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SEAGRAM UNITED KINGDOM LIMITED
(Registered Number 560661)

ANNUAL REPORT AND ACCOUNTS

30 JUNE 1998



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 1998.

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 1998.

On 8 June 1998 the Company acquired the entire share capital of Oddbins Limited as part of a reorganisation within the Seagram Distillers PLC group. The principal activity of Oddbins Limited is to operate as specialist wine merchants.

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 (1997 - £nil) and an amount of £5,259,000 (1997 - £2,151,000) 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		
I M Harris	-	appointed 1 July 1997
J E Malcolm		
J P Mullen	-	appointed 1 July 1997; resigned 27 July 1998
RJ Ratcliffe		
T M T Wallis	-	appointed 1 July 1997
G P Wyatt	-	appointed 27 July 1998

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 or end of the year.

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 38 days (1997 - 45 days). The Company reviews its arrangements with suppliers on a regular basis.

SEAGRAM UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS (*continued*)

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.

YEAR 2000

The Seagram Company Ltd. world-wide group has a comprehensive programme to address Year 2000 readiness in the internal systems of all its affiliates and with its customers and suppliers. This programme addresses the most critical internal systems first and targets to have them Year 2000 compliant by 1 July 1999. These activities are intended to encompass all major categories of information technology and non-information technology systems in use by the Company. The costs of the Year 2000 readiness programme, which will be written off to the profit and loss account when incurred, are expected to be minimal.

AUDITORS

PricewaterhouseCoopers were appointed to fill the casual vacancy which arose on the resignation of Price Waterhouse consequent to its merger with Coopers & Lybrand. In pursuance of Section 386 of the Companies Act 1985 the auditors, PricewaterhouseCoopers, are deemed to be appointed for the next financial year.

By Order of the Board


J E Malcolm
Secretary

16 March 1999

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.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Glasgow

16 March 1999

SEAGRAM UNITED KINGDOM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

	Notes	1998 £'000	1997 £'000
TURNOVER	2	148,666	140,518
Cost of sales		<u>(127,190)</u>	<u>(125,311)</u>
GROSS PROFIT		21,476	15,207
Distribution costs		(13,193)	(12,904)
Administrative costs		(3,024)	(2,364)
Other operating income		<u>-</u>	<u>2,212</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	5,259	2,151
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		5,259	2,151
Balance brought forward		<u>6,819</u>	<u>4,668</u>
BALANCE CARRIED FORWARD		<u>12,078</u>	<u>6,819</u>

The Company has no recognised gains or losses other than its profit for both financial years.

SEAGRAM UNITED KINGDOM LIMITED

BALANCE SHEET AS AT 30 JUNE 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Investments	7	<u>5,283</u>	<u>-</u>
CURRENT ASSETS			
Stocks	8	9,788	11,341
Debtors	9	75,970	73,073
Cash at bank and in hand	10	<u>1,464</u>	<u>3,592</u>
		87,222	88,006
CREDITORS - Amounts falling due within one year	11	<u>(31,099)</u>	<u>(37,142)</u>
NET CURRENT ASSETS		<u>56,123</u>	<u>50,864</u>
NET ASSETS		<u>61,406</u>	<u>50,864</u>
CAPITAL AND RESERVES - EQUITY			
Called up share capital	13	46,283	41,000
Share premium account		3,045	3,045
Profit and loss account		<u>12,078</u>	<u>6,819</u>
SHAREHOLDERS' FUNDS - EQUITY	14	<u>61,406</u>	<u>50,864</u>

Approved by the Board on 16 March 1999



G P Wyatt, Director

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1998

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.

Fixed asset investments

Investments are stated at cost. Income from such investments is included in the financial statements to the extent of dividends received.

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 1998 *(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:

	1998 £'000	1997 £'000
United Kingdom	96,850	91,376
Europe	6,896	6,590
Asia and Africa	4,205	3,677
Other areas	412	420
	<u>108,363</u>	<u>102,063</u>
Duty	40,303	38,455
	<u>148,666</u>	<u>140,518</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	-	571
Operating leases - land and buildings	1,181	1,229
Rents receivable	(416)	(415)
Lease rental charged to parent company	(773)	(821)
Reorganisation costs	153	722
Auditors' remuneration in respect of audit services	31	33
Fees paid to Price Waterhouse for other services to the Company	7	10
Gain on disposal of tangible fixed assets	-	(91)

SEAGRAM UNITED KINGDOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1998 (continued)****4 DIRECTORS' EMOLUMENTS**

	1998 £'000	1997 £'000
Aggregate emoluments	264	292
Compensation for loss of office	-	756

During the year none of the directors who received remuneration in respect of their services to the Company exercised share options (1997 - £nil).

Retirement benefits under the group's defined benefit pension scheme in the United Kingdom are accruing to all three directors (1997- five) who received remuneration in respect of their services to the Company during the year.

The remuneration of the highest paid director was as follows:

Highest paid director	1998 £'000	1997 £'000
Aggregate emoluments	124	127
Accrued pension per annum at end of year from defined benefit pension scheme	25	55

5 EMPLOYEES

	1998 Number	1997 Number
The average weekly number of persons employed by the Company during the year was as follows:		
United Kingdom	104	110
Staff costs amounted to	£'000	£'000
Wages and salaries	2,760	2,925
Social security costs	244	243
Pension costs (Note 15)	425	324
	3,429	3,492

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1998 *(continued)*

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
The taxation charge comprises:		
UK corporation tax on profit for the year at 31% (1997 - 32.5%)	1,456	891
Group relief surrendered from other group companies for nil consideration	<u>(1,456)</u>	<u>(891)</u>
	<u>-</u>	<u>-</u>

7 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £'000
At 1 July 1997	-
Addition	<u>5,283</u>
At 30 June 1998	<u>5,283</u>

During the year the Company acquired the entire issued share capital of Oddbins Limited from Seagram Distillers PLC, its immediate parent undertaking. The principal activity of Oddbins Limited, which is incorporated in Great Britain, is to operate as specialist wine merchants.

Group financial statements have not been prepared as permitted under Section 228 of the Companies Act 1985 as the Company is a wholly owned subsidiary of Seagram Distillers PLC, a company incorporated in Great Britain.

In the opinion of the directors the value of the investment in subsidiary undertakings is not less than the aggregate amount shown in the balance sheet at 30 June 1998.

8 STOCKS

	1998 £'000	1997 £'000
Raw materials and consumables	28	38
Finished goods and goods for resale	<u>9,760</u>	<u>11,303</u>
	<u>9,788</u>	<u>11,341</u>

SEAGRAM UNITED KINGDOM LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1998 (continued)****9 DEBTORS**

	1998 £'000	1997 £'000
Trade debtors	16,891	16,576
Amounts owed by group undertakings	57,392	54,776
Other debtors	1,220	1,005
Prepayments and accrued income	467	716
	<u>75,970</u>	<u>73,073</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

	1998 £'000	1997 £'000
Trade creditors	1,054	5,286
Other creditors	3,830	1,883
Amounts owed to group undertakings	18,550	12,732
Payroll taxation and social security	394	384
Accruals and deferred income	7,271	16,857
	<u>31,099</u>	<u>37,142</u>

12 DEFERRED TAXATION

No provision for deferred taxation is recorded in the financial statements (1997 - £Nil). The total estimated benefit from deferred taxation, using an estimated corporation tax rate of 30% (1997 - 31%), may be analysed as follows:

	1998 £'000	1997 £'000
Other timing differences	<u>260</u>	<u>523</u>

13 CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'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>46,283</u>	<u>41,000</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1998 (*continued*)

13 CALLED UP SHARE CAPITAL (*continued*)

On 8 June 1998 5,283,347 ordinary shares of £1 each were allotted at par to Seagram Distillers PLC, the immediate parent undertaking, in consideration for the acquisition of the entire share capital of Oddbins Limited.

14 SHAREHOLDERS' FUNDS - EQUITY

	1998 £'000	1997 £'000
Profit for the financial year retained	5,259	2,151
Proceeds from allotment of shares	5,283	-
Net increase in shareholders' funds	10,542	2,151
Opening shareholders' funds	50,864	48,713
Closing shareholders' funds	61,406	50,864

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.

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	
	1999 £'000	1998 £'000
After five years	1,181	1,181

17 SECURITY

A first floating charge exists over the entire property and undertaking of the Company as security for £50 million 12³/₈ 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.

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1998 (*continued*)

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.