

**Diageo Finance (Netherlands) & Co.**

**FINANCIAL STATEMENTS**

**30 June 2002**

**Registered Number: 4245744**



**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the period from 3 July 2001 to 30 June 2002.

**Incorporation**

Diageo Finance (Netherlands) & Co. was incorporated in England on 3 July 2001 as an unlimited company.

**Capital**

During the period the company allotted at par 250,999,999 A Ordinary shares of £1 each, 23,999,999 B Ordinary shares of £1 each, 174,999,999 C Ordinary shares of £1 each and 999,999 D Ordinary shares of £1 each. On 30 November 2001 the A ordinary share capital was reduced from 251,000,000 shares to 1,000,000 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 period ended 30 June 2002 are shown on page 8. The directors do not recommend the payment of a dividend and the profit for the period of £1,000 has been transferred to reserves.

**Directors**

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

P S Binning	(appointed 18 July 2001)
S M Bunn	(appointed 15 March 2002)
C M Day	(appointed 3 July 2001)
R J Moore	(appointed 18 July 2001)
R H Myddelton	(appointed 3 July 2001)
J Walters	(appointed 3 July 2001)
A Williams	(appointed 1 May 2002)

On 31 January 2003 R J Moore resigned and M J Lester was appointed a director.

On 31 March 2003 R H Myddelton resigned as a director.

**Directors' emoluments**

None of the directors received any remuneration during the period in respect of their services as directors of the company.

**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**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 period in any significant contract with the company.

The directors who held office at the end of the financial period 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 period (or date of appointment)	At end of period	At beginning of period (or date of appointment)	Granted in period	Vested in period	Lapsed in period	At end of period
P S Binning	21,099	25,693	60,750	11,827	(4,350)	(4,350)	63,877
S M Bunn	2,818	2,853	-	-	-	-	-
C M Day	1,538	1,997	4,250	-	(2,125)	(2,125)	-
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
J Walters	11,796	26,244	25,984	13,600	(5,400)	(5,400)	28,784
A Williams	3,214	3,258	-	-	-	-	-

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.

**DIRECTORS' REPORT (continued)**

**Directors' interests (continued)**

**ii) Options**

	At beginning of period (or date of <u>appointment</u> )	Granted during the <u>period</u>	Exercised during <u>the period</u>	At end of period
P S Binning	112,572	51,133	-	163,705
S M Bunn	20,786	-	-	20,786
C M Day	20,845	7,428	(1,300)	26,973
R J Moore	71,464	77,184	-	148,648
R H Myddelton	144,898	27,055	(78,748)	93,205
J Walters	161,584	70,084	-	231,668
A Williams	19,243	-	-	19,243

The directors held the above options under Diageo plc share option schemes at prices between 447p and 710p per ordinary share for UK options and US\$29.38 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.

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 period. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002, P S Binning and R H Myddelton each had an interest in 20,023,562 shares and 6,124,020 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition, S M Bunn and A Williams each had an interest in 16,259,763 shares and 6,124,020 shares subject to call options (and 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. Also at that date, J 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 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.

**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**DIRECTORS' REPORT (continued)**

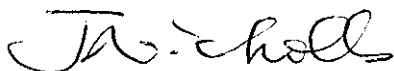
**Secretary**

S M Bunn, the Secretary since incorporation, resigned on 15 March 2002 and was replaced by J J Nicholls.

**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

10 April 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 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 of the company for the financial year.

The directors, in preparing the financial statements on pages 7 to 11, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that 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.

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF DIAGEO FINANCE  
(NETHERLANDS) & CO.**

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 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 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
10 April 2003

## **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.



**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**PROFIT AND LOSS ACCOUNT**

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

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

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

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

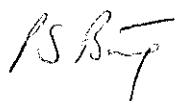
	Notes	Period from 3 July 2001 to 30 June 2002 £'000
Profit for the financial period		1
New share capital issued	5	201,000
<b>Net addition to shareholders' funds</b>		<b>201,001</b>
Shareholders' funds at beginning of the period		-
<b>Shareholders' funds at end of the period</b>		<b>201,001</b>

**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**BALANCE SHEET**

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

The financial statements on pages 7 to 11 were approved by the board of directors on 10 April 2003 and signed on its behalf by:



*P S Binning*  
Director

**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**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 2 to 3.

**3 Taxation**

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

	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 2002 £'000
Amounts owed by group undertakings	201,001

**5 Share capital**

	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.

**Diageo Finance (Netherlands) & Co.**  
**Period ended 30 June 2002**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 Reserves**

	<b>Profit and loss account £'000</b>
Profit for the financial period	<b>1</b>
Balance carried forward	<b>1</b>

**7 Ultimate parent undertaking**

The company's ultimate holding company as at 30 June 2002 was Diageo plc, which is 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.

**8 Comparative figures**

There are no comparative figures as this is the first period of operations for the company.