

Diageo Finance (Netherlands) & Co.

FINANCIAL STATEMENTS

30 June 2003

Registered Number: 4245744



Diageo Finance (Netherlands) & Co.
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.

Capital

During the year the company allotted at par 115,000,000 B Ordinary shares of £1 each and 678,000,000 C Ordinary shares of £1 each.

Activities

The company is 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.

Financial

The results for the year ended 30 June 2003 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2002: £nil). There was no profit or loss to be transferred to or from reserves (2002: £1,000 profit).

Directors

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

S M Bunn

C M Day

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)

On 3 October 2003 P S Binning resigned 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	-	-	-	-	-
C M Day	1,997	2,789	-	-	-	-	-
M J Lester	15,459	15,803	15,845	-	-	-	15,845
J W Walters	26,376	31,452	42,744	27,696	-	-	70,440

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. 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
C M Day	27,765	11,952	(792)	38,925
M J Lester	116,587	-	-	116,587
J W Walters	230,588	70,492	-	301,080

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DIRECTORS' REPORT (continued)

Directors' interests (continued)

ii) Options (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.

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, 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 savings related share option schemes, 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 re-appointment as auditor of the company will be submitted to the Annual General Meeting.

By order of the Board



J Nicholls
Secretary

18th
December 2003

8 Henrietta Place
London W1G 0NB

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 profit or 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 a 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 MEMBERS OF DIAGEO FINANCE
(NETHERLANDS) & CO.**

We have audited the financial statements on pages 6 to 10.

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

KPMG Audit Plc
Chartered Accountants
Registered Auditor, London
18 December 2003

Diageo Finance (Netherlands) & Co.
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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.

Taxation

Taxation is calculated based on the results for the year 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.

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PROFIT AND LOSS ACCOUNT

		Year ended	Period from
		30 June 2003	3 July 2001
			to 30 June 2002
	Notes	£'000	£'000
Profit on ordinary activities before taxation		-	1
Taxation on profit on ordinary activities	3	-	-
Profit for the financial period after taxation		-	1
Transferred to reserves		-	1

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

There are no recognised gains or losses 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

		Year ended	Period from
		30 June 2003	3 July 2001
			to 30 June 2002
	Notes	£'000	£'000
Profit for the financial year		-	1
New share capital issued	5	793,000	201,000
Net addition to shareholders' funds		793,000	201,001
Shareholders' funds at beginning of the year		201,001	-
Shareholders' funds at end of the year		994,001	201,001

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BALANCE SHEET

As at 30 June 2003

	Notes	30 June 2003 £'000	30 June 2002 £'000
Current assets			
Debtors – due within one year	4	994,000	201,001
Cash		1	-
Net assets		994,001	201,001
Capital and reserves			
Called up share capital	5	994,000	201,000
Profit and loss account	6	1	1
		994,001	201,001

The financial statements on pages 6 to 10 were approved by the board of directors on 18th December 2003 and signed on its behalf by:



M J Lester
 Director

Diageo Finance (Netherlands) & Co.
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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 Taxation

	Year ended 30 June 2003	Period from 3 July 2001 to 30 June 2002
	£	£
Analysis of charge in the year:		
UK corporation tax on profits of the year	-	300
Tax on profit on ordinary activities	-	300

	Year ended 30 June 2003	Period from 3 July 2001 to 30 June 2002
	£	£
Reconciliation of current tax charge:		
Profit before taxation	-	1,000
Corporation tax at the standard rate of corporation tax in the UK of 30%	-	300
Current tax charge	-	300

4 Debtors

	30 June 2003	30 June 2002
	£'000	£'000
Amounts owed by group undertakings	994,000	201,001

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Share capital

	Authorised 2003 Number	Allotted, called up and fully paid 2003 Number	2003 £'000
A Ordinary shares of £1 each	6,000,000,000	1,000,000	1,000
B Ordinary shares of £1 each	6,000,000,000	139,000,000	139,000
C Ordinary shares of £1 each	6,000,000,000	853,000,000	853,000
D Ordinary shares of £1 each	6,000,000,000	1,000,000	1,000
	24,000,000,000	994,000,000	994,000

	Authorised 2002 Number	Allotted, called up and fully paid 2002 Number	2002 £'000
A Ordinary shares of £1 each	6,000,000,000	1,000,000	1,000
B Ordinary shares of £1 each	6,000,000,000	24,000,000	24,000
C Ordinary shares of £1 each	6,000,000,000	175,000,000	175,000
D Ordinary shares of £1 each	6,000,000,000	1,000,000	1,000
	24,000,000,000	201,000,000	201,000

The shares in each class are equal to those in each of the other classes and all have identical rights.

6 Reserves

	2003 £'000	2002 £'000
<i>Profit and loss account:</i>		
Balance brought forward	1	-
Profit for the financial year	-	1
Balance carried forward	1	1

7 Ultimate parent undertaking

The company's ultimate holding company as at 30 June 2003 was Diageo plc, which 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.