

# **Gleneagles Hotels Limited**

## **Financial statements 30 June 2004**

Registered company number SC97000



## **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 was principally engaged during the year in operating The Gleneagles Hotel, Auchterarder, Perthshire.

### **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 - £13,639,000).

After deducting the ordinary dividend of £nil (2003 - £13,639,000) the profit for the year transferred to reserves is £1,855,000 (2003 - £2,573,000).

### **Directors**

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

P J Lederer  
N C Rose  
D A Kemp

### **Directors' emoluments**

Details of the directors' emoluments are shown in note 5 of these financial statements.

### **Directors' interests**

No director 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.

## Directors' report (continued)

### Directors' interests (continued)

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28 <sup>101</sup>/<sub>108</sub> p each in the ultimate parent company, Diageo plc:

#### (i) Ordinary shares

	Ordinary shares	
	At beginning of year	At end of year
P J Lederer	34,018	35,044
D A Kemp	4,484	4,846

#### (ii) Options

	Options over ordinary shares				
	At beginning of year	Granted in year	Exercised in year	Lapsed in year	At end of year
P J Lederer	57,668	11,459	(1,510)	-	67,617
D A Kemp	26,399	6,745	(767)	(934)	31,443

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. 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.

At 30 June 2004 N C Rose was also a director of the ultimate parent company, Diageo plc. Details of his beneficial interests in the ordinary shares of Diageo plc are shown in the Diageo plc annual report, copies of which can be obtained from 8 Henrietta Place, London W1G 0NB.

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 P J Lederer and D A Kemp 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. P J Lederer had an additional interest in 42,188 shares held by a trust to satisfy grants made under Diageo incentive plans and saving related share option schemes.

### Employee involvement

Diageo's goal is to be an 'Employer of Choice' offering an energising work environment, personal growth and recognition and attractive rewards for the performance contribution its people make to the group. Its employee policies are designed to support these goals and to do so in a manner that is fair and equitable to all employees. These policies take account of external legislation, internal codes of conduct, as well as Diageo's values as an organisation.

## **Directors' report (continued)**

### **Employee involvement (continued)**

Diageo is a multi-cultural community operating in an increasingly diverse business world and is committed to active equality and diversity practices. The group offers people with disability the same opportunities for employment, training and career progression as other employees. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment. It is also committed to attracting and retaining talented people. Diageo invests in the growth and development of its people, which contributes directly to the performance and results of the business. Where practical, Diageo encourages flexible ways of working to enable employees to take some control over the balance between work and home life. Diageo's reward systems recognise the contribution employees make to the success and reflect the value of the role they are performing.

Diageo is committed to the safety and wellbeing of employees at work. It promotes responsible drinking behaviours among all its people. Diageo is committed to open and continuous dialogue with its employees as a way to inform and engage them in the company's strategy and business goals as well as harnessing the ideas employees will have on improving broad areas of business performance.

Each senior manager is responsible for supporting the Diageo Executive and senior leadership community in delivering against these communication and employee engagement goals. The group has an intranet web site from which employees with access to a computer can obtain timely and accurate news and information.

The group has entered into numerous collective bargaining agreements and believes that its employee relations are satisfactory.

### **Supplier payment policy**

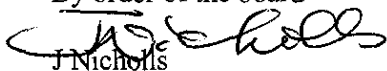
The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

The number of days' purchases included in creditors as at 30 June 2004, in respect of the company, is 30 days (2003 – 35 days).

### **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

*The Gleneagles Hotel, Aucherarder*  
*Perthshire PH3 1NF*

*24 January 2005*

## **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 Gleneagles Hotels Limited**

We have audited the financial statements on pages 6 to 24.

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 our 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 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  
Edinburgh

*31 January 2005*

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2004 £000</b>	<b>Year ended 30 June 2003 £000</b>
<b>Turnover</b>	2	33,295	33,024
Operating costs	3-5	(27,795)	(27,922)
<b>Operating profit</b>		<u>5,500</u>	<u>5,102</u>
Disposal of fixed assets	6	10	7,352
Net interest receivable	7	2,341	2,677
<b>Profit on ordinary activities before taxation</b>		<u>7,851</u>	<u>15,131</u>
Taxation (charge)/credit on profit on ordinary activities	8	(5,996)	1,081
<b>Profit on ordinary activities after taxation</b>		<u>1,855</u>	<u>16,212</u>
Dividends	9	-	(13,639)
<b>Amounts transferred to reserves</b>	17	<u>1,855</u>	<u>2,573</u>

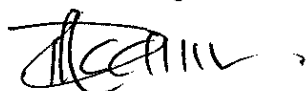
There are no recognised gains and losses other than the result for the year and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements.

All results arise from continuing operations.

## Balance sheet

	Notes	30 June 2004		30 June 2003	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	10		76,055		75,997
Investments	11		16		16
			<hr/>		<hr/>
			76,071		76,013
<b>Current assets</b>					
Stocks	12	1,155		1,107	
Debtors: due within one year	13	327,232		310,569	
Cash at bank and in hand		1,196		1,502	
		<hr/>		<hr/>	
		329,583		313,178	
<b>Creditors: due within one year</b>	14	(140,782)		(131,240)	
		<hr/>		<hr/>	
<b>Net current assets</b>			188,801		181,938
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			264,872		257,951
<b>Provisions for liabilities and charges</b>	15	(6,379)		(1,313)	
		<hr/>		<hr/>	
<b>Net assets</b>			258,493		256,638
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16		235,709		235,709
Revaluation reserve	17	13,321		13,448	
Profit and loss account	17	9,463		7,481	
		<hr/>		<hr/>	
Reserves attributable to equity shareholders			22,784		20,929
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>			258,493		256,638
			<hr/>		<hr/>

These financial statements on pages 6 to 24 were approved by the board of directors on 24 January 2005 and were signed on its behalf by:



P J Lederer  
Director



**Note of historical cost profits and losses**

	<b>Year ended 30 June 2004 £000</b>	<b>Year ended 30 June 2003 £000</b>
Reported profit on ordinary activities before taxation	7,851	15,131
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	127	91
<b>Historical cost profit on ordinary activities before taxation</b>	<b>7,978</b>	<b>15,222</b>
<b>Historical cost profit for the year retained after taxation and dividends</b>	<b>1,982</b>	<b>2,664</b>

## **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 under the historical cost convention (modified by the revaluation of certain land and buildings) and in accordance 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 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.

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.

### **Tangible fixed assets**

Land and buildings are stated at cost or, for certain assets acquired prior to 1993, at professional valuation less depreciation.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other tangible fixed assets are depreciated on a straight-line basis to estimated residual values over their expected useful lives within the following ranges:

Building – core	100 years
Building - surfaces	25 years
Equestrian Centre	36 years
Plant & Machinery	4 to 12 years
Fixtures and fittings	4 to 7 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value, including any revaluation of the asset. Any amount in the revaluation reserve relating to such an asset is transferred directly to the profit and loss account reserve and is not included in the profit for the year.

### **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 impairment in value where such impairment is expected by the directors to be permanent.

## **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**

Stocks are stated at the lower of cost and net realisable value.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

All exchange gains and losses are taken to the profit and loss account.

### **Turnover**

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable, but excluding value added tax.

Turnover for goods is recognised at the fair value of the right to consideration. Turnover is recognised at the point that the service is provided.

### **Advertising**

Advertising production costs are charged to the profit and loss account when the advertisement is first shown to the public.

### **Pensions and other post employment benefits**

The employees of the company are members of the Diageo UK pension plan which is a defined benefit scheme. With effect from 1 July 2003, the Diageo group has adopted *FRS 17 – Retirement benefits* in its financial statements.

FRS 17 replaces the use of actuarial values for assessing pension costs in favour of a market-based approach. In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, the expected return on assets and the interest on the liabilities. Differences between expected and actual return on assets, and the impact on the liabilities of changes in assumptions, are reflected in the statement of total recognised gains and losses.

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements.

**Accounting policies (continued)**

**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.

## Notes to the financial statements

### 1. New UK GAAP accounting policies

The company has adopted the reporting requirements of *FRS 17 – Retirement benefits* in its financial statements from 1 July 2003. This standard replaces the use of actuarial values for assessing pension costs in favour of a market-based approach. In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, the expected return on assets and the interest on the liabilities. Differences between expected and actual return on assets, and the impact on the liabilities of changes in assumptions, are reflected in the statement of total recognised gains and losses.

The adoption of FRS 17 has had no effect on the reported operating profit for either the year ended 30 June 2004 or the year ended 30 June 2003. Adoption of the standard has had no impact on shareholders' funds as at 30 June 2004 and 2003.

### 2. Analysis of turnover and profit on ordinary activities before taxation

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

### 3. Operating costs

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Raw materials and consumables	5,327	5,156
Advertising, marketing and promotion costs	1,526	1,574
Other external charges (a)	119	109
Staff costs (note 3)	10,235	9,770
Depreciation and other amounts written off fixed assets	2,561	2,083
Other operating charges	8,027	9,230
	<hr/> 27,795 <hr/>	<hr/> 27,922 <hr/>

(a) **Other external charges include:** operating lease rentals for plant and machinery of £49,000 (2003 - £64,000); other lease rentals (largely properties) of £31,000 (2003 - £24,000); gains/losses in respect of foreign exchange £15,000 (2003 - £8,000).

Fees in respect of services provided by the auditor were: statutory audit £14,000 (2003 - £13,000); other non-audit work £1,000 (2003 - £nil).

## **Notes to the financial statements (continued)**

### **4. Staff costs**

The average number of employees, including directors, during the year was:

	<b>Year ended 30 June 2004</b>	<b>Year ended 30 June 2003</b>
Full time	546	513
Part time	57	60
	<hr/>	<hr/>
	603	573
	<hr/>	<hr/>

The aggregate remuneration of all employees comprised:

	<b>Year ended 30 June 2004 £000</b>	<b>Year ended 30 June 2003 £000</b>
Wages and salaries	9,520	9,137
Employer's social security costs	715	633
	<hr/>	<hr/>
	10,235	9,770
	<hr/>	<hr/>

### **Retirement benefits**

The employees of the company are members of the Diageo UK pension plan which is a defined benefit scheme. With effect from 1 July 2003 the Diageo group has adopted *FRS 17 – Retirement benefits* in its financial statements.

It is not possible to allocate the assets and liabilities of the pension plan between individual companies and therefore the company accounts for it as a defined contribution scheme. The company did not make any contributions to the scheme in respect of its employees in the year ending 30 June 2004 (2003 - £nil). The assets and liabilities of the Diageo UK pension plan are recognised in the Diageo plc consolidated financial statements. The disclosures below represent the Diageo UK pension fund, however the balances indicated are not all attributable to the company.

## Notes to the financial statements (continued)

### 4. Staff costs (continued)

- (a) The following weighted averages assumptions were used to determine the UK group's deficit in the pension plan at 30 June in the relevant year:

	Year ended 30 June 2004 %	Year ended 30 June 2003 %
Rate of inflation	3.0	2.6
Rate of general increase in salaries	4.4	4.0
Rate of increase to pensions in payment	3.3	3.1
Rate of increase to deferred pensions	3.0	2.6
Discount rate for plan liabilities	5.7	5.2

- (b) The market values of the assets of the UK defined benefit pension plan were as follows:

	30 June 2004 £000	30 June 2003 £000
Equities	1,977,900	1,928,400
Bonds	105,000	1,000
Property	342,600	315,900
Other	75,000	21,600
	<hr/>	<hr/>
	2,500,500	2,266,900
Present value of pension plan liabilities	(3,294,400)	(3,340,400)
	<hr/>	<hr/>
Deficit in the UK pension plan	(793,900)	(1,073,500)
Related deferred tax assets	238,000	-
	<hr/>	<hr/>
Net pension plan liabilities	(555,900)	(1,073,500)

## Notes to the financial statements (continued)

### 4. Staff costs (continued)

(c) Movement in deficit during the years ended 30 June 2004 and 2003:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Deficit at beginning of year	(1,073,500)	(390,000)
Current service cost	(65,800)	(49,700)
Past service cost	(1,900)	(1,200)
Curtailment/settlement cost	9,900	6,100
Net (cost)/credit to other finance income	(10,700)	22,400
Cash contributions	2,600	1,000
Actuarial gain/(loss)	345,500	(662,100)
	<hr/>	<hr/>
Deficit at end of year	(793,900)	(1,073,500)
	<hr/>	<hr/>

### 5. Directors' emoluments

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Emoluments (excluding pension contributions)	315	304
	<hr/>	<hr/>

The emoluments, and amounts receivable under longer term incentive schemes, of the highest paid director amounted to £182,644 (2003 - £173,093). The highest paid director is a member of a defined benefit scheme under which his accrued annual pension at the year end was £78,781 (2003 - £71,672). The lump sum equivalent of the highest paid director's pension entitlement at the year end was £1,186,879 (2003 - £1,059,965).

All of the directors are members of the Diageo UK pension fund which is a defined benefit scheme.

N C Rose is a director of the ultimate parent undertaking, Diageo plc, and his emoluments were paid by that company and disclosed in its annual report.

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 and 2.



**Notes to the financial statements (continued)**

**6. Disposal of fixed assets**

	<b>Year ended 30 June 2004 £000</b>	<b>Year ended 30 June 2003 £000</b>
Profits on the sale of:		
Property	-	7,305
Other fixed assets	10	47
	<hr/>	<hr/>
	10	7,352
	<hr/>	<hr/>

**7. Net interest receivable**

	<b>Year ended 30 June 2004 £000</b>	<b>Year ended 30 June 2003 £000</b>
Loans from fellow group undertakings	(8)	(6)
Less:		
Interest receivable on loans to fellow group undertakings	2,319	1,714
Other interest receivable	30	39
Interest on corporation tax overpayment	-	930
	<hr/>	<hr/>
	2,341	2,677
	<hr/>	<hr/>

Notes to the financial statements (continued)

8. Taxation

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
<b>(i) Analysis of taxation (charge)/credit for the year</b>		
<b>Current tax</b>		
Adjustment in respect of prior years	(930)	928
Total current tax	(930)	928
<b>Deferred tax</b>		
UK	(5,066)	743
Adjustment in respect of prior years	-	(590)
Total deferred tax	(5,066)	153
Taxation on profit on ordinary activities	(5,996)	1,081

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
<b>(ii) Factors affecting current tax (charge)/credit for the year</b>		
Profit on ordinary activities before taxation	7,851	15,131
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2003 – 30%)	(2,356)	(4,539)
Depreciation in excess of capital allowances	478	(743)
Expenses not deductible for tax purposes	(49)	-
Items not chargeable for tax purposes	3	2,221
Group relief received for nil consideration	1,924	3,061
Adjustment in respect of prior years	(930)	928
Current ordinary tax (charge)/credit for the year	(930)	928

Notes to the financial statements (continued)

9. Dividends

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Equity shares:		
Final dividend proposed	-	13,639

10. Fixed assets – tangible assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets in course of construction £000	Total £000
<b>Cost</b>					
At 30 June 2003	69,746	4,595	20,655	2,055	97,051
Additions	1,083	8	483	1,050	2,624
Disposals	-	-	(100)	-	(100)
Transfers	1,223	-	857	(2,080)	-
At 30 June 2004	72,052	4,603	21,895	1,025	99,575
<b>Depreciation</b>					
At 30 June 2003	2,122	3,129	15,803	-	21,054
Provided during the year	776	234	1,551	-	2,561
Disposals	-	-	(95)	-	(95)
At 30 June 2004	2,898	3,363	17,259	-	23,520
<b>Net book value</b>					
At 30 June 2004	69,154	1,240	4,636	1,025	76,055
At 30 June 2003	67,624	1,466	4,852	2,055	75,997

## Notes to the financial statements (continued)

### 10. Fixed assets – tangible assets (continued)

The total cost or valuation for land and buildings comprises:

	30 June 2004 £000	30 June 2003 £000
At 1992 professional valuation	48,857	48,857
At cost	23,195	20,889
	<u>72,052</u>	<u>69,746</u>

The 1992 valuations were made on an open market existing use basis except for specialised properties which were valued on a depreciated replacement cost basis.

Historical cost figures for land and buildings (i.e. the original cost to the company of all land and buildings) and the related depreciation were:

	30 June 2004 £000	30 June 2003 £000
Historical cost	58,604	56,298
Aggregated depreciation based on historical cost	(2,678)	(2,029)
	<u>55,926</u>	<u>54,269</u>

	30 June 2004 £000	30 June 2003 £000
Freehold	<u>72,052</u>	<u>69,746</u>

Included within the net book value of freehold properties is £9,914,000 (2003 - £9,914,000) in respect of land on which no depreciation is charged.

## Notes to the financial statements (continued)

### 11. Fixed assets – investments

	Subsidiary undertakings £000
Cost at beginning and end of year	16

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

	Country of incorporation	Principal activity	Percentage of shares held
<b>Direct holdings:</b>			
Gleneagles Resort Developments Limited	Scotland	Property development	100%
Equiscot Limited	Scotland	Non trading	100%

The investments in subsidiary undertakings are held at cost less, where appropriate, provision for impairment in value.

*In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.*

### 12. Stocks

	30 June 2004 £000	30 June 2003 £000
Raw materials and consumables	140	197
Finished goods and goods for resale	1,015	910
	<u>1,155</u>	<u>1,107</u>

**Notes to the financial statements (continued)**

**13. Debtors**

	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	1,841	3,049
Amounts owed by fellow group undertakings	325,313	306,556
Other debtors	44	930
Other prepayments and accrued income	34	34
	<hr/>	<hr/>
	327,232	310,569
	<hr/>	<hr/>

All amounts fall due within one year.

**14. Creditors – due within one year**

	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	766	890
Amounts owed to fellow group undertakings	120,624	112,185
Other taxation including social security	370	429
Other creditors	32	211
Ordinary dividend payable	13,639	13,639
Accruals and deferred income	5,351	3,886
	<hr/>	<hr/>
	140,782	131,240
	<hr/>	<hr/>

**Notes to the financial statements (continued)**

**15. Provisions for liabilities and charges**

	<b>Deferred taxation £000</b>
At 30 June 2003	1,313
Profit and loss account	5,066
	<hr/>
At 30 June 2004	6,379
	<hr/> <hr/>

	<b>30 June 2004 £000</b>	<b>30 June 2003 £000</b>
Accelerated depreciation	6,476	1,413
Other timing differences	(97)	(100)
	<hr/>	<hr/>
Deferred tax provision	6,379	1,313
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements (continued)

### 16. Share capital

		30 June 2004 £000	30 June 2003 £000
<i>Authorised:</i>			
Equity	236,659,000 ordinary shares of £1 each	236,659	236,659
		<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>			
Equity	235,709,000 ordinary shares of £1 each	235,709	235,709
		<hr/>	<hr/>

### 17. Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
At 30 June 2003	13,448	7,481	20,929
Retained profit for year	-	1,855	1,855
Realisation of revaluation reserve	(127)	127	-
	<hr/>	<hr/>	<hr/>
At 30 June 2004	13,321	9,463	22,784
	<hr/>	<hr/>	<hr/>

### 18. Reconciliation of movement in equity shareholders' funds

	30 June 2004 £000	30 June 2003 £000
Profit on ordinary activities after taxation	1,855	16,212
Ordinary dividends	-	(13,639)
	<hr/>	<hr/>
<b>Net addition to equity shareholders' funds</b>	1,855	2,573
Equity shareholders' funds at beginning of year	256,638	254,065
	<hr/>	<hr/>
<b>Equity shareholders' funds at end of year</b>	258,493	256,638
	<hr/>	<hr/>



**Notes to the financial statements (continued)**

**19. Commitments**

At 30 June 2004 the company had minimum annual commitments under non-cancellable operating leases as follows:

	<b>30 June 2004</b>	<b>30 June 2003</b>
	<b>Other</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>
<b>Annual payments under leases expiring:</b>		
After five years	5	-
From one to five years	30	-
Within one year	64	-
	<hr/>	<hr/>
	99	-
	<hr/>	<hr/>

**20. 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.