

SEAGRAM UNITED KINGDOM LIMITED
(Registered Number 560661)

ANNUAL REPORT AND ACCOUNTS

30 JUNE 1999



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 1999.

REVIEW OF THE BUSINESS

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

Despite the market in the United Kingdom remaining intensely competitive, an increase in sales volume was achieved which resulted in an increase in both turnover and operating profit.

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 (1998 - £nil) and an amount of £6,510,000 (1998 - £5,259,000) 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	-	resigned 30 June 1999
I M Harris	-	
J E Malcolm		
J P Mullen	-	resigned 27 July 1998
RJ Ratcliffe		
T M T Wallis	-	
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 in the United Kingdom either at the beginning of the year, or at the date of appointment if later, or at the 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 25 days (1998 - 38 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.

SEAGRAM UNITED KINGDOM LIMITED

REPORT OF THE DIRECTORS *(continued)*

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 Company has experienced little disruption since the turn of the year arising from its own computer systems or equipment with embedded date-reliant computer chips.

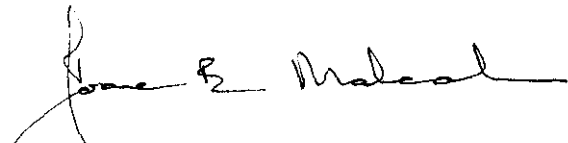
The lack of disruption from the Company's own systems and equipment is attributed to the analysis of risks carried out in prior periods to determine the impact of the year 2000 problem on our activities; and the consequential modifications to, or replacement of, hardware or software suspected of harbouring the faulty date-reliant software or computer chips carried out in prior periods.

The costs associated with the Year 2000 readiness programme, which were written off to the profit and loss account when incurred, were minimal.

AUDITORS

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

By Order of the Board



J E Malcolm
Secretary

15 March 2000

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 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 at 30 June 1999 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

15 March 2000

SEAGRAM UNITED KINGDOM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

	Notes	1999 £'000	1998 £'000
TURNOVER	2	164,778	147,690
Cost of sales		<u>(140,671)</u>	<u>(126,214)</u>
GROSS PROFIT		24,107	21,476
Distribution costs		(13,406)	(13,193)
Administrative costs		<u>(4,204)</u>	<u>(3,024)</u>
OPERATING PROFIT		6,497	5,259
Interest receivable from fellow subsidiary undertakings		13	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>6,510</u>	<u>5,259</u>
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		6,510	5,259
Balance brought forward		<u>12,078</u>	<u>6,819</u>
BALANCE CARRIED FORWARD		<u>18,588</u>	<u>12,078</u>

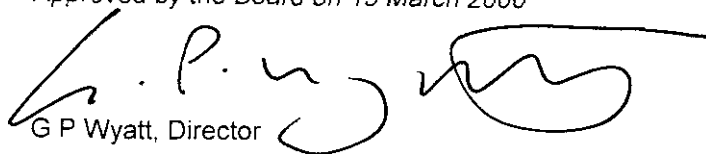
The Company has no recognised gains or losses other than its profit for both financial years.

SEAGRAM UNITED KINGDOM LIMITED

BALANCE SHEET AS AT 30 JUNE 1999

	Notes	1999 £'000	1998 £'000
FIXED ASSETS			
Investments	7	<u>5,283</u>	<u>5,283</u>
CURRENT ASSETS			
Stocks	8	9,841	9,788
Debtors	9	84,904	75,970
Cash at bank and in hand	10	<u>3,626</u>	<u>1,464</u>
CREDITORS - Amounts falling due within one year	11	<u>98,371 (35,738)</u>	<u>87,222 (31,099)</u>
NET CURRENT ASSETS		<u>62,633</u>	<u>56,123</u>
NET ASSETS		<u>67,916</u>	<u>61,406</u>
CAPITAL AND RESERVES - EQUITY			
Called up share capital	13	46,283	46,283
Share premium account		3,045	3,045
Profit and loss account		<u>18,588</u>	<u>12,078</u>
SHAREHOLDERS' FUNDS - EQUITY	14	<u>67,916</u>	<u>61,406</u>

Approved by the Board on 15 March 2000


G P Wyatt, Director

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999

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 1999 *(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:

	1999 £'000	1998 £'000
United Kingdom	107,321	95,874
Europe	7,516	6,896
Asia and Africa	3,635	4,205
Other areas	502	412
	<u>118,974</u>	<u>107,387</u>
Duty	<u>45,804</u>	<u>40,303</u>
	<u>164,778</u>	<u>147,690</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Operating leases - land and buildings	1,181	1,181
Rents receivable	(827)	(416)
Lease rental charged to parent company	(362)	(773)
Auditors' remuneration in respect of audit services	31	31
Fees paid to auditors for other services to the Company	<u>8</u>	<u>7</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (*continued*)

4 DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Aggregate emoluments	<u>420</u>	<u>264</u>

Of the directors who received remuneration in respect of their services to the Company only one exercised share options during the year (1998 - nil).

Retirement benefits under the group's defined benefit pension scheme in the United Kingdom are accruing to all four directors (1998 - three) 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	1999 £'000	1998 £'000
Aggregate emoluments	166	124
Aggregate gains made on the exercise of share options	7	-
Accrued pension per annum at end of year from defined benefit pension scheme	<u>32</u>	<u>25</u>

5 EMPLOYEES

	1999 Number	1998 Number
The average weekly number of persons employed by the Company during the year was as follows:		
United Kingdom	<u>107</u>	<u>104</u>
Staff costs amounted to	£'000	£'000
Wages and salaries	3,051	2,760
Social security costs	273	244
Pension costs (Note 15)	<u>599</u>	<u>425</u>
	<u>3,923</u>	<u>3,429</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (*continued*)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
The taxation charge comprises:		
UK corporation tax on profit for the year at 30.75% (1998 – 31%)	2,009	1,456
Group relief surrendered from other group companies for nil consideration	<u>(2,009)</u>	<u>(1,456)</u>
	<u>-</u>	<u>-</u>

7 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertaking £'000
At 1 July 1998 and 30 June 1999	<u>5,283</u>

The shares in a subsidiary undertaking represent the Company's holding in the entire issued share capital, both ordinary shares (equity) and deferred ordinary (non-equity), of Oddbins Limited, a company which operates as a specialist wine merchant and is incorporated in Great Britain.

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 1999.

8 STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	28	28
Finished goods and goods for resale	<u>9,813</u>	<u>9,760</u>
	<u>9,841</u>	<u>9,788</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 *(continued)*

9 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	30,199	16,891
Amounts owed by group undertakings	53,569	57,392
Other debtors	756	1,220
Prepayments and accrued income	380	467
	<u>84,904</u>	<u>75,970</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

	1999 £'000	1998 £'000
Trade creditors	3,128	1,054
Other creditors	3,473	3,830
Amounts owed to group undertakings	21,210	18,550
Payroll taxation and social security	409	394
Accruals and deferred income	7,518	7,271
	<u>35,738</u>	<u>31,099</u>

12 DEFERRED TAXATION

No provision for deferred taxation is recorded in the financial statements (1998 - £Nil). The total estimated benefit from deferred taxation, using an estimated corporation tax rate of 30% (1998 - 30%), may be analysed as follows:

	1999 £'000	1998 £'000
Other timing differences	<u>347</u>	<u>260</u>

13 CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'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>46,283</u>

SEAGRAM UNITED KINGDOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1999 (*continued*)

14 SHAREHOLDERS' FUNDS - EQUITY

	1999 £'000	1998 £'000
Profit for the financial year retained	6,510	5,259
Proceeds from allotment of shares	-	5,283
Net increase in shareholders' funds	6,510	10,542
Opening shareholders' funds	61,406	50,864
Closing shareholders' funds	67,916	61,406

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 for the year ending 30 June 2000 in respect of operating leases due to expire in the undernoted years from the balance sheet date:

	Land and buildings	
	2000 £'000	1999 £'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.

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.