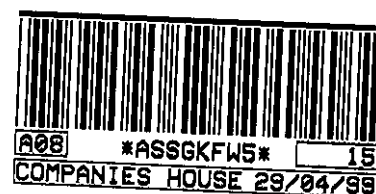


G. W. ARCHER & COMPANY LIMITED

FINANCIAL STATEMENTS

9 MONTHS ENDED 30 JUNE 1998

Registered Company No. 1934811



G. W. ARCHER & COMPANY LIMITED

DIRECTORS' REPORT for the 9 Months Ended 30 June 1998

The directors have pleasure in submitting their report, together with the financial statements, for the nine months ended 30 June 1998. On 17 December 1997 Grand Metropolitan Public Limited Company merged with Guinness PLC to form Diageo plc, as a result of which, Diageo plc became the ultimate parent of the company.

Activities

The company did not trade during the year.

Dividend

The directors do not recommend the payment of a dividend.(1997:£Nil)

Financial

The financial year end of the company has been changed to 30 June from 30 September, and the results for the period shown on page 4 are for the nine months from 1 October 1997 to 30 June 1998.

Year 2000

In the opinion of the directors there are no risks or uncertainties with the Year 2000 problem due to the company's dormant status.

Directors

The directors who served during the period were as follows:-

J J Corbett
N C Rose
G Williams

Subsequent to the period end G Williams resigned as a director on 1 February 1999 and P R Somers was appointed in his place on the same date.

Emoluments

None of the directors received any remuneration during the period in respect of their services as directors of the company (1997:£nil).

Directors' Interests

No directors had any interest, beneficial or non-beneficial, in the share capital of the company or had a material interest during the period in any significant contract with the company.

G. W. ARCHER & COMPANY LIMITED

DIRECTORS' REPORT for the 9 Months Ended 30 June 1998

Directors' Interests (continued)

On 2 February 1998 the company's ultimate parent company, Diageo plc, made a capital repayment to shareholders equivalent to 70 pence per Diageo plc ordinary share, which took the form of the issue of 560 million redeemable B shares and the consolidation of existing shares from 4,117 million 25 pence ordinary shares to 3,557 million 28 ¹⁰¹/₁₀₈ pence ordinary shares. For every 1,000 existing ordinary shares shareholders received 864 consolidated ordinary shares and 136 B shares. On 30 June 1998, 540 million B shares had been redeemed. On 1 August 1998, the company converted the 18 million then remaining B shares into 12 million ordinary shares at a price of 725 pence per share.

The directors who held office at the end of the financial period had the following beneficial interests in the shares of the ultimate parent company, Diageo plc:-

Shares and Awards over ordinary shares

Name of Director	Ordinary shares of 25p each	Ordinary shares of 28 101/108p	B shares	RSP Awards*	
	1.10.97	30.6.98	30.6.98	1.10.97	30.6.98
J J Corbett	1,367	1,380	-	5,000	5,000
N C Rose	4,135	3,572	-	19,550	19,550
G Williams**	12,750	11,062	-	16,750	16,750

Options

Name of Director	1.10.97	Granted during period	Exercised during period	30.6.98
J J Corbett	88,800	-	23,997	64,803
N C Rose	176,320	-	-	176,320
G Williams	164,647	-	46,154	118,493

The directors held the above options under Grand Metropolitan PLC and Diageo plc share option schemes at prices between 314p and 474p per share exercisable by 2006. No options lapsed and no awards vested during the period.

The mid-market share price of Grand Metropolitan PLC/Diageo plc shares fluctuated between 535p and 762.5p per share during the period. The mid-market share price on 30 June 1998 was 711p.

N C Rose and G Williams had an interest in 4,975,416 shares and J J Corbett and G Williams had an interest in 10,878,743 shares subject to call options held by trusts to satisfy grants made under the various Grand Metropolitan PLC share option schemes existing prior to the merger.

G. W. ARCHER & COMPANY LIMITED

DIRECTORS' REPORT for the 9 Months Ended 30 June 1998

Directors' Interests (continued)

Notes

*** The Grand Metropolitan Restricted Share Plan (RSP).** In 1997, Grand Metropolitan shares or ADSs were conditionally awarded to executives, with eventual release dependent on the performance of Grand Metropolitan PLC's TSR compared with the TSR of the other FTSE 100 companies, over a minimum of three years. The allocation for UK executives was up to 100% of base salary, and for US executives up to 130% of base salary, using the average share price for the calendar year prior to the date of the award. Following the merger, these awards have been converted to Diageo shares, and their release to participants will depend on the ranking of Diageo's TSR at the end of three years after date of grant. If the company is ranked in the top 20% of selected companies, the maximum number of shares will be released; if it is ranked below the 50th percentile, no shares will be released. Releases between these points are on a sliding scale.

**** American Depository Shares**

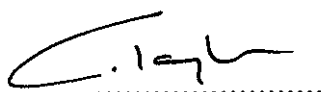
One ADS is equal to 4 Ordinary shares.

G Williams held 5,136 shares in the form of ADS's as at 1st October 1997, and this figure reduced to 4,484 as at 30th June 1998.

Secretary

On 5th May 1998 V A Lynch resigned as Secretary of the Company and C J Taylor was appointed in her place.

By Order of the Board



.....
C J Taylor
Secretary
8 Henrietta Place
London W1M 9AG

22 March 1999

G. W. ARCHER & COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the 9 Months Ended 30 June 1998

During the 9 month period and the preceding financial year, the company did not trade and received no income and incurred no expenditure. Consequently, during those periods, the company made neither a profit nor a loss, and there were no other recognised gains or losses.

The notes on page 5 form part of these accounts.

G. W. ARCHER & COMPANY LIMITED
BALANCE SHEET as at 30 June 1998

	30 June 1998 £	30 September 1997 £
CURRENT ASSET		
Debtor:		
Amount owed by United Distillers & Vintners (HP) Limited	<u>2</u>	<u>2</u>
CAPITAL		
Share capital (note 2)	<u>2</u>	<u>2</u>

The company was dormant (as defined by Section 250 of the Companies Act 1985) throughout the period.



Director
J J Corbett

Notes:

1. The balance sheet has been prepared on the historical cost convention and complies with applicable U.K. accounting standards.

2. Share capital

	30 June 1998 £	30 September 1997 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Ordinary shares are entitled to one vote each.

3. The company is a wholly owned subsidiary of United Distillers & Vintners (HP) Limited and its ultimate holding company as at 30 June 1998 was Diageo plc. Both companies are incorporated and registered in England. A copy of the financial statements of the latter can be obtained from 8 Henrietta Place, London W1M 9AG.
4. The financial statements were approved by the board of directors on 22 March 1999.