TRANSLUCIS HOLDINGS LIMITED

FINANCIAL STATEMENTS

30 June 2002

Registered Number: 3988685

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2002.

The Directors have prepared these financial statements on the going concern basis which the directors believe to be appropriate following assurances received from the company's ultimate holding company, Diageo plc and Avanti Communications Limited – see note 1 to the financial statements.

On 16 May 2003, a Sale and Purchase Agreement (the "Agreement") was entered into whereby the company's immediate parent undertaking, Diageo Holland IV B.V., agreed to transfer the ownership of the company to Avanti Communicatons Limited. The directors expect that this transfer will be completed by 26 May 2003. the Agreement lapses if completion has not taken place by 2 June 2003.

As of 23 May 2003 both Translucis Holdings Limited and Diageo plc and its subsidiaries agreed that £30,310,128 owed by Translucis Holdings limited to Diageo plc and its subsidaries would be waived as of that date.

Activities

The company sells advertising media, via a digital media network, through plasma screens to the on-trade. The directors do not foresee any change in the company's activities.

Financial

The results for the year ended 30 June 2002 are shown on page 7. The directors do not recommend the payment of a dividend (2001 - £nil). The loss for the year transferred from reserves is £25,150,841 (2001 – loss of £676). 2002 financials are for the full financial year. Comparison 2001 financials are part period as trading commenced on 30 June 2001.

Directors

The directors who served during the year were as follows:

A Morgan	
R H Myddelton	(Resigned 6th March 2003)
S M Bunn	(Appointed 17th March 2003)

Directors' emoluments

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

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 year in any significant contract with the company or any subsidiary.

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28 101/108 p each in 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 year	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
A Morgan	15,723	31,748	122,178	43,933	(12,789)	(12,789)	140,533

A Morgan was 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. 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 in year	At end of year
A Morgan	264,161	139,453	(2,923)	400,691

A Morgan held the above options under Diageo plc share option schemes at prices between 354p and 687p per ordinary share exercisable between 2002 and 2011. 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 the 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.

DIRECTORS' REPORT (continued)

Options granted during the year for A Morgan are principally options under the SESOP, which are subject to performance conditions as detailed above.

At 30 June 2002, R H Myddelton was a director of an intermediate holding company, Grand Metropolitan Holdings Limited. Details of his interests in the shares of Diageo plc are shown in the Grand Metropolitan Holdings Limited Annual Report and Accounts, copies of which are available from 8 Henrietta Place, London W1G 0NB.

The mid-market share price of Diageo plc shares fluctuated between 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002, A Morgan 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.

Secretary

S M Bunn resigned as Secretary 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

8 Henrietta Place, London W1G 0NB

23 May 2003

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 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 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 applicable accounting standards have been followed and consider the going concern basis to be appropriate.

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 TRANSLUCIS HOLDINGS LIMITED

We have audited the financial statements on pages 7 to 15.

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 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 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning reliance on the company's ultimate parent, Diageo plc for continuing financial support until the business is sold, and on the proposed purchaser of the business (Avanti Communications Limited) for continuing financial support for at least twelve months from the completion of its acquisition of the company. In view of the significance of the uncertainty inherent in this matter, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 loss 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

23 May 2003

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2002 £	2 days ended 30 June 2001 £
Turnover	2	**808,031**	-
Exceptional fixed asset write down		(11,244,911)	-
Other operating costs	3	(13,922,032)	-
		(25,166,943)	
Operating loss		**(24,358,912)**	-
Interest payable (net)	5	(791,929)	(676)
Loss on ordinary activities before taxation		**(25,150,841)**	**(676)**
Tax charge on loss on ordinary activities	6	-	-
Loss for the financial year		**(25,150,841)**	**(676)**

The notes on pages 9 to 15 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 loss for the year and the historical loss for the year and consequently no note of historical cost losses has been presented as part of the financial statements.

BALANCE SHEET

	Notes	30 June 2002 £	30 June 2001 £
Fixed assets			
Intangible assets	7	-	5,785,765
Tangible assets	7	-	6,614,235
Investments	8	4,201,154	3,909,304
		4,201,154	**16,309,304**
Current assets			
Stock of goods for resale		338,930	-
Debtors – due within one year	9	586,780	-
Debtors – due after one year	9	1	1
Cash at hand and in bank		1,522,319	-
		2,448,030	**1**
Creditors – due within one year	10,15	(31,800,700)	-
Net current (liabilities)/assets		**(29,352,670)**	**1**
Total Assets less current liabilities		**(25,151,516)**	**16,309,305**
Creditors – due after one year	10	-	(16,309,980)
Net liabilities		**(25,151,516)**	**(675)**
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	(25,151,517)	(676)
		(25,151,516)	**(675)**

The notes on pages 9 to 15 form part of the financial statements.

The financial statements on pages 7 to 15 were approved by the board of directors on 23 May 2003 and were signed on its behalf by:

S M Bunn,
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 financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £25,151,516, which basis the directors believe to be appropriate for the following reasons.

The company is currently dependent on its ultimate holding company Diageo plc for its capital and funds. Diageo plc has provided the company with an undertaking that, whilst the company remains ultimately owned by Diageo plc and its subsidiaries, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. As stated in note 15, as of 23 May 2003 the company agreed with Diageo plc and its subsidiaries that £30,310,128 owed by the company to Diageo plc and its subsidiaries would be waived as of that date. As described in the note 15, a Sale and Purchase Agreement has been entered into, agreeing to transfer ownership of the company to Avanti Communications Limited ("Avanti"). The directors have received a letter from Avanti stating that it will provide the support required to enable the company to continue as a going concern for a period of twelve months from completion of the transfer of ownership to Avanti.

The company is a wholly owned subsidiary of Diageo Holland IV B.V. and its ultimate holding company is 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 or investees of the Diageo plc group.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Intangible assets

Acquired brands and other intangible assets which are controlled through custody or legal rights and could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. Where intangible assets are regarded as having limited useful economic lives they are amortised on a straight line basis over those lives. Where they are regarded as having indefinite useful lives they are not amortised. Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amounts. Any amortisation or impairment write downs are charged to the profit and loss account. Amortisation is over a maximium of 20 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line basis to estimated residual values over their expected useful lives as follows:

Fixtures and fittings	3 years
Network assets	3 years
Computer software	3 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts. Profit or loss on the sale or disposal of assets is charged to the profit and loss account and is calculated as the difference between the disposal proceeds and the net book value.

Fixed asset investments

Investments are stated individually at cost less, and where appropriate, provision for diminution in value where such diminution is expected by the directors to be permanent.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. All exchange gains and losses are taken to the profit and loss account.

Pensions and other post employment benefits

The employees of the company have the option to establish their own pension scheme to which the company will match employee contributions up to a maximum amount. There is no liability to the group scheme managed by Diageo plc, and there is no on-going liability to the company beyond the period that the contributions are made.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to the lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments and receipts taken to the profit and loss account on a straight line basis over the life of the asset.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Turnover

	2002 £	Part Period 2001 £
Net media advertising (net of agency commissions)	752,027	-
Other revenue	56,004	-
	808,031	-

3. Operating costs

	2002 £	Part Period 2001 £
Advertising, marketing, promotion	731,267	-
Staff costs (see Note 4)	3,484,047	-
Depreciation and other costs written off tangible assets	9,876,352	-
Amortisation of intangible assets	5,785,765	
Other operating costs	5,289,512	-
	25,166,943	-

Other operating costs include operating lease rentals of £250,923 (2001 - £nil). The auditor's remuneration was paid on behalf of the company by a fellow group undertaking.

Included within 'depreciation and other costs written off tangible assets' and 'ammortisation of intangible assets' is the exceptional write down of fixed assets amounting to £11,244,911 (see Note 7).

4. Staff Costs

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

	2002	2001
Full time	52	-
Part time	3	-
	55	-

The aggregate remuneration for all employees comprised:

	2002 £	Part Period 2001 £
Wages and salaries	3,080,910	-
Employer's social security costs	302,353	-
Employer's pension costs	100,784	-
	3,484,047	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Interest payable (net)

	2002	Part Period 2001
	£	£
Interest receivable	163,238	-
Interest payable:		
On loan with fellow subsidiary undertaking	(955,167)	(676)
	(791,929)	(676)

6. Tax on loss on ordinary activities

	2002	2001
(a) Analysis of charge in period	£	£
Current tax		
UK corporation tax on loss of the period		
	-	-

(b) Factors affecting tax charge for period		
Loss on ordinary activities before tax	(25,150,841)	(676)
Deferred tax asset not provided for	25,150,841	676
Current tax charge for period (note 1)	-	-

7. Fixed Assets – intangible and tangible assets

		Tangible assets			
	Intangible assets	Computer software	Network assets	Fixtures and fittings	Total
	£	£	£	£	£
Cost:					
At 30 June 2001	5,785,765	424,072	5,993,074	197,089	6,614,235
Additions	-	226,653	2,819,448	216,016	3,262,117
At 30 June 2002	**5,785,765**	**650,725**	**8,812,522**	**413,105**	**9,876,352**
Amortisation/depreciation:					
At 30 June 2001	-	-	-	-	-
Provided in the year	(1,157,153)	(195,769)	(2,958,022)	(106,262)	(3,260,053)
Exceptional write-downs	(4,628,612)	(454,956)	(5,854,500)	(306,843)	(6,616,299)
At 30 June 2002	**5,785,765**	**650,725**	**8,812,522**	**413,105**	**9,876,352**
Net book value:					
At 30 June 2001	5,785,765	424,072	5,993,074	197,089	12,400,000
At 30 June 2002	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

On 30 June 2001 the company purchased from Diageo plc the trade, intellectual property and certain fixed assets associated with the business name "Translucis" for £12,400,000 cash consideration. The difference between the consideration and the value of the assets purchased has been classified as goodwill.

As required by FRS 10 Goodwill and Intangible Fixed Assets the directors have performed an impairment review of the goodwill purchased in the previous financial period. The impairment review was undertaken as a result of the current position of the business, which showed an impairment of £11,244,911. This review also considered the carrying value of tangible fixed assets. As a consequence of this review and the directors consider and conclude that the intangible and tangible fixed assets should be written down to nil value.

8. Investments

	2002	2001
	£	£
Investment in subsidiary undertakings	4,201,154	3,909,304

The investments in subsidiary undertakings are held at cost.

In the opinion of the directors, the investment in the company's subsidiary undertakings is worth at least the amount at which it is stated in the financial statements.

Subsidiary undertakings and the percentage of equity owned are as follows. All the shares are classed as ordinary and are held directly.

Subsidiary undertakings	Note	Country of incorporation	Class and percentage of shares held
Translucis UK Limited		England	100%
Translucis (UK) B.V.		Netherlands	100%
Translucis USA B.V.		Netherlands	100%
Three Deep Inc (acquired 30 June 2001)	15	USA	100%

Translucis USA Inc changed its name to Three Deep Inc. by board resolution on 7 January 2002.

9. Debtors

	2002		2001	
	Due Within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Trade debtors	464,912	-	-	-
Amounts owed by group undertakings	109,626	1	-	1
Other prepayments and accrued income	12,242	-	-	-
	586,780	1	-	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Creditors

	2002		2001	
	Due Within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Trade creditors	905,734	-	-	-
Amounts owed to group undertakings	30,444,890	-	-	16,309,980
Other taxation including social security	174,512	-	-	-
Accruals and deferred income	275,564	-	-	-
	31,800,700	-	-	16,309,980

11. Share capital

	2002	2001
	£	£
Authorised		
1,000 Ordinary shares of £1	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

12. Reserves

	Profit and loss account
	£
At 30 June 2001	(676)
Retained loss for the year	(25,150,841)
At 30 June 2002	(25,151,517)

13. Commitments

At 30 June 2002 the company had minimum annual operating lease commitments as follows:

	2002			2001		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£	£	£	£	£	£
Annual payments under leases expiring:						
From one to five years	150,000	48,381	198,381	-	-	-

14. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Diageo Holland IV B.V., a company incorporated and registered in The Netherlands.

The ultimate parent undertaking and ultimate controlling party 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 2002 can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.

15. Post Balance Sheet Events

On 28 January 2003, Three Deep Inc (formerly Translucis USA Inc.) was sold by Translucis USA B.V. to Selviac Nederland B.V., a fellow subsidiary of Diageo plc, for a purchase price amounting to £4,300,000, being the market value and Translucis USA B.V.'s balance sheet carrying value of the investment as at 31 December 2002. There is no anticipated on-going liability with respect to this transaction. As a result of this transaction, it is intended that Translucis USA B.V. will be liquidated and Translucis Holdings Limited has written-off its investment of £4,201,154 in Translucis USA B.V..

On 16 May 2003, a Sale and Purchase Agreement (the "Agreement") was entered into whereby the company's immediate parent undertaking, Diageo Holland IV B.V., agreed to transfer the ownership of the company to Avanti Communicatons Limited. The directors expect that this transfer will be completed by 26 May 2003. The Agreement lapses if completion has not taken place by 2 June 2003.

As of 23 May 2003 both Translucis Holdings Limited and Diageo plc and its subsidiaries agreed that £30,310,128 owed by Translucis Holdings limited to Diageo plc and its subsidaries would be waived as of that date.