

Diageo (IH) Limited

Financial statements 30 June 2004

Registered number 4222753



Diageo (IH) Limited
Year ended 30 June 2004

Directors' report

The directors have pleasure in submitting their report, together with the audited financial statements, for the year ended 30 June 2004.

Activities

The company is an investment holding company. The directors foresee no changes in the company's activities.

On 30 June 2004 the company sold its investment in Guinness UDV Canada IV Inc., a company incorporated in Canada, for £110,519,689 to a fellow subsidiary of Diageo plc. Guinness UDV 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 had been accounted for in the year ended 30 June 2003.

Financial

The results for the year ended 30 June 2004 are shown on page 7. The directors do not recommend the payment of a dividend (2003 - £nil). The loss for the year transferred from reserves is £13,310,000 (2003 - loss of £16,069,000).

Directors

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

| | |
|-------------|----------------------------|
| P S Binning | (resigned 3 October 2003) |
| S M Bunn | |
| M J Lester | |
| R Rajagopal | (appointed 3 October 2003) |
| J W Walters | (resigned 14 June 2004) |

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2003 - £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.

Diageo (IH) Limited
Year ended 30 June 2004

Directors' report (continued)

Directors' interests (continued)

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28¹⁰¹/₁₀₈ pence 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 |
| S M Bunn | 3,351 | 1,088 | - | - | - | - | - |
| M J Lester | 15,803 | 20,658 | 10,563 | 27,269 | (3,521) | - | 34,311 |
| R Rajagopal | 912 | 3,810 | - | - | - | - | - |

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

| | Options over ordinary shares | | | |
|--------------------|---|-----------------|-----------------------|----------------|
| | At beginning of year (or date of appointment) | Granted in year | Exercised during year | At end of year |
| S M Bunn | 30,743 | 15,959 | (383) | 46,319 |
| M J Lester | 116,587 | 34,259 | - | 150,846 |
| R Rajagopal | 97,459 | 28,011 | (4,754) | 120,716 |

The directors held the above options under Diageo plc share option schemes at prices between 518 pence and 863 pence per ordinary share exercisable between 2004 and 2013. 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)

The mid-market share price of Diageo plc shares fluctuated between 625 pence and 780 pence per share during the year. The mid-market share price on 30 June 2004 was 744 pence.

At 30 June 2004, all the directors had an interest in 21,109,889 shares and 7,710,285 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 re-appointment 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

17 December 2004

Diageo (IH) Limited
Year ended 30 June 2004

Statement of directors' responsibilities in relation to the 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 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 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 the company's affairs as at 30 June 2004 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

17 December 2004

Diageo (IH) Limited
Year ended 30 June 2004

Profit and loss account

| | <i>Notes</i> | Year ended 30 June 2004 £'000 | Year ended 30 June 2003 £'000 |
|--|--------------|--|--|
| Provision against investment in subsidiary undertakings | 4 | (11,163) | (19,124) |
| Foreign exchange gain | | <u>8,472</u> | <u>3,058</u> |
| Operating loss | | (2,691) | (16,066) |
| Loss on sale of investment in Guinness UDV Canada IV Inc. | 4 | (10,616) | - |
| Interest paid to group undertaking - Diageo Finance plc | | <u>(3)</u> | <u>(3)</u> |
| Loss on ordinary activities before taxation | | (13,310) | (16,069) |
| Taxation on loss on ordinary activities | 3 | <u>-</u> | <u>-</u> |
| Loss for the financial year transferred from reserves | | <u>(13,310)</u> | <u>(16,069)</u> |

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 activities.

Diageo (IH) Limited
Year ended 30 June 2004

Balance sheet

| | | 30 June 2004 | | 30 June 2003 | |
|--|--------------|---------------------|------------------|---------------------|------------------|
| | <i>Notes</i> | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Investments | 4 | | 90,507 | | 222,426 |
| Current assets | | | | | |
| Debtors – due within one year | 5 | 111,551 | | 1,119 | |
| Creditors – amounts due within one year | 6 | <u>(231,436)</u> | | <u>(239,613)</u> | |
| Net current liabilities | | | <u>(119,885)</u> | | <u>(238,494)</u> |
| Net liabilities | | | <u>(29,378)</u> | | <u>(16,068)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 7 | | 2 | | 2 |
| Reserves | | | | | |
| Profit and loss account | 8 | | <u>(29,380)</u> | | <u>(16,070)</u> |
| Equity shareholder's deficit | 9 | | <u>(29,378)</u> | | <u>(16,068)</u> |

The financial statements on pages 7 to 13 were approved by the board of directors on 17 December 2004 and were signed on its behalf by:



R Rajagopal
Director

Diageo (IH) Limited
Year ended 30 June 2004

Notes to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which 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 consolidated accounts of Diageo plc.

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 are in respect of balances due to group undertakings.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

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

Diageo (IH) Limited
Year ended 30 June 2004

Notes to the financial statements (continued)

1. Accounting policies (continued)

Exceptional items

Exceptional items are those that, in management's judgement, need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss account caption to which they relate and are separately disclosed either in the notes to the financial statements or on the face of the profit and loss account.

2. Operating costs

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 (2003 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 2 to 4.

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 (2003 - £nil).

3. Taxation

| | Year ended 30 June 2004 £'000 | Year ended 30 June 2003 £'000 |
|---|-------------------------------------|-------------------------------------|
| Factors affecting the current tax charge for the year | | |
| Loss on ordinary activities before taxation | (13,310) | (16,069) |
| Taxation on loss on ordinary activities at UK corporation tax rate of 30% (2003 - 30%) | (3,993) | (4,821) |
| Items not deductible for tax purposes | 6,534 | 5,737 |
| Group relief received for nil consideration | (2,541) | (916) |
| | <u> </u> | <u> </u> |

Diageo (IH) Limited
Year ended 30 June 2004

Notes to the financial statements (continued)

4. Fixed assets - investments

30 June 2004
£'000

Shares in subsidiary undertakings

Cost

| | |
|--------------------------|----------------|
| At beginning of the year | 241,550 |
| Additions | 380 |
| Disposals | (134,136) |
| At end of the year | <u>107,794</u> |

Provision

| | |
|--------------------------|-----------------|
| At beginning of the year | (19,124) |
| Impairment charge | (11,163) |
| Disposals | 13,000 |
| At end of the year | <u>(17,287)</u> |

Net book value

| | |
|-----------------|----------------|
| At 30 June 2004 | <u>90,507</u> |
| At 30 June 2003 | <u>222,426</u> |

The company's subsidiary undertakings are as follows:

| Subsidiary undertakings | Country of incorporation | Principal activity | Class of shares held |
|---------------------------------------|---------------------------------|------------------------------|-----------------------------|
| Direct: | | | |
| 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.

Steps have been taken to liquidate Myers Rum Company, Limited. During the current year, the investment in Myers Rum Company, Limited was written down to its estimated recoverable value, resulting in an impairment charge of £11,163,000.

Diageo (IH) Limited
Year ended 30 June 2004

Notes to the financial statements (continued)

4. Fixed assets – investments (continued)

On 30 June 2004 the company sold its investment in Guinness UDV Canada IV Inc., a company incorporated in Canada, for £110,519,689 to a fellow subsidiary of Diageo plc. Guinness UDV 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 had been accounted for in the year ended 30 June 2003.

In the opinion of the directors of the company, 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.

5. Debtors – due within one year

| | 30 June 2004 £'000 | 30 June 2003 £'000 |
|-------------------------------------|-----------------------|-----------------------|
| Amounts owed by group undertakings: | | |
| Guinness UDV Canada IV Inc. | 1,031 | 1,119 |
| Diageo Scotland Limited | <u>110,520</u> | <u>-</u> |
| | <u>111,551</u> | <u>1,119</u> |

6. Creditors – amounts due within one year

| | 30 June 2004 £'000 | 30 June 2003 £'000 |
|---|-----------------------|-----------------------|
| Amount owed to parent undertaking (Diageo Venture Holdings Limited) | 145,037 | 145,060 |
| Amount owed to subsidiary undertaking (Myers Rum Company, Limited) | 82,867 | 91,404 |
| Amounts owed to other group undertakings: | | |
| Diageo Finance plc | 64 | 61 |
| Diageo plc | <u>3,468</u> | <u>3,088</u> |
| | <u>231,436</u> | <u>239,613</u> |

7. Called up share capital

| | 30 June 2004 £'000 | 30 June 2003 £'000 |
|---|-----------------------|-----------------------|
| Authorised, allotted, called up and fully paid: | | |
| 2,000 ordinary shares of £1 each | <u>2</u> | <u>2</u> |

Diageo (IH) Limited
Year ended 30 June 2004

Notes to the financial statements (continued)

8. Reserves

| | Profit and loss account £'000 |
|----------------------------|--|
| At 30 June 2003 | (16,070) |
| Retained loss for the year | <u>(13,310)</u> |
| At 30 June 2004 | <u>(29,380)</u> |

9. Reconciliation of movement in shareholders' deficit

| | 30 June 2004 £'000 | 30 June 2003 £'000 |
|--|-------------------------------|-------------------------------|
| Loss for the financial year | (13,310) | (16,069) |
| Net addition to shareholders' deficit | (13,310) | (16,069) |
| Shareholders' (deficit)/funds at beginning of the year | <u>(16,068)</u> | <u>1</u> |
| Shareholders' deficit at end of the year | <u>(29,378)</u> | <u>(16,068)</u> |

10. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is 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 can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.