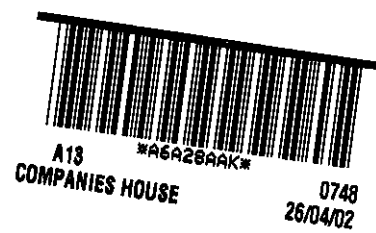


Grand Metropolitan Estate Holdings Limited

FINANCIAL STATEMENTS

30 June 2001

Registered Number: 2426273



Grand Metropolitan Estate Holdings Limited

DIRECTOR'S REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2001.

Activities

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

Euro

The directors do not anticipate that there will be any implications on the activities of the company following the introduction of the euro. There are no anticipated costs associated with the introduction of the euro for Grand Metropolitan Estate Holdings Limited. A statement explaining the impact of the introduction of the euro, and the programme put in place to deal with this along with associated costs, to the Diageo group is disclosed in the annual report of the ultimate parent undertaking, Diageo plc.

Financial

The results for the year ended 30 June 2001 are shown on page 6.

The directors do not recommend the payment of an ordinary dividend (2000: *£nil*).

The loss transferred from reserves is £14,203,000 (2000: *loss of £27,645,000*).

Directors

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

S M Bunn
R H Myddelton
M D Peters (resigned 10 November 2000)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2000: *£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.

At 30 June 2001 S M Bunn and R H Myddelton were directors of the parent undertaking, Grand Metropolitan Estates Limited. Details of their beneficial interests in the shares of Diageo plc are shown in the Grand Metropolitan Estates Limited Annual Report and Accounts, copies of which are available from 8 Henrietta Place, London W1G 0NB.

Grand Metropolitan Estate Holdings Limited

Auditor

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditor of the company.

Secretary

On 15 March 2002, S M Bunn resigned as secretary of the company and J Nicholls was appointed in her place.

By order of the board

A handwritten signature in black ink, appearing to read 'J Nicholls', written in a cursive style.

J Nicholls
Secretary

8 Henrietta Place
London W1G ONB

24 April 2002

Grand Metropolitan Estate Holdings Limited

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors 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 5 to 10, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, that all accounting standards which they consider to be applicable 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 as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Grand Metropolitan Estate Holdings Limited

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GRAND METROPOLITAN ESTATE HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

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 auditors, 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 2001 and of its loss for the year ended 30 June 2001 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
24 April 2002
Chartered Accountants

Registered Auditors

Grand Metropolitan Estate Holdings Limited

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.

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 forward 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 forward currency contract.

Exchange gains and losses are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

Deferred taxation on differences between the treatment of certain items for accounting and taxation purposes is accounted for to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

Grand Metropolitan Estate Holdings Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2001

	Notes	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
Net interest payable and similar items	1	(8,978)	(39,700)
Release of provision		-	1,891
Loss on ordinary activities before taxation		(8,978)	(37,809)
Taxation on loss on ordinary activities	4	(5,225)	10,164
Loss for the financial period after taxation		(14,203)	(27,645)
Transferred from reserves	9	(14,203)	(27,645)

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

There is no difference between the loss for the year and the historical cost loss for the year and consequently no note of historical cost losses has been presented as part of the financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 June 2001

	Notes	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
Loss for the financial year	9	(14,203)	(27,645)
Total recognised losses relating to the financial year		(14,203)	(27,645)
Prior year adjustment		-	15,237
Total recognised losses		(14,203)	(12,408)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

for the year ended 30 June 2001

	Notes	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
Loss for the financial year	9	(14,203)	(27,645)
Shareholder's funds at the beginning of the year			
As previously stated		(60,549)	(48,141)
Prior year adjustment		-	15,237
As restated		-	(32,904)
Shareholder's funds at the end of the year		(74,752)	(60,549)

Grand Metropolitan Estate Holdings Limited

BALANCE SHEET

At 30 June 2001

	Notes	30 June 2001 £'000	30 June 2000 £'000
Fixed assets			
Investments	5	10	10
Current assets			
Debtors - due within one year	6	69,332	72,562
Debtors - due after more than one year	6	503,554	467,112
		572,886	539,674
Creditors - due within one year	7	(647,648)	(600,233)
Net current liabilities		(74,762)	(60,559)
Creditors - due after more than one year	7	-	-
Net liabilities		(74,752)	(60,549)
Capital and reserves			
Called up share capital – equity	8	125	125
Share premium account	9	555	555
Profit and loss account	9	(75,432)	(61,229)
		(74,752)	(60,549)

The financial statements on pages 5 to 10 were approved by the board of directors on 24 April 2002 and signed on its behalf by:



S M Bunn,
Director

Grand Metropolitan Estate Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

1 Net interest payable and similar items

	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
Interest receivable from group undertakings	76,251	73,923
Interest payable to group undertakings	(84,903)	(83,433)
Foreign exchange loss	(327)	(30,191)
Interest receivable from fixed asset investments	1	1
	(8,978)	(39,700)

2 Operating costs

The company has no employees. The auditor's remuneration was borne by a group company.

3 Directors' interests

Details of the directors' share interests are included in the Directors' Report on page 1.

4 Taxation

	Year ended 30 June 2001 £'000	Year ended 30 June 2000 £'000
UK corporation tax at 30% (2000: 30%) on taxable profits	-	-
Adjustment in respect of prior years	(5,225)	10,164
	(5,225)	10,164

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions for nil consideration. During the year ended 30 June 2000 the company agreed to change its policy from paying/charging for group relief so that group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit for the years ended 30 June 2000 and 2001. The prior year adjustments principally result from a reassessment of group relief in respect of earlier periods.

Grand Metropolitan Estate Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Fixed asset investments

	30 June 2001 £'000	30 June 2000 £'000
Market value of investments listed on the London Stock Exchange	14	11
Cost	10	10

6 Debtors

	30 June 2001		30 June 2000	
	Due within one year £'000	Due after more than one year £'000	Due within one year £'000	Due after more than one year £'000
Amounts owed by parent and fellow subsidiary undertakings	69,331	503,554	69,331	467,112
Other debtors and prepayments	1	-	3,231	-
	69,332	503,554	72,562	467,112

7 Creditors

	30 June 2001		30 June 2000	
	Due within one year £'000	Due after more than one year £'000	Due within one year £'000	Due after more than one year £'000
Amounts owed to parent and fellow subsidiary undertakings	647,648	-	600,233	-
	647,648	-	600,233	-

Grand Metropolitan Estate Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Share capital

	30 June 2001 £'000	30 June 2000 £'000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each (one vote)	125	125

9 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
Balance brought forward	555	(61,229)	(60,674)
Loss for the year	-	(14,203)	(14,203)
Balance carried forward	555	(75,432)	(74,877)

10 Ultimate parent undertaking

The company is a wholly owned subsidiary of Grand Metropolitan Estates Limited and its ultimate holding company as at 30 June 2001 was Diageo plc. Both companies are incorporated and registered in England and have an accounting period end of 30 June.

The consolidated accounts of Diageo plc for the year ended 30 June 2001 can be obtained from the Registered Office at 8 Henrietta Place, London W1G ONB.