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SEAGRAM UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS

The directors of Seagram United Kingdom Limited submit their annual report and the financial statements of the Company for the year ended 30 June 1997.

REVIEW OF THE BUSINESS

The principal activity of the Company during the year was the sale of spirits and wine.

The market in the United Kingdom remains intensely competitive but the actions taken in previous years to restructure the Company's operations to make the business more competitive, responsive and cost-efficient have been successful and a substantial increase in operating profit was achieved in 1997.

RESULTS AND DIVIDENDS

The results of the Company for the year are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (1996 - £nil) and an amount of £2,151,000 (1996 - loss of £6,971,000) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

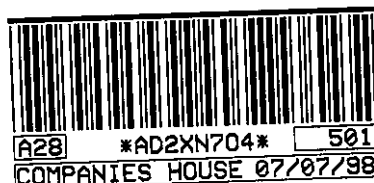
The directors of the Company who served during the year and to the date of this report were as follows:

M J Frost	-	appointed 1 January 1997
I M Harris	-	appointed 1 July 1997
G A Hessey	-	resigned 30 June 1997
J E Malcolm		
B H Morrison	-	appointed 6 August 1996; resigned 30 June 1997
J P Mullen	-	resigned 6 August 1996; reappointed 1 July 1997
G Parmiter	-	resigned 31 December 1996
RJ Ratcliffe	-	appointed 1 January 1997
T M T Wallis	-	appointed 1 July 1997

None of the directors at the end of the year had any beneficial interest in the share capital of the Company, or any other group company, either at the beginning of the year, or date of appointment if later, or at the end of the year.

INSURANCE ARRANGEMENTS

The ultimate parent undertaking has provided liability insurance cover for directors and officers of that company and all of its subsidiary undertakings.



SEAGRAM UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS (*continued*)

FIXED ASSETS

Details of the movements of tangible fixed assets are shown in Note 7 to the financial statements. During the year the Company's fixed assets were transferred to its parent company.

SUPPLIERS

The Company establishes trading terms, including payment terms, with each supplier either at the time an order is placed or from previously agreed practice with the supplier. The average period of credit taken by the Company was 45 days. The Company reviews its arrangements with suppliers on a regular basis.

FUTURE DEVELOPMENTS

The Company will continue to progress the development of new and existing products in strategic areas of the United Kingdom liquor market with the overall intention of increasing its profitability and enhancing its return on assets.

EMPLOYEES

The Company is firmly committed to the involvement of employees in the business through a policy of communication and consultation. The Company's policy for training and career development is to give full and fair consideration to any suitable person, including disabled persons, for all vacancies and opportunities.

AUDITORS

In pursuance of Section 386 of the Companies Act 1985 the auditors, Price Waterhouse, are deemed to be re-appointed for the next financial year.

By Order of the Board


J E Malcolm
Secretary

28 April 1996

Registered Office:
The Ark
201 Talgarth Road
London W6 8BN

SEAGRAM UNITED KINGDOM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Price Waterhouse



SEAGRAM UNITED KINGDOM LIMITED

AUDITORS' REPORT TO THE MEMBERS OF SEAGRAM UNITED KINGDOM LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the 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 June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

28 April 1998

SEAGRAM UNITED KINGDOM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	Notes	Year ended 30 June 1997 £'000	17 months ended 30 June 1996 £'000
TURNOVER	2	140,518	181,527
Cost of sales		<u>(125,311)</u>	<u>(162,144)</u>
GROSS PROFIT		15,207	19,383
Distribution costs		(12,904)	(20,260)
Administrative costs		(2,364)	(8,344)
Other operating income		<u>2,212</u>	<u>2,250</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	2,151	(6,971)
Tax on profit/(loss) on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		2,151	(6,971)
Balance brought forward		<u>4,668</u>	<u>11,639</u>
BALANCE CARRIED FORWARD		<u>6,819</u>	<u>4,668</u>

The Company has no recognised gains or losses other than its profit/(loss) shown for each financial period.

SEAGRAM UNITED KINGDOM LIMITED

BALANCE SHEET AS AT 30 JUNE 1997

	Notes	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	7	-	1,322
CURRENT ASSETS			
Stocks	8	11,341	9,443
Debtors	9	73,073	80,276
Cash at bank and in hand	10	3,592	1,371
CREDITORS - Amounts falling due within one year	11	88,006 (37,142)	91,090 (43,699)
NET CURRENT ASSETS		50,864	47,391
NET ASSETS		50,864	48,713
CAPITAL AND RESERVES - EQUITY			
Called up share capital	13	41,000	41,000
Share premium account		3,045	3,045
Profit and loss account		6,819	4,668
SHAREHOLDERS' FUNDS - EQUITY	14	50,864	48,713

Approved by the Board on 28 April 1998



J P Mullen, Director

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

No cash flow statement is presented by the Company since it is a wholly owned subsidiary within The Seagram Company Ltd. group and its results are included within consolidated accounts of the group which are publicly available.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Tangible fixed assets are depreciated so as to write off their cost less estimated residual value on a straight line basis over their estimated useful lives.

Stocks

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

Deferred taxation

Deferred taxation on timing differences between profits computed for taxation purposes and profits as stated in the financial statements is provided only where there is reasonable evidence that it will become payable within the foreseeable future.

Foreign currencies

Transactions denominated in foreign currency are translated into sterling at the exchange rate at the date of the transactions and exchange differences arising on settlement are dealt with in the profit and loss account. Amounts receivable or payable in foreign currency have been translated into sterling at the exchange rate ruling at the balance sheet date and differences on exchange included in the profit and loss account.

Leases

The costs of operating leases are charged to the profit and loss account over the term of the lease.

Pensions

The Company charges the cost of providing pension benefits against profits so that the charge represents a substantially level percentage of the current and expected future pensionable payroll over the average expected service lives of employees.

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 (*continued*)

2 TURNOVER

Turnover represents the aggregate amount receivable in respect of goods and services sold, including excise duty, but excluding value added tax. Turnover originated from the United Kingdom and the geographical analysis of turnover, by destination, is given below:

	Year ended 30 June 1997 £'000	17 months ended 30 June 1996 £'000
United Kingdom	91,376	115,557
Europe	6,590	9,488
Asia and Africa	3,677	4,945
Other areas	420	563
	<u>102,063</u>	<u>130,553</u>
Duty	<u>38,455</u>	<u>50,974</u>
	<u>140,518</u>	<u>181,527</u>

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 June 1997 £'000	17 months ended 30 June 1996 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	571	1,254
Operating leases - land and buildings	1,229	1,858
Rents receivable	(415)	(543)
Lease rental charged to parent company	(821)	-
Reorganisation costs	722	3,193
Auditors' remuneration in respect of audit services	33	35
Fees paid to the auditors for other services to the Company	10	22
Gain on disposal of tangible fixed assets	(91)	(142)

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 *(continued)*

4 DIRECTORS' EMOLUMENTS

	Year ended 30 June 1997 £'000	17 months ended 30 June 1996 £'000
Aggregate emoluments	292	527
Compensation for loss of office	<u>756</u>	<u>-</u>

During the year, none of the directors exercised share options (1996 - 2).

Retirement benefits under the group's defined benefit pension scheme in the United Kingdom are accruing to all 5 directors (1996 - 5) who receive remuneration in respect of their services to the Company.

The remuneration of the highest paid director was as follows:

Highest paid director	Year ended 30 June 1997 £'000	17 months ended 30 June 1996 £'000
Aggregate emoluments and gains on share options	127	195
Accrued pension per annum at end of year from defined benefit pension scheme	<u>55</u>	<u>52</u>

5 EMPLOYEES

	Year ended 30 June 1997 Number	17 months ended 30 June 1996 Number
The average weekly number of persons employed by the Company during the year was as follows:		
United Kingdom	<u>110</u>	<u>176</u>
Staff costs amounted to	£'000	£'000
Wages and salaries	2,925	6,470
Social security costs	243	600
Pension costs (Note 15)	<u>324</u>	<u>354</u>
	<u>3,492</u>	<u>7,424</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 *(continued)*

6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 30 June 1997 £'000	17 months ended 30 June 1996 £'000
The taxation charge comprises:		
UK corporation tax on profit/(loss) for the year at 32.5% (1996 - 33%)	891	(1,957)
Group relief surrendered (from)/to other group companies for nil consideration	<u>(891)</u>	<u>1,957</u>
	<u>-</u>	<u>-</u>

7 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Total £'000
COST			
At 1 July 1996	10	2,690	2,700
Additions	-	1,454	1,454
Disposals	-	(1,133)	(1,133)
Transfers to group undertakings	<u>(10)</u>	<u>(3,011)</u>	<u>(3,021)</u>
At 30 June 1997	<u>-</u>	<u>-</u>	<u>-</u>
DEPRECIATION			
At 1 July 1996	-	1,378	1,378
Charge for the year	-	571	571
Disposals	-	(641)	(641)
Transfers to group undertakings	<u>-</u>	<u>(1,308)</u>	<u>(1,308)</u>
At 30 June 1997	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK AMOUNT			
30 June 1997	<u>-</u>	<u>-</u>	<u>-</u>
NET BOOK AMOUNT			
30 June 1996	<u>10</u>	<u>1,312</u>	<u>1,322</u>

The net book amount of land and buildings in 1996 comprised heritable or freehold property.

The depreciation rates are arrived at using estimated useful lives of between 4 and 20 years for plant and machinery.

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 (*continued*)

8 STOCKS

	1997 £'000	1996 £'000
Raw materials and consumables	38	20
Finished goods and goods for resale	11,303	9,423
	<u>11,341</u>	<u>9,443</u>

9 DEBTORS

	1997 £'000	1996 £'000
Trade debtors	16,576	16,156
Amounts owed by group undertakings	54,776	61,997
Other debtors	1,005	703
Prepayments and accrued income	716	1,420
	<u>73,073</u>	<u>80,276</u>

10 CASH AT BANK AND IN HAND

Under the group's financing arrangements, the Company's bank accounts are part of group pooling arrangements and are offset against balances within other group companies in the United Kingdom. As a result of these arrangements the Company neither pays nor receives bank interest.

11 CREDITORS - Amounts falling due within one year

	1997 £'000	1996 £'000
Bank overdrafts	-	2,118
Trade creditors	5,286	6,172
Other creditors	1,883	4,762
Amounts owed to group undertakings	12,732	14,782
Payroll taxation and social security	384	530
Accruals and deferred income	16,857	15,335
	<u>37,142</u>	<u>43,699</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 *(continued)*

12 DEFERRED TAXATION

No provision for deferred taxation is recorded in the financial statements (1996 - £Nil). The total estimated benefit from deferred taxation, using an estimated corporation tax rate of 31% (1996 - 33%), may be analysed as follows:

	1997 £'000	1996 £'000
Accelerated writing down allowances on capital expenditure	-	(79)
Chargeable gains rolled over	-	(357)
Other timing differences	523	630
	<u>523</u>	<u>194</u>

13 CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised:		
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted and fully paid:		
Ordinary shares of £1 each	<u>41,000</u>	<u>41,000</u>

14 SHAREHOLDERS' FUNDS

The movement in shareholders' funds is attributable to the retained profit/(loss) for the period reported on page 5 of the financial statements.

15 PENSION OBLIGATIONS

The Company contributes to a group pension scheme of a defined benefit nature in order to provide retirement benefits for its employees. Further details of the scheme, including particulars of the latest actuarial valuation, are contained in the financial statements of Seagram Distillers PLC, the immediate parent undertaking.

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 (*continued*)

16 COMMITMENTS IN RESPECT OF OPERATING LEASES

The Company has the following commitments in respect of operating leases due to expire in the undernoted years from the balance sheet date:

	Land and buildings			Other
	Year ending 30 June 1998	Year ending 30 June 1997	Year ending 30 June 1998	Year ending 30 June 1997
	£'000	£'000	£'000	£'000
Within one year	-	48	-	-
Between one and five years	-	-	-	108
After five years	1,181	1,153	-	-
	<u>1,181</u>	<u>1,201</u>	<u>-</u>	<u>108</u>

17 SECURITY

A first floating charge exists over the entire property and undertaking of the Company as security for £50 million 12^{3/8} per cent Debenture Stock 2012 issued by Seagram Distillers PLC, the immediate parent undertaking.

18 RELATED PARTIES

As a wholly owned subsidiary of The Seagram Company Ltd., a company listed on the New York Stock Exchange, the company has taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose related party transactions, with other group companies.

19 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is The Seagram Company Ltd., a company incorporated in Canada. Copies of its annual report may be obtained from 111/113 Renfrew Road, Paisley, Scotland, PA3 4DY.

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