

Grand Metropolitan Estates (Developments) Limited

FINANCIAL STATEMENTS

30 JUNE 2002

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 2002.

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 2002 are shown on page 6. The directors do not recommend the payment of a dividend (2001 -£nil).

The profit for the year retained in the company is £967,000 (2001 -£1,126,000).

Directors

The directors who served during the year were as follows:

P S Binning
S M Bunn
D C Carter
R H Myddelton
A Williams (appointed 1 May 2002)

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 ordinary shares of 28 ¹⁰¹/₁₀₈ pence of 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
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)	-
D C Carter	5,847	8,432	4,250	-	(2,125)	(2,125)	-
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598
A Williams	3,214	3,258	-	-	-	-	-

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

	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
D C Carter	80,274	11,593	(34,000)	57,867
R H Myddelton	144,898	27,055	(78,748)	93,205
A Williams	19,243	-	-	19,243

The directors held the above options under Diageo plc share option schemes at prices between 429p 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.

DIRECTORS' REPORT (continued)

Directors' interests (continued)

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 P S 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, D C Carter had an interest in 144,098 shares and 502,360 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans. Also at that date 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

S M Bunn resigned as Secretary on 15 March 2002 and was replaced by J J Nicholls.

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 re-appointed 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 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 the financial statements, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that 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 (DEVELOPMENTS) 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 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

March 2003

11 March 03

PROFIT AND LOSS ACCOUNT

	Notes	<u>30 June 2002</u> £000	<u>30 June 2001</u> £000
Turnover	1	-	-
Operating costs	2	-	30
Operating profit		<u>-</u>	<u>30</u>
Interest receivable	3	<u>967</u>	<u>1,181</u>
Profit on ordinary activities before taxation	1	967	1,211
Tax on profit on ordinary activities	4	<u>-</u>	<u>(85)</u>
Transferred to reserves	10	<u>967</u>	<u>1,126</u>

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

There are no recognised gains or 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 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 2002</u> £000	<u>30 June 2001</u> £000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors - due within one year	6	14,782	15,955
Cash at bank and in hand	7	<u>18,235</u>	<u>17,111</u>
		<u>33,017</u>	<u>33,066</u>
Creditors - due within one year			
Other creditors	8	(27,753)	(28,769)
Net assets		<u>5,264</u>	<u>4,297</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	5,264	4,297
Shareholders' funds		<u>5,264</u>	<u>4,297</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 11 March 2003 and signed on its behalf by:



RH Myddelton
Director

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Fixed asset investments

Income from fixed asset investments, is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for diminution in values where such diminution is expected by the directors to be permanent.

Turnover

Turnover represents the net invoice value of goods and services to third parties. It comprises rents and royalties receivable but excludes value added tax.

NOTES TO THE FINANCIAL STATEMENTS

1. Analysis of turnover and profit before taxation

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of the purchase and sale of development sites, 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
Other operating (income) / costs	-	(30)
	-	(30)

3. Interest receivable

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
On cash at bank	955	1,117
Other interest receivable	12	64
	967	1,181

4. Tax on profit on ordinary activities

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
(i) Analysis of taxation charge in the year		
Current tax		
UK corporation tax on profits for the year	-	-
Adjustment to prior years taxation charges	-	85
Total current tax	-	85
Deferred tax		
Charge for the year	-	-
Adjustment in respect of prior year charges	-	-
Taxation on profit on ordinary activities	-	85

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Tax on profit on ordinary activities (continued)

	Year ended 30 June 2002 £000	Year ended 30 June 2001 £000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	<u>967</u>	<u>1,211</u>
Notional charge at UK corporation tax rate of 30%	290	363
Group relief received for nil consideration	(290)	(363)
Items not deductible/(chargeable) for tax purposes	-	-
Adjustment in respect of prior year charges	-	85
	<u>-</u>	<u>85</u>
Current ordinary tax charge for the year	<u>-</u>	<u>85</u>

5. Fixed assets - investment

The fixed asset investment comprises shares in a subsidiary acquired for a cost of £3,000 (2001 -£3,000), which has been fully provided for.

The subsidiary undertaking and the percentage of equity owned are as follows:

<u>Subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Class and percentage of shares held</u>
Metropolitan In Town Limited	England & Wales	Dormant	100 % ordinary shares

6. Debtors – due within one year

	<u>30 June 2002</u> £000	<u>30 June 2001</u> £000
Amounts owed by group undertakings	14,689	14,844
Other debtors	<u>93</u>	<u>1,111</u>
	<u>14,782</u>	<u>15,955</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 2002</u> £000	<u>30 June 2001</u> £000
Amounts owed to group undertakings	27,753	27,754
Other creditors	-	1,015
	<u>27,753</u>	<u>28,769</u>

9. Share capital

	<u>30 June 2002</u> £	<u>30 June 2001</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 2001	4,297
Retained profit for year	967
At 30 June 2002	<u>5,264</u>

11. Reconciliation of movements in shareholders funds

	<u>Year ended 30 June 2002</u> £000	<u>Year ended 30 June 2001</u> £000
Retained profit for the financial year	967	1,126
Shareholders funds at the beginning of the year	<u>4,297</u>	<u>3,171</u>
Shareholders funds at the end of the year	<u>5,264</u>	<u>4,297</u>

12. Immediate and ultimate parent undertaking

The immediate parent undertaking is Grand Metropolitan Estates Limited, a company incorporated and registered in England.

The ultimate parent undertaking of the company 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 0NB.