

**WINCHESTER HOUSE PROPERTY
COMPANY LIMITED**

FINANCIAL STATEMENTS

30 JUNE 2002

Registered Number: 313798



DIRECTORS' REPORT

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

Activities

The company acts as a property management company. The directors foresee no change in the company's activities.

Financial

The results for the year ended 30 June 2002 are shown on page 5. The directors do not recommend the payment of a dividend for the year ended 30 June 2002 (2001 - £nil). The profit for the year transferred to reserves is £573,000 (2001 - £195,000).

Directors

The directors who served during the year were as follows:

P S Binning
S M Bunn
R H Myddelton
J A Southern
A Williams (appointed 1 May 2002)

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' 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

| | <u>Ordinary shares</u> | | <u>Conditional rights to ordinary shares</u> | | | | |
|---------------|---|-----------------------|---|------------------------|-----------------------|-----------------------|-----------------------|
| | <u>At beginning of year or date of appointment)</u> | <u>At end of year</u> | <u>At beginning of year or date of appointment)</u> | <u>Granted in year</u> | <u>Vested in year</u> | <u>Lapsed in year</u> | <u>At end of year</u> |
| P S Binning | 21,099 | 25,693 | 60,750 | 11,827 | (4,350) | (4,350) | 63,877 |
| S M Bunn | 1,790 | 2,853 | 2,400 | - | (1,200) | (1,200) | - |
| R H Myddelton | 33,411 | 32,666 | 29,682 | 5,760 | (8,422) | (8,422) | 18,598 |
| J A Southern | 27,440 | 31,153 | 7,250 | - | (3,625) | (3,625) | - |
| A Williams | 3,214 | 3,258 | - | - | - | - | - |

DIRECTORS' REPORT (continued)

Directors' interests (continued)

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. 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 (or date of appointment) | Granted in year | Exercised in year | At end of year |
| P S Binning | 112,572 | 51,133 | - | 163,705 |
| S M Bunn | 16,802 | 4,417 | (433) | 20,786 |
| R H Myddelton | 144,898 | 27,055 | (78,748) | 93,205 |
| J A Southern | 70,951 | 14,443 | (9,077) | 76,317 |
| A Williams | 19,243 | - | - | 19,243 |

The directors held the above options under Diageo plc share option schemes at prices between 402p and 710p 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 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 parent company, Diageo plc.

Options granted during the year for PS Binning and R H Myddelton 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 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002 all the directors had an interest in 16,259,763 shares and 6,124,020 shares subject to call options (and P S Binning and R H Myddelton each had an additional interest in 3,763,799 shares) held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

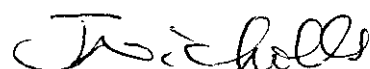
Secretary

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

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 2002.

By order of the board



J Nicholls
Secretary

8 Henrietta Place, London W1G 0NB
11 March 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 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

The directors, in preparing the financial statements on pages 5 to 11, 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 WINCHESTER HOUSE PROPERTY COMPANY LIMITED**

We have audited the financial statements on pages 5 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 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 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 2002 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

11 March 2003

PROFIT AND LOSS ACCOUNT

| | Notes | Year ended 30 June 2002 £'000 | Year ended 30 June 2001 £'000 |
|---|-------|-------------------------------------|-------------------------------------|
| Turnover | 1 | 5,421 | 4,659 |
| Operating costs (including exceptional credit items of £915,000 (2001 – credit of £302,000)) | 2 | (4,690) | (4,300) |
| Profit on ordinary activities before disposal of fixed assets and interest | | <u>731</u> | <u>359</u> |
| Interest receivable | 4 | 1 | 4 |
| Interest payable | 5 | (159) | (168) |
| Profit on ordinary activities before taxation | | <u>573</u> | <u>195</u> |
| Taxation on profit on ordinary activities | 6 | - | - |
| Transferred to reserves | 12 | <u><u>573</u></u> | <u><u>195</u></u> |

The notes on pages 9 to 11 form part of these financial statements.

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

BALANCE SHEET

| | Notes | 30 June 2002 £'000 | 30 June 2001 £'000 |
|--|-------|--------------------------|--------------------------|
| CURRENT ASSETS | | | |
| Debtors – due within one year | 7 | 2,614 | 775 |
| Cash at bank and in hand | | 156 | 176 |
| | | <hr/> | <hr/> |
| | | 2,770 | 951 |
| CURRENT LIABILITIES | | | |
| Creditors – due within one year | 8 | (2,376) | (374) |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 394 | 577 |
| PROVISION FOR LIABILITIES AND CHARGES | | | |
| | 9 | (1,925) | (2,681) |
| | | <hr/> | <hr/> |
| NET LIABILITIES | | <u>(1,531)</u> | <u>(2,104)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 100 | 100 |
| Profit and loss account | 12 | (1,631) | (2,204) |
| | | <hr/> | <hr/> |
| | | <u>(1,531)</u> | <u>(2,104)</u> |

The notes on pages 9 to 11 form part of these financial statements.

The financial statements on pages 5 to 11 were approved by the board of directors on 11 March 2003 and signed on its behalf by:-


R H Myddelton
Director

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | Year ended 30 June 2002 £'000 | Year ended 30 June 2001 £'000 |
|--|--|--|
| Profit for the year | 573 | 195 |
| Net additions to shareholders' funds | 573 | 195 |
| Shareholders' deficit at beginning of the year | (2,104) | (2,299) |
| Shareholders' deficit at end of the year | <u>(1,531)</u> | <u>(2,104)</u> |

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 the Financial Reporting Standard No.1 (Revised 1996). The company is also exempt under the terms of the 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.

Going concern

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide support for the foreseeable future.

Turnover

Turnover represents the net invoice value of goods and services to third parties. It includes excise duties, rents and royalties receivable, but excludes value added tax. All activities are carried out in the United Kingdom.

Leased assets

The policy, in relation to assets which are leased under operating leases, is to charge lease rental payments to the profit and loss account as incurred. The company's current obligations in respect of operating leases are shown in note 10.

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of property management, all of which is carried out in the United Kingdom.

2. OPERATING COSTS

| | Year ended 30 June 2002 £'000 | Year ended 30 June 2001 £'000 |
|--------------------------------------|--|--|
| Lease charges for land and buildings | 5,030 | 4,129 |
| Other operating costs | 575 | 473 |
| Exceptional credit | (915) | (302) |
| | <u>4,690</u> | <u>4,300</u> |

The exceptional credits included in the operating profit for the years ended 30 June 2002 and 2001 represent provisions following a reassessment of the estimated discounted rental shortfall in respect of vacant properties.

3. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments in respect of their services to the company (2001 - £Nil). There are no employees of the company.

Auditor's remuneration was paid on behalf of the company by a group undertaking.

4. INTEREST RECEIVABLE

| | Year ended 30 June 2002 £'000 | Year ended 30 June 2001 £'000 |
|-----------------|--|--|
| On cash at bank | <u>1</u> | <u>4</u> |

5. INTEREST PAYABLE

| | Year ended 30 June 2002 £'000 | Year ended 30 June 2001 £'000 |
|--|--|--|
| Interest charge on vacant property provision | <u>159</u> | <u>168</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | Year ended 30 June 2002 £000 | Year ended 30 June 2001 £000 |
|--|---------------------------------------|---------------------------------------|
| Factors affecting current tax charge for the year | | |
| Profit on ordinary activities before taxation | 573 | 195 |
| Notional charge at UK corporation tax rate of 30% | 172 | 59 |
| Group relief received for nil consideration | (172) | (59) |
| Items not deductible/(chargeable) for tax purposes | - | - |
| Adjustment in respect of prior year charges | - | - |
| | | |
| Current ordinary tax charge for the year | - | - |

7. DEBTORS

| | 30 June 2002 £'000 | 30 June 2001 £'000 |
|--------------------------------------|--------------------------|--------------------------|
| Amounts recoverable within one year: | | |
| Trade debtors | 2,503 | 478 |
| Amounts owed by group undertakings | 111 | 297 |
| | | |
| | 2,614 | 775 |

8. CREDITORS

| | 30 June 2002 £'000 | 30 June 2001 £'000 |
|----------------------------------|--------------------------|--------------------------|
| Amounts payable within one year: | | |
| Other creditors | 2,376 | 374 |

9. PROVISION FOR LIABILITIES AND CHARGES

| | Other £'000 |
|-----------------|----------------|
| At 30 June 2001 | 2,681 |
| Profit and loss | - |
| Utilised | (756) |
| | |
| At 30 June 2002 | 1,925 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. LEASE COMMITMENTS

The group had minimum annual commitments under non-cancellable operating leases as follows:-

| | 30 June 2002 Land and buildings £'000 | 30 June 2001 Land and buildings £'000 |
|--------------------------------|---|---|
| Operating leases which expire: | | |
| After five years | 3,454 | 3,088 |
| From one to five years | 1,155 | 1,155 |
| | <u>4,609</u> | <u>4,243</u> |

11. CALLED UP SHARE CAPITAL

| | 30 June 2002 £'000 | 30 June 2001 £'000 |
|---|--------------------------|--------------------------|
| Authorised, allotted, called up and fully paid Equity – 100,000 ordinary shares of £1 each | <u>100</u> | <u>100</u> |

12. RESERVES

| | Profit & loss account £'000 |
|------------------------------|-----------------------------------|
| At 1 July 2001 | (2,204) |
| Retained profit for the year | 573 |
| | <u> </u> |
| At 30 June 2002 | <u>(1,631)</u> |

13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Diageo Scotland Limited (formerly Guinness United Distillers & Vintners Scotland Limited), a company incorporated and registered in Scotland. The company's ultimate parent undertaking 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 0NG.