

**DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED
KINGDOM LIMITED)**
(Registered Number 560661)

REPORT AND ACCOUNTS

30 June 2003



DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the period from 1 January 2002 to 30 June 2003. The comparative period was from 1 November 2000 to 31 December 2001.

Change of name

The name of the company was changed from Seagram United Kingdom Limited to Diageo United Kingdom Limited on 28 March 2003.

Accounting reference period

The company changed its accounting reference date from 31 December to 30 June and accordingly extended the accounting reference period ending 31 December 2002 to 30 June 2003.

Activities

The principal activity of the company is the sale of spirits and wine. The company will continue to own and exploit certain brands from which it earns an income.

Financial

The results for the period ended 30 June 2003 are shown on page 5.

The directors do not recommend the payment of a dividend for the period (2001: final dividend paid of £10 million).

The loss for the period transferred from reserves is £1,122,000 (2001: profit of £24,181,000 transferred to reserves).

Directors

The directors who served during the period were as follows:

P S Binning	
S M Bunn	
R H Myddelton	(resigned 31 March 2003)
R J Ratcliffe	(resigned 30 June 2002)
A Williams	(appointed 1 May 2002, resigned 18 April 2003)
G P Wyatt	(resigned 30 June 2002)

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

Directors' emoluments

None of the directors received any remuneration during the period in respect of their services as directors of the company (2001: £nil).

Directors' interests

No director 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 or any subsidiary.

At 30 June 2003 all the directors were also directors of the parent undertaking, Diageo Great Britain Limited. Details of their beneficial interests in the shares of Diageo plc, the ultimate parent company, are shown in the Diageo Great Britain Limited Annual Report and Accounts, copies of which are available from 8 Henrietta Place, London W1G 0NB.

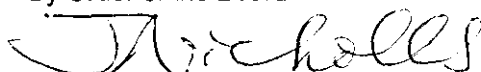
**DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED
KINGDOM LIMITED)**

REPORT OF THE DIRECTORS

Auditor

The auditor, KPMG Audit Plc, was appointed on 19 April 2004 in succession to PricewaterhouseCoopers LLP, who had resigned on 14 April 2004, and is willing to continue in office. The company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint auditors annually and KPMG Audit Plc will be deemed to be reappointed on the expiry of its term in office in respect of the period ended 30 June 2003.

By Order of the Board



J Nicholls
Secretary

Registered Office:
8 Henrietta Place
London W1G 0NB

30 July 2004

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

STATEMENT OF 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 4, 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 period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

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 accounts 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

We have audited the financial statements on pages 5 to 14.

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 3, 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 loss 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
London
30 July 2004

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

**PROFIT AND LOSS ACCOUNT
FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2003**

		Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
	Notes		
TURNOVER	1	24,872	205,642
Cost of sales		<u>(18,957)</u>	<u>(170,121)</u>
GROSS PROFIT		5,915	35,521
Distribution costs		(1,933)	(17,901)
Administrative expenses		<u>(2,468)</u>	<u>(6,612)</u>
OPERATING PROFIT		1,514	11,008
Exceptional items	2	(6,536)	-
Profit on disposal of intangible fixed assets		-	23,681
Interest receivable/(payable) (net)	6	<u>3,900</u>	<u>(263)</u>
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,122)	34,426
Tax credit/ (charge) on (loss)/ profit on ordinary activities	7	<u>-</u>	<u>(245)</u>
(LOSS)/ PROFIT FOR THE FINANCIAL PERIOD		(1,122)	34,181
Dividends	8	<u>-</u>	<u>(10,000)</u>
TRANSFERRED TO RESERVES		<u>(1,122)</u>	<u>24,181</u>

There are no recognised gains or losses other than the result 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 result for the period shown in the profit and loss account and the result for the relevant periods restated on an historical cost basis.


All results are derived from continuing activities.

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

BALANCE SHEET AS AT 30 JUNE 2003

	Notes	30 June 2003		31 December 2001	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	10		-		573
Investments	11		382		671
			<u>382</u>		<u>1,244</u>
Current assets					
Stocks	12		-	8,304	
Debtors	13	80,706		87,529	
Cash at bank and in hand		1,659		5,537	
		<u>82,365</u>		<u>101,370</u>	
Creditors: amounts falling due within one year	14	(2,513)		(21,258)	
Net current assets			<u>79,852</u>		<u>80,112</u>
Net assets			<u>80,234</u>		<u>81,356</u>
Capital and reserves					
Called up share capital	15		46,283		46,283
Share premium account	16	3,045		3,045	
Profit and loss account	16	30,906		32,028	
		<u>33,951</u>		<u>35,073</u>	
Reserves attributable to equity shareholders			<u>33,951</u>		<u>35,073</u>
Equity shareholders' funds			<u>80,234</u>		<u>81,356</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 30 July 2004 and signed on its behalf by:


R Rajagopal
Director

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

STATEMENT OF ACCOUNTS POLICIES - 30 JUNE 2003

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable 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 for 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 ("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 published consolidated financial statements 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Tangible fixed assets are depreciated on a straight line basis to estimated residual values over their expected useful lives within the following ranges:

Fixtures and fittings	5 to 10 years
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Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads.

Deferred taxation

Full provision for deferred tax is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, using current tax rates. The company does not discount these balances.

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 period end exchange rates or, if hedged forward, at the rate of exchange under the related forward currency contract.

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

Turnover

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable, but excluding value added tax.

Advertising

Advertising production costs are charged to the profit and loss account when the advertisement is first shown to the public.

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003

1 ANALYSIS OF TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of the sale of spirits and wine.

Geographical analysis of turnover

Turnover originated from the United Kingdom and the geographical analysis of turnover, by destination, is given below:

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
United Kingdom	10,544	136,116
Europe	7,387	7,286
Asia and Africa	6,070	3,597
Other areas	871	488
	<u>24,872</u>	<u>147,487</u>
Duty	-	58,155
	<u>24,872</u>	<u>205,642</u>

2 EXCEPTIONAL ITEMS

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Redundancy costs	5,578	-
Distribution agreement exit costs	512	-
Write-off net investment in dormant companies on disposal	342	-
Lease exit costs	88	-
Other	16	-
	<u>6,536</u>	<u>-</u>

The exceptional items were incurred as a result of a fundamental restructuring which has taken place due to the acquisition of the company by Diageo plc and the subsequent office closure.

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003 (continued)

3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Profit on ordinary activities before taxation is stated after charging/ (crediting):		
Exceptional item (note 2 above)	6,536	-
Depreciation	573	2,377
Foreign exchange (gains)/losses	(24)	286
Profit on disposal of fixed asset investments	-	(34)
Operating leases - land and buildings	-	388
Rents receivable	-	(399)
Auditor's remuneration in respect of audit services	-	37

In the period ended 30 June 2003 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 (2001: £nil).

4 STAFF COSTS

The average number of employees, including directors, during the year was:

	Eighteen month period ended 30 June 2003 Number	Fourteen month period ended 31 December 2001 Number
Administration, full time staff	<u>10</u>	<u>105</u>

The aggregate remuneration of all employees comprised:

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Wages and salaries	1,135	4,663
Social security costs	101	448
Other pension costs	<u>120</u>	<u>661</u>
	<u>1,356</u>	<u>5,772</u>

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003 (continued)

5 DIRECTORS' EMOLUMENTS

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Aggregate emoluments	<u>-</u>	<u>1,051</u>

The remuneration of the highest paid director was as follows:

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Highest paid director		
Aggregate emoluments	<u>-</u>	<u>382</u>
Accrued pension per annum at end of financial period from defined benefit pension scheme	<u>-</u>	<u>75</u>

6 INTEREST RECEIVABLE (NET)

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Interest receivable from fellow group undertaking	3,725	1,321
Interest payable to fellow group undertakings	-	(1,584)
Net external interest receivable	<u>175</u>	<u>-</u>
	<u>3,900</u>	<u>(263)</u>

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

A) Analysis of taxation charge/(credit) for the period

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Current tax		
UK corporation tax	244	3,636
Group relief surrendered from other group companies for nil consideration	<u>(244)</u>	<u>(3,391)</u>
Taxation on (loss)/profit on ordinary activities	<u>-</u>	<u>245</u>

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003 (continued)

B) Factors affecting current tax charge/(credit) for the year

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
(Loss)/profit on ordinary activities before tax	<u>(1,122)</u>	<u>34,426</u>
Taxation on (loss)/ profit on ordinary activities at UK corporation tax rate of 30% (31 December 2001 – 30%)	(337)	10,317
Depreciation in excess of capital allowances	172	478
Expenses not deductible for tax purposes	409	15
Group relief received for nil consideration	(244)	(3,391)
Items not chargeable for tax purposes	-	(7,104)
Other timing differences	<u>-</u>	<u>(70)</u>
Current ordinary tax charge for the period	<u>-</u>	<u>(245)</u>

8 DIVIDENDS

	Eighteen month period ended 30 June 2003 £'000	Fourteen month period ended 31 December 2001 £'000
Dividend paid	<u>-</u>	<u>10,000</u>

9 INTANGIBLE FIXED ASSETS

The company continues to own and exploit certain brands for which there is no attributable cost or carrying value.

10 TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and equipment £'000
Cost	
At 1 January 2002	3,682
Disposals	(3,682)
At 30 June 2003	<u>-</u>
Accumulated depreciation	
At 1 January 2002	3,109
Charge for the period	573
Disposals	(3,682)
At 30 June 2003	<u>-</u>
Net book value at 30 June 2003	<u>-</u>
Net book value at 1 January 2002	<u>573</u>

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003 (continued)

11 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £'000
At 1 January 2002	671
Additions	382
Disposals	(671)
At 30 June 2003	<u>382</u>

The subsidiary undertakings at 30 June 2003, 100% directly owned by the company, were:

	Country of incorporation	Principal activity
Rigrun Limited	England	Dormant
Seagram Ireland Limited	Ireland	Dormant

12 STOCKS

	30 June 2003 £'000	31 December 2001 £'000
Finished goods and goods for resale	<u>-</u>	<u>8,304</u>

There is no material difference between the purchase price or production costs of stocks and their replacement cost.

13 DEBTORS

	30 June 2003 £'000	31 December 2001 £'000
Trade debtors	146	29,531
Amounts owed by fellow group undertakings	80,560	57,388
Other debtors	-	498
Other prepayments and accrued income	-	112
	<u>80,706</u>	<u>87,529</u>

All amounts fall due within one year.

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003 (continued)

14 CREDITORS

	30 June 2003 £'000	31 December 2001 £'000
Amounts falling due within one year		
Trade creditors	-	8,497
Amounts owed to subsidiary undertaking	978	903
Other creditors	1,535	8,044
Other taxation including social security	-	1,084
Accruals and deferred income	-	2,730
	<u>2,513</u>	<u>21,258</u>

15 CALLED UP SHARE CAPITAL

	30 June 2003 £'000	31 December 2001 £'000
Authorised:		
200,000,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted, called up and fully paid:		
46,283,347 ordinary shares of £1 each	<u>46,283</u>	<u>46,283</u>

16 RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2002	3,045	32,028
Retained loss for the period	-	(1,122)
At 30 June 2003	<u>3,045</u>	<u>30,906</u>

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	30 June 2003 £'000	31 December 2001 £'000
(Loss)/profit for the financial period	(1,122)	34,181
Ordinary dividends	-	(10,000)
Net (reduction in)/ addition to shareholders' funds	(1,122)	24,181
Shareholders' funds at beginning of the period	81,356	57,175
Shareholders' funds at end of the period	<u>80,234</u>	<u>81,356</u>

DIAGEO UNITED KINGDOM LIMITED (FORMERLY SEAGRAM UNITED KINGDOM LIMITED)

NOTED TO THE FINANCIAL STATEMENTS - 30 JUNE 2003 (continued)

18 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Diageo Great Britain Limited, a company incorporated and registered in England.

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.