

Guinness Limited

Financial statements 30 June 2004

Registered number 510607



Year ended 30 June 2004

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2004.

Activities

The company continues to trade as a property developer.

Financial

The results for the year ended 30 June 2004 are shown on page 6.

The directors do not recommend the payment of a dividend (2003 - £nil).

The profit for the year transferred to reserves is £114,000 (2003 - £3,580,000 loss transferred from reserves).

Directors

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

S M Bunn
S R Fletcher
D P Gosnell
R J Joy

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2003 - £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:

Year ended 30 June 2004

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	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
S M Bunn	3,351	1,088	-	-	-	-	-
S R Fletcher	62,616	88,894	231,579	75,449	(50,862)	(40,663)	215,503
D P Gosnell	7,902	12,460	15,056	21,557	-	-	36,613
R J Joy	40,878	44,481	26,308	9,945	(4,779)	(5,151)	26,323

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	Granted in year	Exercised in year	Lapsed in year	At end of year
S M Bunn	30,743	15,959	(383)	-	46,319
S R Fletcher	478,029	132,458	(49,800)	-	560,687
D P Gosnell	120,847	62,215	(30,383)	-	152,679
R J Joy	256,721	32,674	(48,132)	-	241,263
	(34,281 ADS and 119,597 ord. shares)		(12,033 ADS)		(22,248 ADS and 152,271 ord. shares)

The directors held the above options under Diageo plc share option schemes at prices between 460p and 759p per ordinary share exercisable between 2004 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.

Year ended 30 June 2004**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 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 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.

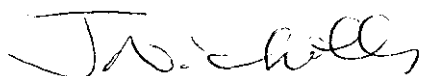
The mid-market share price of Diageo plc shares fluctuated between 625p and 780p during the year. The mid-market share price on 30 June 2004 was 744p.

At 30 June 2004, R J Joy had an interest in 200,139 shares and 908,428 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 21,109,889 shares and 7,710,285 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition, S R Fletcher, D P Gosnell and R J Joy each had an interest in a further 6,245,249 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 reappointed on the expiry of its term in office in respect of the year ended 30 June 2004.

By order of the board



J Nicholls
Secretary
8 Henrietta Place, London W1G 0NB
14 February 2005

Year ended 30 June 2004

Statement of directors' responsibilities in relation to the 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 a 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 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 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 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 2004 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

14 February 2005

Year ended 30 June 2004

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Turnover	<i>1</i>	469	1,253
Operating costs	<i>2</i>	(469)	(1,253)
		<hr/>	<hr/>
Operating profit		-	-
Net interest receivable	<i>4</i>	153	4
		<hr/>	<hr/>
Profit on ordinary activities before taxation		153	4
Taxation on profit on ordinary activities	<i>5</i>	(39)	(3,584)
		<hr/>	<hr/>
Amounts transferred to/(from) reserves	<i>11</i>	114	(3,580)
		<hr/>	<hr/>

There are no recognised gains and losses other than the result 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 results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

All results arise from continuing operations.

Year ended 30 June 2004

Balance sheet

	<i>Notes</i>	30 June 2004 £000	30 June 2003 £000
Current assets			
Stocks	6	20,809	20,809
Debtors: due within one year	7	1,150,549	1,150,524
		<hr/>	<hr/>
		1,171,358	1,171,333
Creditors: due within one year	9	(2,201)	(2,290)
		<hr/>	<hr/>
Net assets		1,169,157	1,169,043
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	1,156,100	1,156,100
Revaluation reserve	11	18,007	18,007
Profit and loss account	11	(4,950)	(5,064)
		<hr/>	<hr/>
Equity shareholders' funds		1,169,157	1,169,043
		<hr/>	<hr/>

These financial statements on pages 6 to 14 were approved by the board of directors on 14 February 2005 and were signed on its behalf by:


R J Joy
Director

Year ended 30 June 2004

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 are prepared in accordance with applicable UK accounting standards and the requirements of the Companies Act 1985, **except as explained below**, and under the historical cost convention modified by the revaluation of certain land and buildings.

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 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 ("group undertakings") or investees of the Diageo plc group.

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.

Year ended 30 June 2004

Accounting policies (continued)

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.

Deferred taxation

Full provision is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations using current tax rates. The company does not discount these balances.

Year ended 30 June 2004

Notes to the financial statements**1. Analysis of turnover and profit on ordinary activities before taxation**

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

2. Operating costs

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Other operating charges	469	1,253

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 (2003 - £nil).

3. Directors and employees

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2003 - £nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 to 3.

4. Net interest receivable

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Interest receivable on loans to Diageo Finance plc	153	4

Year ended 30 June 2004

Notes to the financial statements (continued)

5. Taxation

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
(i) Analysis of taxation charge for the year		
Current tax		
Payment received in respect of group relief surrendered	133	-
Adjustment in respect of prior years	-	(5,049)
	<hr/>	<hr/>
Total current tax credit/(charge)	133	(5,049)
Deferred tax		
UK	(86)	(87)
Adjustment in respect of prior years	(86)	1,552
	<hr/>	<hr/>
Total deferred tax	(172)	1,465
	<hr/>	<hr/>
Taxation on profit on ordinary activities	(39)	(3,584)
	<hr/>	<hr/>
	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
(ii) Factors affecting current tax credit/(charge) for the year		
Profit on ordinary activities before taxation	153	4
	<hr/>	<hr/>
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2003 – 30%)	(46)	(1)
Capital allowances in excess of depreciation	86	87
Items non taxable	93	-
Group relief received for nil consideration	-	(86)
Adjustment in respect of prior years	-	(5,049)
	<hr/>	<hr/>
Current ordinary tax credit/(charge)	133	(5,049)
	<hr/>	<hr/>

Year ended 30 June 2004

Notes to the financial statements (continued)

6. Stocks

	30 June 2004 £000	30 June 2003 £000
Development properties	20,809	20,809

Development properties are held at the amount transferred from fixed assets – (see Basis of preparation note on page 8.)

7. Debtors

	30 June 2004 £000	30 June 2003 £000
Trade debtors	2,912	2,913
Amounts owed by Diageo Great Britain Limited	1,141,613	1,141,684
Amounts owed by Diageo Finance plc	4,598	4,462
Amounts owed by Justerini & Brooks, Limited	133	-
Deferred taxation (note 8)	1,293	1,465
	<u>1,150,549</u>	<u>1,150,524</u>

8. Deferred taxation

	30 June 2004 £000	30 June 2003 £000
Accelerated capital allowances	1,293	1,465
Deferred tax asset	<u>1,293</u>	<u>1,465</u>

Year ended 30 June 2004

Notes to the financial statements (continued)

9. Creditors: due within one year

	30 June 2004 £000	30 June 2003 £000
Payments on account	2,201	2,290

10. Share capital

	30 June 2004 £000	30 June 2003 £000
<i>Authorised:</i>		
Equity - 1,157,500,000 ordinary shares of £1 each	1,157,500	1,157,500
<i>Allotted, called up and fully paid:</i>		
Equity - 1,156,100,000 ordinary shares of £1 each	1,156,100	1,156,100

11. Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2003	18,007	(5,064)	12,943
Retained profit for the year	-	114	114
At 30 June 2004	18,007	(4,950)	13,057

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

Year ended 30 June 2004

Notes to the financial statements (continued)

12. Reconciliation of movement in shareholders' funds

	30 June 2004 £000	30 June 2003 £000
Profit/(loss) on ordinary activities after taxation	114	(3,580)
Net addition to/(reduction in) shareholders' funds	114	(3,580)
Shareholders' funds at beginning of year	1,169,043	1,172,623
Shareholders' funds at end of year	1,169,157	1,169,043

13. Immediate and ultimate parent undertaking

The immediate and ultimate parent undertaking of the company 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.