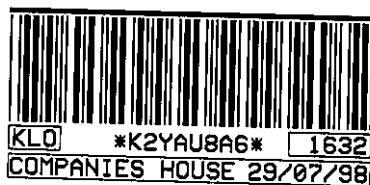


GRAND HOTELS (MAYFAIR) LIMITED

Company No. 79308

FINANCIAL STATEMENTS

30TH SEPTEMBER 1997



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 30th September 1997.

Activities

The company acts as a holding company. The company did not trade during the year under review.

Financial

The directors do not recommend the payment of a dividend (1996 - £nil). The profit for the year transferred to reserves was £nil (1996 - £nil).

Directors

The directors during the year were as follows:

RH Myddelton
BE Wickham

Mr BE Wickham resigned on 27 March 1998. Mrs SM Bunn and Mr MD Peters were appointed directors of the company on 27 March 1998.

None of the directors who held office at the end of the financial year had any interests in the shares of the company.

The directors had the following interests in the shares of Grand Metropolitan PLC, which at the year end was the ultimate holding company (see note 7 to the financial statements):

	Ordinary shares of 25p each		Restricted Share Plan award granted 1 January 1997
	1.10.96	30.9.97	
R H Myddelton	27,952	21,368	18,081
B E Wickham	24,000	28,124	5,000
	Options		
	1.10.96	Granted in year	Exercised in year 30.9.97
R H Myddelton	311,747	1,513	- 313,260
B E Wickham	109,802	-	4,124 105,678

DIRECTORS' REPORT (continued)

Directors (continued)

As a potential beneficiary of the Grand Metropolitan PLC Number 2 Employee Share Trust, Mr RH Myddelton had an interest at 30 September 1997, in 263,794 shares registered in the name of Greenwood Nominees Limited, and 7,949,884 shares which were the subject of call options purchased by the trustees Hill Street Trustees Limited, from SBC Warburg Dillon Read and National Westminster Bank Plc.

As a potential beneficiary of the Grand Metropolitan PLC Number 1 Employee Share Trust, BE Wickham had an interest at 30 September 1997 in 251,818 shares registered in the name of Greenwood Nominees Limited, and 33,256,768 shares which were the subject of call options purchased by the trustees Maurant and Co Trustees Limited from SBC Warburg Dillon Read and National Westminster Bank Plc.

The mid-market price of Grand Metropolitan PLC shares fluctuated between 428.5p and 625.5p during the year. The mid-market share price on 30 September 1997 was 592p.

The above options were held under Grand Metropolitan PLC share option schemes, at prices between 314p and 474p per share exercisable by 2006. A full explanation of the Restricted Share Plan is given in the annual report and accounts of Grand Metropolitan PLC.

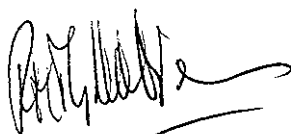
Secretary

Mrs SM Bunn resigned as Secretary of the company on 1 June 1998 and Mrs V Lynch was appointed in her place.

Auditor

The company having been dormant within the meaning of section 250 of the Companies Act 1985 during the financial year, a special resolution exempting the company from the obligation to appoint an auditor will be submitted to the forthcoming AGM.

By order of the board



RH Myddelton
Director
30 June 1998

8 Henrietta Place
London
W1M 9AG

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditor set out on page 4, 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 as at the end of the financial year and of the profit or loss for the financial year.

The directors, in preparing the financial statements on pages 5 to 8, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed.

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 as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, have requested the auditor to take whatever steps and undertake whatever inspections it considers to be appropriate for the purpose of enabling it to give an audit report.

**REPORT OF THE AUDITOR
TO THE MEMBERS OF GRAND HOTELS (MAYFAIR) LIMITED**

We have audited the financial statements on pages 5 to 8.

Respective responsibilities of the directors and auditor

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

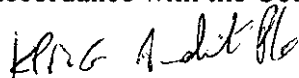
Basis of Opinion

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 September 1997 and have been properly prepared in accordance with the Companies Act 1985.

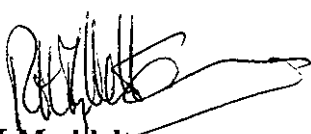


KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
30 June 1998

BALANCE SHEET AS AT 30TH SEPTEMBER 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	3	120,003	120,003
Current assets			
Debtors	4	28,022,961	28,022,961
Creditors - amounts falling due within one year	5	<u>(6,468,944)</u>	<u>(6,468,944)</u>
Net current assets		21,554,017	21,554,017
		<u>21,674,020</u>	<u>21,674,020</u>
Capital and reserves			
Called up share capital	6	1,420,639	1,420,639
Share premium account		763,184	763,184
Profit and loss account	2	<u>19,490,197</u>	<u>19,490,197</u>
		<u>21,674,020</u>	<u>21,674,020</u>

These financial statements were approved by the Board of Directors on 30 June 1998 and were signed on its behalf by:



RH Myddelton
Director

The attached notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies**

The financial statements have been prepared under the historical cost convention and comply with applicable UK accounting standards.

Fixed asset investments are stated individually at cost less, where appropriate, provision for diminution in value where such diminution is expected by the directors to be permanent.

2. Profit and Loss Account

There were no profits or losses nor any recognised gains or losses in this or the previous period. Accordingly neither a profit and loss account, a statement of total recognised gains and losses, a note of historical cost profits and losses, nor a reconciliation of movements in shareholders' funds have been presented.

3. Investments

	Ordinary shares in subsidiary undertakings £
Cost:	
At beginning and end of year	<u>2,992,314</u>
Provisions:	
At beginning and end of year	<u>2,872,311</u>
Net book value	
30th September 1997	<u>120,003</u>
30th September 1996	<u>120,003</u>

The subsidiary undertakings, all of which are non-trading, registered in England and Wales and wholly owned, are:

Forum Hotels International Limited
Belfast Europa Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)**3. Investments (continued)**

Group financial statements are not submitted as the company was a wholly owned subsidiary undertaking of Grand Metropolitan PLC, a company registered in England and Wales. On 17 December 1997 Grand Metropolitan PLC merged with Guinness PLC to form Diageo plc, which as a result, became the ultimate parent undertaking of the company. In the opinion of the directors, the investments in and amounts due from the company's subsidiary undertakings are worth at least the values at which they are stated in the financial statements.

4. Debtors: due within one year

	1997 £	1996 £
Amounts owed by parent company and fellow subsidiaries	27,973,217	27,973,217
Taxation recoverable	<u>49,744</u>	<u>49,744</u>
	<u>28,022,961</u>	<u>28,022,961</u>

5. Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	13,545	13,545
Amounts owed to group undertakings:		
Own subsidiaries	6,439,537	6,439,537
Other creditors	<u>15,862</u>	<u>15,862</u>
	<u>6,468,944</u>	<u>6,468,944</u>

6. Called up share capital

	1997 £	1996 £
Authorised		
10,000,000 Ordinary shares of 20p each	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
7,103,194 Ordinary shares of 20p each	<u>1,420,639</u>	<u>1,420,639</u>

Ordinary shares are entitled to one vote per share.

7. Ultimate parent undertaking

The company is a wholly owned subsidiary of Grand Metropolitan Public Limited Company ('Grand Metropolitan'). Grand Metropolitan is incorporated and registered in England. A copy of the financial statements of Grand Metropolitan can be obtained from 8 Henrietta Place, London W1M 9AG.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Ultimate parent undertaking (continued)

On 17 December 1997 Grand Metropolitan merged with Guinness PLC to form Diageo plc, which as a result, became the ultimate parent undertaking of the company. The merger was effected by a Scheme of Arrangement under the terms of which for each ordinary share of 25 pence held in Grand Metropolitan, shareholders received one ordinary share of 25 pence in Guinness PLC (which was renamed Diageo plc) and each Grand Metropolitan ordinary share was cancelled.

Diageo is a company incorporated and registered in England and its accounting period end will be 30 June. The first consolidated accounts of Diageo plc will be for the eighteen month period ending 30 June 1998, and will be obtainable from the address shown above.