

The Interesting Drinks Co. Limited

**Directors' report and financial
statements**

Registered number 277778

30 June 2000



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Directors' Report

The directors have pleasure in submitting their annual report, together with the financial statements for the year ended 30 June 2000.

Activities

The company did not trade during the financial year or the preceding financial year. The directors do not expect the Company to trade in the foreseeable future. The Company is a non-trading subsidiary of Guinness Limited.

Euro

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

Proposed dividend

The directors do not recommend the payment of a dividend for the year ended 30 June 2000 (1999:£Nil).

Directors

The directors who served during the year were as follows:

AJ Forage
NT Fell
RJ Joy

None of the directors received any remuneration during the year in respect of their services as directors of the company (1999 - £nil).

Directors' interests

No directors had any interest in shares of the company with the exception of non-beneficial interests as nominee 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:

Directors' Report (continued)

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary Shares			Conditional rights to ordinary shares			
	<u>At beginning of year</u>	<u>At end of year</u>	<u>At beginning of year</u>	<u>Granted in year</u>	<u>Vested in year</u>	<u>Lapsed in year</u>	<u>At end Of year</u>
AJ Forage	15,265	18,603	13,600	0	0	0	13,600
NT Fell	3,979	13,754	47,677	5,397	0	0	53,074
RJ Joy	16,160	23,280	50,074	5,102	(9,688)	(7,612)	37,876

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans (The Grand Metropolitan Restricted Share Plan ('GrandMet RSP'), the Guinness Long Term Incentive Plan ('Guinness LTIP'), the Share Incentive Plan and the Total Shareholder Return Plan ('TSR')). The GrandMet RSP and the Guinness LTIP vested during the year and the directors received 56% and 80% of their conditional rights to ordinary shares respectively. 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

	<u>At beginning of year</u>	<u>Granted during The Year</u>	<u>Exercised During the year</u>	<u>At end of year</u>		
				<u>Option Price</u>	<u>Market Price</u>	
AJ Forage	46,328	16,308	1,345	61,291	359p	565.0p
NT Fell	73,046	27,365	12,190	88,221	321p	536.5p
RJ Joy	42,447 ADSs	30,216 ORD	8,166 ADSs	34,281 ADSs 30,216 ORD	\$28.05	\$33.34

For executive option schemes, UK grants were between 1990 and 1999 at prices between 321pence and 533.5 pence with 1999 grants being at 518 pence, and US grants were between 1993 and 1999 at prices between US \$25.21 and US \$29.38 per ADS with the 1999 grants being \$28.05. US options were granted over ADSs at dollar price (one ADS is equivalent to four ordinary shares); the option holdings and prices in the table are stated as ordinary share equivalents in pence or as ADSs in dollars.

The mid-market share price of Diageo plc shares fluctuated between 384p and 696.5p during the year. The mid-market share price on 30 June 2000 was 593p.

At 30 June 2000, R J Joy had an interest in 8,551,299 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; N T Fell had an interest in 701,628 shares held by trusts to satisfy grants made under ex-Guinness incentive plans; and the directors had an interest in 22,929,153 shares and 10,847,386 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes

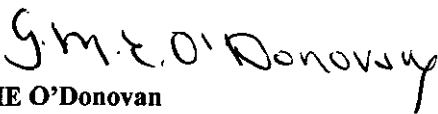
A new Senior Executive Share Option Plan ('SESOP') was introduced with effect from 1 January 2000. The combined benefits provided under the TSR and the SESOP are expected to be the same as those previously provided under the TSR. Options granted under the SESOP may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to the first grant of options 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 parent company, Diageo plc

Options granted during the year for R J Joy and N T Fell are principally options granted under the Diageo plc Senior Executive Share Option Plan, which are subject to performance conditions as detailed above.

Auditors

As the Company is a dormant company with effect from 31 December 1996, within the meaning of Section 250 of the Companies Act 1985 and meets the other requirements of that section, no auditor is appointed.

By order of the board


SME O'Donovan
Secretary

8 Henrietta Place, London W1G 0NB
28 March 2001

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF 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, and that accounting standards 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.

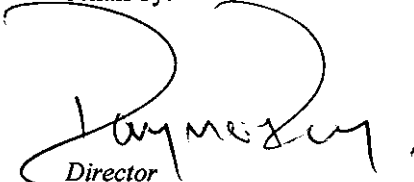
The directors have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Balance sheet
at 30 June 2000

	<i>Note</i>	2000 £000	1999 £000
Current assets			
Debtors	3	675	675
Creditors: amounts falling due within one year	4	(9)	(9)
Net assets		<u>666</u>	<u>666</u>
Capital and reserves			
Called up share capital	5	50	50
Profit and loss account	6	616	616
Shareholders' funds	6	<u>666</u>	<u>666</u>

The Company was dormant throughout the period.

These financial statements were approved by the Board of Directors on 28 March 2001 and were signed on its behalf by:


Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost convention.

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 the balances) with entities that are part of the Diageo plc group or investees of the Diageo plc group.

2 Profit and loss account

During the financial year and the preceding financial period, the Company did not trade and received no income and incurred no expenditure. Consequently during these years the company made neither a profit or a loss.

The number of the directors in the period, all of whom received no emoluments in respect of their directorships, of this company were three (1999: three).

3 Debtors

	2000 £000	1999 £000
Amounts owed by group undertakings	675	675

4 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Other creditors	9	9

Notes (continued)

5 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	50	50
	<hr/>	<hr/>
	£000	£000
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	50	50
	<hr/> <hr/>	<hr/> <hr/>

6 Shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 30 June 2000 and 1 July 1999	50	616	666
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

7 Parent Undertaking

The Company is a subsidiary undertaking of Guinness Limited. The ultimate parent undertaking is Diageo plc which is the parent undertaking of both the smallest and largest group for which group accounts incorporating those of the Company are prepared. Copies of the 2000 Annual Report and Accounts of Diageo plc can be obtained from Diageo plc, 8 Henrietta Place, London, .