002 | <u>242,556</u> |

DIAGEO (IH) LIMITED
Year ended 30 June 2003

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Investments (continued)

The company's subsidiary undertakings are as follows:

| Subsidiary undertakings | Country of incorporation | Principal activity | Class of shares held |
|---------------------------------------|--------------------------|------------------------------|----------------------|
| Direct: | | | |
| Guinness UDV Canada IV Inc. | Canada | Investment holding company | Common shares |
| Myers Rum Company, Limited | Bahamas | Purchases and sells bulk rum | Common shares |
| Trelawny Estates Limited | Jamaica | Administrative company | Ordinary shares |
| Indirect: | | | |
| Myers Rum Company (Jamaica) Limited * | Jamaica | Dormant | |

* Subsidiary of Trelawny Estates Limited

Diageo (IH) Limited also has an indirect interest in Claredon Distillers Limited, a company incorporated in Jamaica, which is an associate of Trelawny Estates Limited (49%). Claredon Distillers Limited produces and exports bulk rum to, amongst others, Myers Rum Company, Limited.

All subsidiary undertakings are 100% directly owned by the company.

Subsequent to the year end, steps have been taken to liquidate Myers Rum Company, Limited. During the year, the investment in Myers Rum Company, Limited was written down to its estimated recoverable value.

On 30 June 2004 the company sold its investment in GUDV Canada IV Inc., a company incorporated in Canada, for £110,502,000 to a fellow subsidiary of Diageo plc. GUDV Canada IV Inc.'s net assets are denominated in currencies other than sterling, and whilst the underlying value of the assets is not believed to have decreased since the original acquisition by the company, movements in exchange rates has meant that the sterling equivalent received on disposal was less than the historic book value recorded by the company. The transaction therefore resulted in a loss on disposal of £23,616,463 of which £13,000,000 has been accounted for in the year ended 30 June 2003.

In the opinion of the directors of the company, the aggregate value of the shares of the investments is not less than the aggregate of the amounts at which the investments are stated in the balance sheet.

DIAGEO (IH) LIMITED
Year ended 30 June 2002

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Creditors – amounts due within one year

| | 2003 | 2002 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Amount owed to parent undertaking (Diageo Venture Holdings Limited) | 145,060 | 241,976 |
| Amount owed to subsidiary undertaking (Myers Rum Company, Limited) | 91,404 | - |
| Amounts owed to other group undertakings: | | |
| Diageo Finance plc | 61 | 58 |
| Diageo plc | <u>3,088</u> | <u>2,676</u> |
| | <u>239,613</u> | <u>244,710</u> |

6. Called up share capital

| | 2003 | 2002 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Authorised, allotted, called up and fully paid 2,000 ordinary shares of £1 each | <u>2</u> | <u>2</u> |

7. Reserves

| | Profit and loss account £'000 |
|----------------------------|--|
| At 30 June 2002 | (1) |
| Retained loss for the year | <u>(16,069)</u> |
| At 30 June 2003 | <u>(16,070)</u> |

8. Movement in shareholders' funds

| | 2003 | 2002 |
|--|-----------------|--------------|
| | £'000 | £'000 |
| Loss for the financial year | (16,069) | (1) |
| Share capital allotted, called up and fully paid | <u>-</u> | <u>2</u> |
| Movement in shareholder's funds | (16,069) | 1 |
| Shareholder's funds at beginning of the year | <u>1</u> | <u>-</u> |
| Shareholder's (deficit)/funds at end of the year | <u>(16,068)</u> | <u>1</u> |

DIAGEO (IH) LIMITED
Year ended 30 June 2002

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Subsequent events

Liquidators have started the process of liquidating Myers Rum Company, Limited, a wholly owned subsidiary of the company.

10. Immediate and ultimate parent undertaking

The company is a wholly owned subsidiary of Diageo Venture Holdings Limited, a company incorporated and registered in Scotland. The ultimate parent undertaking of the company is Diageo plc, a company 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.