

GUINNESS LIMITED

FINANCIAL STATEMENTS

30 June 2003

Registered Number: 510607



Directors' report

The directors have pleasure in submitting their annual report together with and the audited financial statements for the year ended 30 June 2003.

Review of the business and principal activities

The company continues to trade as a property developer.

Financial

The results for the year ended 30 June 2003 are shown on page 6. The directors do not recommend the payment of a dividend for the year (2002: £nil). The loss for the year transferred from reserves is £3,580,000 (2002: £nil).

Directors

The directors who held office during the year were as follows:

S M Bunn	
S R Fletcher	
D P Gosnell	(appointed 20 January 2003)
R J Joy	
A F Peeters	(resigned 20 January 2003)
R H Myddelton	(resigned 31 March 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).

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:

Directors' report (*continued*)

Directors' interests (*continued*)

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary Shares		Conditional rights to ordinary shares				
	At beginning of year (or date of appointment)	At end of year	At beginning of year (or date of appointment)	Granted in year	Vested in year	Lapsed in year	At end of year
S M Bunn	2,853	3,351	-	-	-	-	-
S R Fletcher	44,490	62,616	193,535	61,656	(21,089)	(2,524)	231,578
D P Gosnell	4,173	4,319	15,056	-	-	-	15,056
R J Joy	36,672	40,878	25,868	8,093	(5,811)	(1,843)	26,307

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. 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

	Options over ordinary shares				
	At beginning of year (or date of appointment)	Granted during the year	Exercised in year	Lapsed in year	At the end of year
S M Bunn	20,786	11,866	(1,909)	-	30,743
S R Fletcher	379,306	110,144	(11,421)	-	478,029
D P Gosnell	106,252	14,595	-	-	120,847
R J Joy	228,988	27,733	-	-	256,721
	(34,281 ADS and 91,864 ord shares)				(34,281 ADS and 119,597 ord shares)

The directors held the above options under Diageo plc share option schemes at prices between 410p and 759p per ordinary share exercisable between 2003 and 2013. US grants were at prices between US \$25.21 and US \$29.38 per ADS. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). 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.

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 during the year for S R Fletcher, D P Gosnell and R J Joy are principally 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, R J Joy had an interest in 160,626 shares and 949,940 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; and all the directors 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. Also at that date, S R Fletcher, D P Gosnell and R J Joy each had an interest in an additional 6,177,180 shares 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 re-appointed 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

8 Henrietta Place, London W1G 0NB

Date: 29 April 2004

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 set out 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 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.

Kpmg

KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditor's report to the members of Guinness Limited

We have audited the financial statements on pages 6 to 14.

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 our audit, or if the 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

Date: 21 April 2004

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Turnover	2	1,253	4,051
Operating costs	3	(1,253)	(4,051)
Operating profit		-	-
Net interest receivable		4	-
Profit on ordinary activities before taxation	2	4	-
Taxation on profit on ordinary activities	5	(3,584)	-
Amounts transferred to reserves	12	(3,580)	-

The notes on pages 9 to 14 form part of these financial statements.

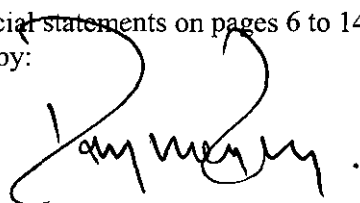
There is no difference between the result for the year shown in the profit and loss account and the profit for the relevant years restated on an historical cost basis.

Balance sheet

	<i>Notes</i>	30 June 2003		30 June 2002	
		£'000	£'000	£'000	£'000
Current assets					
Stocks	6	20,809		21,966	
Debtors	7	1,150,524		1,155,913	
Cash	8	-		2,508	
		<u>1,171,333</u>		<u>1,180,387</u>	
Creditors: amounts falling due within one year	9	(2,290)		(7,764)	
Net current assets			1,169,043		1,172,623
Net assets			1,169,043		1,172,623
Capital and reserves					
Called up share capital	11	1,156,100		1,156,100	
Revaluation reserve	12	18,007		18,007	
Profit and loss account	12	(5,064)		(1,484)	
Equity shareholders' funds			1,169,043		1,172,623

The financial statements on pages 6 to 14 were approved by the Board of Directors on 29 April 2004 and were signed on its behalf by:

R J Joy
 Director



Reconciliation of movements in shareholders' funds

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Loss for the financial year	(3,580)	-
Net movement in shareholders' funds	(3,580)	-
Opening shareholders' funds	1,172,623	1,172,623
Closing shareholders' funds	1,169,043	1,172,623

Notes to 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 with the requirements of the Companies Act 1985, **except as explained below**, under the historical cost accounting rules modified to include the revaluation of land and buildings, and in accordance with applicable UK accounting standards.

Properties held for development are included in current assets at the lower of cost and net realisable value. For properties previously held as fixed assets which the directors have decided are to be redeveloped and which are reclassified as development properties, cost is considered to be the latest valuation prior to their reclassification. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires current assets to be included at the lower of cost and net realisable value, and which would therefore require such properties to be restated on the basis of historical cost when they were reclassified. The directors consider that compliance with the requirements would fail to give a true and fair view of the profit or loss to the Group on disposal of such development properties from current assets, since such profit or loss would be dependent on the classification of the asset immediately prior to sale. The effect of this departure is to increase both the value of development properties and the balance on the revaluation reserve by £18m.

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. 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.

Long term contracts and contracts provisions

Progress payments received, when greater than recorded turnover, are deducted from the value of work in progress except to the extent that payments on account exceed the value of work in progress on any contract where the excess is included in creditors.

Full provision is made for any estimated losses to completion of contracts having regard to the overall substance of the arrangements. Provided that the outcome of long term contracts can be assessed with reasonable certainty, such contracts are valued at cost plus attributable profit earned to date.

Notes to the financial statements *(continued)*

Accounting policies *(continued)*

Leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a 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 lease.

Stocks

Development properties are held at the amount transferred from fixed assets – see basis of preparation on page 9.

Deferred taxation

Full provision for deferred tax is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, using current tax rates. The company does not discount these balances. No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings.

Turnover

Long term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to total sales value and stage of completion of the contracts.

Notes to the financial statements *(continued)*

2 Analysis of turnover and profit on ordinary activities before taxation

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

3 Operating costs

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Other operating costs	1,253	4,051

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services (2002 - £nil).

4 Directors and employees

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

5 Taxation

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
(i) Analysis of taxation charge in the year		
UK corporation tax		
Current year charge	-	-
Double taxation relief	-	-
Adjustment in respect of prior periods	5,049	-
Total UK corporation tax	5,049	-
Deferred taxation		
Current year	87	-
Adjustment in respect of prior periods	(1,552)	-
Taxation charge on profit on ordinary activities	3,584	-

Notes to the financial statements (continued)

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	4	-
Tax on profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2002: 30%)	1	-
Capital allowances in excess of depreciation	(87)	-
Group relief received for nil consideration	86	-
Adjustment in respect of prior year	5,049	-
Current tax charge for the year	5,049	-

6 Stocks

	30 June 2003 £'000	30 June 2002 £'000
Development properties	20,809	21,966

7 Debtors

	30 June 2003 £'000	30 June 2002 £'000
Trade debtors	2,913	2,353
Amounts owed by Diageo Great Britain Ltd	1,141,684	1,147,108
Amounts owed by Diageo Finance Ltd	4,462	-
Corporation tax	-	5,049
Deferred tax (note 10)	1,465	-
Other debtors	-	1,403
	1,150,524	1,155,913

8 Cash at bank

The company has entered into joint and several guarantees with certain other Diageo plc UK subsidiary undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool.

Notes to the financial statements *(continued)*

9 Creditors: amounts falling due within one year

	30 June 2003	30 June 2002
	£'000	£'000
Payments on account	2,290	1,267
Other creditors	-	6,497
	<hr/>	<hr/>
	2,290	7,764
	<hr/>	<hr/>

10 Deferred taxation

	30 June 2003	30 June 2002
	£'000	£'000
Accelerated capital allowances	1,465	-
Other timing differences	-	-
	<hr/>	<hr/>
Deferred tax asset	1,465	-
	<hr/>	<hr/>
Asset at beginning of the year	-	(14,839)
Adjustment in respect of prior periods	1,552	-
Current year credit	(87)	-
Transfer intra-group	-	14,839
	<hr/>	<hr/>
Asset at end of year	1,465	-
	<hr/>	<hr/>

11 Called up share capital

	30 June 2003	30 June 2002
	£'000	£'000
Authorised:		
Equity: 1,157,500,000 ordinary shares of £1 each	1,157,500	1,157,500
	<hr/>	<hr/>
Allotted, called up and fully paid		
Equity: 1,156,100,000 ordinary shares of £1 each	1,156,100	1,156,100
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Notes to the financial statements *(continued)*

12 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 30 June 2002	18,007	(1,484)
Retained loss for the year	-	(3,580)
	<hr/>	<hr/>
At 30 June 2003	18,007	(5,064)
	<hr/>	<hr/>

Within the profit and loss account, £7,346,000 is non-distributable.

13 Ultimate parent undertaking

The company's immediate and ultimate parent undertaking is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.