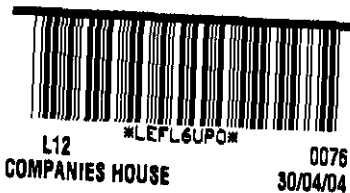


Grand Metropolitan Estates (Developments) Limited

FINANCIAL STATEMENTS

30 JUNE 2003

Company Registration No. 694994



DIRECTORS' REPORT

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

Activities

The company continues to identify and be involved in the sale of development sites within the property portfolio of the Diageo group. The directors foresee no changes in the company's activities.

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 (2002 - £nil).

The profit for the year transferred to reserves is £889,000 (2002 - £967,000).

Directors

The directors who served during the year were as follows:

P S Binning
S M Bunn
D C Carter
M C Flynn (appointed 22 April 2003)
R H Myddelton (resigned 31 March 2003)
A Williams (resigned 18 April 2003)

P S Binning resigned on 3 October 2003 and R Rajagopal was appointed a director of the company on that date. R J Joy was appointed a director of the company on 20 April 2004.

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 ordinary shares of 28 ¹⁰¹/₁₀₈ pence of the ultimate parent company, Diageo plc:-

DIRECTORS' REPORT (continued)

(i) Ordinary shares and conditional rights to ordinary shares

	<u>Ordinary shares</u>		<u>Conditional rights to ordinary shares</u>				
	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
P S Binning	25,693	39,146	79,405	16,518	(16,971)	(1,911)	77,041
S M Bunn	2,853	3,351	-	-	-	-	-
D C Carter	8,432	9,087	-	-	-	-	-
M C Flynn	7,239	7,634	-	-	-	-	-

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

	At beginning of year (or date of appointment)	Granted in year	Exercised in year	At end of year
P S Binning	163,705	60,679	(1,513)	222,871
S M Bunn	20,786	11,866	(1,909)	30,743
D C Carter	57,867	10,946	-	68,813
M C Flynn	11,853	-	-	11,853

The directors held the above options under Diageo plc share option schemes at prices between 429p and 759p per ordinary share exercisable between 2003 and 2012. 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 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 ultimate holding company, Diageo plc.

DIRECTORS' REPORT (continued)

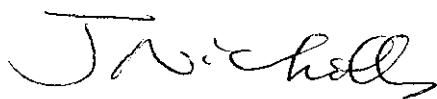
The mid-market share price of Diageo plc shares fluctuated between 582p and 851p during the year. The mid-market share price on 30 June 2003 was 647p.

At 30 June 2003, 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; P S Binning had an additional interest in 6,177,180 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes; and D C Carter had an additional interest in 144,098 shares and 502,360 shares subject to call options held by a trust to satisfy grants made under ex-Grandmet incentive plans.

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

27 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 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF GRAND METROPOLITAN ESTATES (DEVELOPMENT) LIMITED**

We have audited the financial statements on pages 6 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 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, 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 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

29 April 2004

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Turnover		-	-
Operating costs	2	-	-
Operating profit		<u>-</u>	<u>-</u>
Interest receivable	4	<u>889</u>	<u>967</u>
Profit on ordinary activities before taxation	1	889	967
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Transferred to reserves	10	<u>889</u>	<u>967</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.

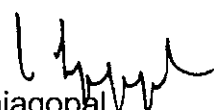
There is no difference between the profit for the years shown in the profit and loss account and the profit for the relevant years restated on an historical cost basis.

BALANCE SHEET

	Notes	<u>30 June 2003</u> £'000	<u>30 June 2002</u> £'000
Current assets			
Debtors - due within one year	6	15,671	14,782
Cash at bank and in hand	7	<u>18,235</u>	<u>18,235</u>
		33,906	33,017
Creditors - due within one year			
Other creditors	8	(27,753)	(27,753)
Net assets		<u>6,153</u>	<u>5,264</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	6,153	5,264
Equity shareholders' funds		<u>6,153</u>	<u>5,264</u>

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

The financial statements on pages 6 to 11 were approved by the board of directors on 27 April 2004 and signed on its behalf by:


R Rajagopal
Director

ACCOUNTING POLICIES

Basis of preparation

The financial statements of the company have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The bases used are consistent with those used in the previous year.

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.

Under Financial Reporting Standard No 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Diageo plc and is included in the published consolidated financial statements of Diageo plc.

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 published consolidated financial statements of Diageo plc. These financial statements present information about the company as an individual undertaking and not about its group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is attributable to interest income on loans.

2. Operating costs

The company did not employ any staff during the year (2002 – none) and consequently there were no payroll costs (2002 - £nil).

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).

3. Directors' emoluments

None of the directors received any remuneration during either the current or previous year in respect of their services to the company.

Details of directors' share interests are included in the directors' report on pages 1 to 3.

4. Interest receivable

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
On cash at bank	889	955
Other interest receivable	<u>-</u>	<u>12</u>
	<u>889</u>	<u>967</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Taxation on profit on ordinary activities

	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000
Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	<u>889</u>	<u>967</u>
Notional tax charge at UK corporation tax rate of 30%	267	290
Group relief received for nil consideration	(267)	(290)
Current ordinary tax charge for the year	<u>-</u>	<u>-</u>

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. Group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor a credit for the years ended 30 June 2003 and 2002.

6. Debtors – due within one year

	<u>30 June 2003</u> £'000	<u>30 June 2002</u> £'000
Amounts owed by group undertakings	15,587	14,689
Other debtors	<u>84</u>	<u>93</u>
	<u>15,671</u>	<u>14,782</u>

7. Cash at bank and in hand

The company has entered into a joint and several guarantee 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)

8. Creditors – due within one year

	<u>30 June 2003</u> £'000	<u>30 June 2002</u> £'000
Amounts owed to group undertakings	<u>27,753</u>	<u>27,753</u>

9. Share capital

	<u>30 June 2003</u> £	<u>30 June 2002</u> £
Authorised, allotted, called up and fully paid		
Equity - 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. Reserves

	Profit and loss account £000
At 30 June 2002	5,264
Retained profit for year	<u>889</u>
At 30 June 2003	<u>6,153</u>

11. Reconciliation of movements in shareholders funds

	<u>Year ended 30 June 2003</u> £'000	<u>Year ended 30 June 2002</u> £'000
Retained profit for the financial year	889	967
Shareholders' funds at the beginning of the year	<u>5,264</u>	<u>4,297</u>
Shareholders' funds at the end of the year	<u>6,153</u>	<u>5,264</u>

12. Immediate and ultimate parent undertaking

The company is a wholly owned subsidiary of Grand Metropolitan Estates Limited, a company incorporated and registered in England.

The the company's ultimate holding 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.