

Grand Metropolitan Capital Company Limited

FINANCIAL STATEMENTS

30 June 2003

Registered Number: 3249862



Grand Metropolitan Capital Company 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

The company is an investment holding company. The directors foresee no material changes in the nature of 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 for the year (2002: £300,000,000).

The profit for the year transferred to reserves is £20,669,000 (2002: *loss of £266,416,000 transferred from reserves*).

Directors

The directors who served during the year were as follows:

S M Bunn

M J Lester (appointed 31 January 2003)

J W Walters

R J Moore (resigned 31 January 2003)

R H Myddelton (resigned 31 March 2003)

P S Binning, who was appointed a director on 31 January 2003, resigned on 3 October 2003. R Rajagopal was appointed a director on 3 October 2003.

Directors' emoluments

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

Grand Metropolitan Capital Company Limited
Year ended 30 June 2003

DIRECTORS' REPORT (continued)

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 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 holding 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 <u>appointment</u>)	At end of year	At beginning of year (or date of <u>appointment</u>)	Granted <u>in year</u>	Vested <u>in year</u>	Lapsed <u>in year</u>	At end of year
P S Binning	34,840	39,146	95,924	-	(6,031)	(1,912)	87,981
S M Bunn	2,853	3,351	-	-	-	-	-
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 <u>appointment</u>)	Granted during <u>the year</u>	Exercised during <u>the year</u>	At end of year
P S Binning	222,871	-	-	222,871
S M Bunn	20,786	11,866	(1,909)	30,743
M J Lester	116,587	-	-	116,587
J W Walters	230,588	70,492	-	301,080

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.

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DIRECTORS' REPORT (continued)

Directors' interests (continued)

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.

Options granted to P S Binning and J W Walters are options granted under the SESOP, which are subject to performance conditions as detailed above.

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 company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor 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

18th December 2003

8 Henrietta Place
London
W1G 0NB

Grand Metropolitan Capital Company Limited
Year ended 30 June 2003

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 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.

Grand Metropolitan Capital Company Limited
Year ended 30 June 2003

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAND METROPOLITAN
CAPITAL COMPANY LIMITED**

We have audited the financial statements on pages 6 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 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 an 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 profit 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

Grand Metropolitan Capital Company Limited
Year ended 30 June 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.

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 consolidated accounts of Diageo plc. These financial statements present information about Grand Metropolitan Capital Company Limited as an individual undertaking and not about its 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.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Grand Metropolitan Capital Company Limited
Year ended 30 June 2003

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2003

	Notes	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Income from group undertakings		12,868	15,584
Income from other investments		7,693	18,000
Profit on ordinary activities before taxation	1	20,561	33,584
Taxation on profit on ordinary activities	3	108	-
Profit for the financial year after taxation		20,669	33,584
Equity dividends	4	-	(300,000)
Transferred to/(from) reserves		20,669	(266,416)

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 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 profit for the year and the historical cost profit for the year and consequently no note of historical cost profits has been presented as part of the financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 30 June 2003

		Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Profit for the financial year	10	20,669	33,584
Equity dividends paid	10	-	(300,000)
Net addition/(reduction) to shareholders' funds		20,669	(266,416)
Shareholders' funds at beginning of the year		3,038,790	3,305,206
Shareholders' funds at end of the year		3,059,459	3,038,790

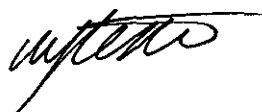
Grand Metropolitan Capital Company Limited
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BALANCE SHEET

As at 30 June 2003

	Notes	30 June 2003 £'000	30 June 2002 £'000
Fixed assets			
Investments in group undertakings	5	2,561,500	2,561,500
Other investments	6	-	300,000
		2,561,500	2,861,500
Current assets			
Debtors – due within one year	7	506,582	185,913
Creditors – due within one year	8	(8,623)	(8,623)
Net current assets		497,959	177,290
		3,059,459	3,038,790
Capital and reserves			
Called up share capital - equity	9	3,005,000	3,005,000
Profit and loss account	10	54,459	33,790
		3,059,459	3,038,790

The financial statements on pages 6 to 11 were approved by the board of directors on 18th December 2003 and were signed on its behalf by:



MJ Lester
Director

Grand Metropolitan Capital Company Limited
Year ended 30 June 2003

NOTES TO THE FINANCIAL STATEMENTS

1 Operating costs

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

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 £'000	Year ended 30 June 2002 £'000
Analysis of tax charge:		
Taxation on profit on ordinary activities	-	-
Adjustments in respect of prior years	108	-
	108	-

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Reconciliation of current tax charge:		
Profit before taxation	20,561	33,584
Corporation tax at 30%	(6,168)	10,075
Items not chargeable	(2,307)	(5,400)
Group relief received for nil consideration	(3,861)	(4,675)
Adjustments in respect of prior years	108	-
	108	-

4 Dividends

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Interim dividend of 9 pence per share (paid 21 June 2002)	-	300,000

Grand Metropolitan Capital Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Investments

	30 June 2003	30 June 2002
	£'000	£'000
<i>Cost and net book value:</i>		
At beginning and end of the year	2,561,500	2,561,500

The company's principal subsidiary is:

	Class of capital	Total issued capital £'000	Consideration £'000	Proportion held
Grand Metropolitan (Cayman Islands) Limited (incorporated in the Cayman Islands)	Ordinary Shares	2,560,000	2,561,500	100%

6 Other Investments

	30 June 2003	30 June 2002
	£'000	£'000
Preference shares	-	300,000

On 3 December 1999 the company subscribed for £300,000,000 nominal value 6.0 percent cumulative redeemable preference shares in Felix Limited. The shares were redeemed on 3 December 2002.

7 Debtors - due within one year

	30 June 2003	30 June 2002
	£'000	£'000
Amount owed by group undertakings	506,582	182,355
Other debtors	-	1,332
Corporation tax recoverable	-	2,226
	506,582	185,913

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NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Creditors - due within one year

	30 June 2003	30 June 2002
	£'000	£'000
Amount owed to group undertakings	8,623	8,623

9 Share Capital

	30 June 2003	30 June 2002
	£'000	£'000
Equity		
<i>Authorised:</i>		
Ordinary shares of £1 each	3,500,000	3,500,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	3,005,000	3,005,000

Ordinary shares are entitled to one vote each.

10 Reserves

	30 June 2003	30 June 2002
	£'000	£'000
Balance brought forward at 1 July	33,790	300,206
Profit for the financial year	20,669	33,584
Equity dividends paid	-	(300,000)
Balance carried forward at 30 June	54,459	33,790

11 Immediate and ultimate parent undertaking

The company is a subsidiary of Grand Metropolitan Public Limited Company (83.4% shareholding) and Justerini & Brooks Limited (16.6% shareholding). Its ultimate holding company as at 30 June 2003 was Diageo plc. All these companies are 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.