

GRANDMET LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003
Registered in England No. 1002487



GRANDMET LIMITED
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.

Activities

There were no transactions in the year under review and the only transaction in the preceding financial year was the payment of interest to a fellow group undertaking (Diageo Finance plc). The directors foresee no changes in the company's activities.

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 (2002 – £nil). The loss for the year transferred from reserves is £2,921 (2002 – loss of £2,971 transferred from reserves).

Directors

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

P S Binning
S M Bunn
J A Southern
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.

Directors' emoluments

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

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:

GRANDMET LIMITED
Year ended 30 June 2003

DIRECTORS' REPORT (continued)

Directors' interests (continued)

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year	At end of year	At beginning of year	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	-	-	-	-	-
J A Southern	31,153	35,384	-	-	-	-	-

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	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
J A Southern	76,317	16,591	(10,576)	82,332

The directors held the above options under Diageo plc share option schemes at prices between 402 pence and 759 pence per ordinary share exercisable between 2003 and 2012. 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 582 pence and 851 pence per share during the year. The mid-market share price on 30 June 2003 was 647 pence.

At 30 June 2003, all the directors had an interest in 20,744,545 shares and 6,605,055 shares subject to call options (and P S Binning had an additional interest in 6,177,180 shares) held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

GRANDMET LIMITED
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DIRECTORS' REPORT (continued)

Auditor

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. The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of its term in office in respect of the year ended 30 June 2003.

By order of the board



J Nicholls
Secretary
8 Henrietta Place
London
W1G 0NB

30th April 2004

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 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, 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 GRANDMET LIMITED

We have audited the financial statements on pages 7 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 the directors and auditors

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.

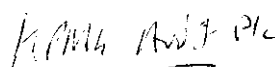
Basis of opinion

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 year then ended, and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

30 April 2004

GRANDMET LIMITED
Year ended 30 June 2003

PROFIT AND LOSS ACCOUNT

	Note	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Interest payable to group undertaking – Diageo Finance plc		(2,921)	(2,971)
Loss on ordinary activities before taxation		(2,921)	(2,971)
Taxation	3	—	—
Loss for the financial year transferred from reserves		(2,921)	(2,971)

The notes on pages 9 and 10 form part of the financial statements.

There are no recognised gains or losses other than the loss for the financial year and consequently a statement of total recognised gains and losses is not presented as part of these financial statements.

There is no difference between the result for the years shown in the profit and loss account and the result 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.


GRANDMET LIMITED
Year ended 30 June 2003

BALANCE SHEET

	Notes	30 June 2003 £	30 June 2002 £
Current asset			
Debtor – amount owed by parent undertaking (Grand Metropolitan Public Limited Company) due within one year		13,688,553	13,688,553
Current liability			
Creditor – amount owed to group undertaking (Diageo Finance plc) due within one year		(61,489)	(58,568)
Net current assets		<u>13,627,064</u>	<u>13,629,985</u>
Capital and reserves			
Share capital	4	9,909,800	9,909,800
Profit and loss account	5	<u>3,717,264</u>	<u>3,720,185</u>
Shareholders' funds		<u>13,627,064</u>	<u>13,629,985</u>

The notes on pages 9 and 10 form part of the financial statements.

The financial statements on pages 7 to 10 were approved by the board of directors on 30th April 2004 and were signed on its behalf by:


R Rajagopal,
Director

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 a wholly owned subsidiary of Diageo plc whose financial statements 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 ("group undertakings") or investees of the Diageo plc group.

2. Profit and loss account

The company has no employees.

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2002 - £nil).

3. Taxation

	2003 £	2002 £
Factors affecting the current tax charge for the year:		
Loss on ordinary activities before taxation	(2,921)	(2,971)
UK corporation tax at 30% (2002 - 30%) on the loss for the year on ordinary activities	(876)	(891)
Group relief surrendered for nil consideration	<u>876</u>	<u>891</u>
	<u>—</u>	<u>—</u>

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions and this group relief is settled for nil consideration. As a consequence the company has neither a current tax charge nor credit for the two years ended 30 June 2003.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Share capital

	2003 £	2002 £
Authorised, allotted, called up and fully paid		
9,909,800 unclassified shares of £1 each	<u>9,909,800</u>	<u>9,909,800</u>

The shares are entitled to one vote per share.

5. Reserves

	Profit and loss account £
At beginning of the year	3,720,185
Loss for the year	<u>(2,921)</u>
At end of the year	<u>3,717,264</u>

6. Movement in shareholders' funds

	2003 £	2002 £
Shareholders' funds		
At beginning of financial year	13,629,985	13,632,956
Loss for the financial year	<u>(2,921)</u>	<u>(2,971)</u>
At end of financial year	<u>13,627,064</u>	<u>13,629,985</u>

7. Immediate and ultimate parent undertaking

The company is a wholly owned subsidiary of Grand Metropolitan Public Limited Company, 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 for the year ended 30 June 2003 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.