

GRAND HOTELS (MAYFAIR) LIMITED

FINANCIAL STATEMENTS

30 June 2003

Registered Company No. 79308



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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 has not traded during the financial year or in the preceding financial year. The directors foresee no changes in the company's activities.

The only transaction during the year ended 30 June 2003 was a write-off to profit and loss of certain creditor balances no longer considered payable.

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 ended 30 June 2003 (2002 - £nil). The profit for the year transferred to reserves is £29,407 (2002 - £nil).

Directors

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

P S Binning (appointed 31 March 2003)
S M Bunn
G P Crickmore (appointed 31 March 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.

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

	<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	38,521	39,146	77,041	-	-	-	77,041
S M Bunn	2,853	3,351	-	-	-	-	-
G P Crickmore	8,579	6,663	-	-	-	-	-

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

	<u>At beginning of year (or date of appointment)</u>	<u>Granted in year</u>	<u>Exercised in year</u>	<u>At end of year</u>
P S Binning	222,871	-	-	222,871
S M Bunn	20,786	11,866	(1,909)	30,743
G P Crickmore	37,154	-	-	37,154

The directors held the above options under Diageo plc share option schemes at prices between 391p 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 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.

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, and P S Binning had an additional interest in 6,177,180 shares, held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Auditor

KPMG Audit Plc was appointed auditor of the company on 27 April 2004. 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 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.

Independent auditor's report to the members of Grand Hotels (Mayfair) 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 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 an audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

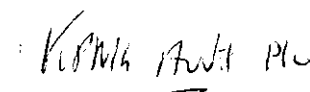
Basis of Audit opinion

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
Chartered Accountants
Registered Auditor
Date: 2nd April 2004

Profit and loss account

	Notes	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Turnover		-	-
Operating costs	2	29,407	-
		<hr/>	<hr/>
Operating profit	3	29,407	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		29,407	-
Taxation on profit on ordinary activities	5	-	-
		<hr/>	<hr/>
Amounts transferred to reserves		29,407	-
		<hr/> <hr/>	<hr/> <hr/>

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 result for the years shown in the profit and loss account and the result for the relevant years restated on an historical cost basis.

Balance sheet

	Notes	30 June 2003		30 June 2002	
		£	£	£	£
Fixed assets					
Investments	6		120,003		120,003
Current assets					
Debtors: due within one year	7	28,057,283		28,057,283	
Creditors: amounts falling due within one year	8	<u>(6,439,537)</u>		<u>(6,468,944)</u>	
Net current assets			21,617,746		21,588,339
Net assets			<u>21,737,749</u>		<u>21,708,342</u>
Capital and reserves					
Called up share capital	9		1,420,639		1,420,639
Share premium account	10		763,184		763,184
Profit and loss account	10		<u>19,553,926</u>		<u>19,524,519</u>
Equity shareholders' funds			<u>21,737,749</u>		<u>21,708,342</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 2nd April 2004 and were signed on its behalf by:



G P Crickmore
 Director

Reconciliation of movements in shareholders' funds

	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Profit on ordinary activities after taxation	29,407	-
Dividends	-	-
	<hr/>	<hr/>
Net increase in shareholders' funds	29,407	-
Opening shareholders' funds	21,708,342	21,708,342
	<hr/>	<hr/>
Closing shareholders' funds	21,737,749	21,708,342
	<hr/>	<hr/>

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 of the company have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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.

2 Operating costs

	Year ended 30 June 2003	Year ended 30 June 2002
	£	£
Other operating income	29,407	-

Other operating income relates to creditor balances that are no longer considered payable and were therefore released to the profit and loss account during the year.

3 Operating profit

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Tax on profit on ordinary activities

Factors affecting current tax charge for the year	30 June 2003	30 June 2002
	£	£
Profit on ordinary activities before taxation	29,407	-
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2002: 30%)	8,822	-
Items not chargeable for tax purposes	(8,822)	-
Current ordinary tax charge for the year	-	-

6 Investments

	Subsidiary undertakings
	£
Cost	
At beginning and end of year	2,992,314
Provisions	
At beginning and end of year	(2,872,311)
Net book value	
At beginning and end of year	120,003

The company holds a 100% interest in the ordinary shares of Forum Hotels International Limited and of Belfast Europa Limited. Both companies are non-trading and are registered in England.

In the opinion of the directors, the investments in the company's subsidiary undertakings are worth at least the value at which they are stated in the financial statements.

7 Debtors

	30 June 2003	30 June 2002
	£	£
Amounts owed by Grand Metropolitan Public Limited Company	28,057,283	28,057,283

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Creditors: due within one year

	30 June 2003 £	30 June 2002 £
Trade creditors	-	13,545
Amounts owed to Belfast Europa Limited	1,305,476	1,305,476
Amounts owed to Spiers & Pond Limited	5,134,061	5,134,061
Other creditors	-	15,862
	<u>6,439,537</u>	<u>6,468,944</u>

9 Called up share capital

	30 June 2003 £	30 June 2002 £
Authorised:		
Equity: 10,000,000 ordinary shares of 20p each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
Equity: 7,103,194 ordinary shares of 20p each	<u>1,420,639</u>	<u>1,420,639</u>

10 Reserves

	Share premium account £	Profit and loss account £	Total £
At 30 June 2002	763,184	19,524,519	20,287,703
Retained profit for the year	-	29,407	29,407
	<u>763,184</u>	<u>19,553,926</u>	<u>20,317,110</u>
At 30 June 2003			

11 Immediate and ultimate parent undertaking

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

The 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.