

Grand Metropolitan Estate Holdings Limited
Company No. 2426273

Financial Statements
30 September 1997



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1997.

Principal activities

The company is an investment holding company and the directors foresee no changes in the company's activities.

Dividends and transfer from reserves

The result for the year is shown on the profit and loss account on page 4. The directors do not recommend the payment of any dividends for the year (1996: £Nil). The amount transferred from reserves was £9,991,024 (1996: £1,609,154).

Directors

The directors who held office during the year were as follows:

B S Jones (resigned 6 January 1997)
R H Myddelton
B E Wickham (resigned 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 interests of Mr Myddelton and Mr Wickham in the shares of Grand Metropolitan PLC are disclosed in the annual report of the holding company, Grand Metropolitan Estates Limited.

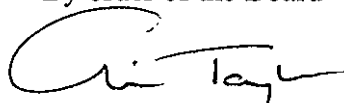
Secretary

On 1 June 1998 Mrs SM Bunn resigned as Secretary of the Company and Mr CJ Taylor was appointed in her place.

Auditor

The Company has taken advantage of section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor annually. The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of their term in office in respect of the year ended 30 September 1997.

By order of the Board



C J Taylor
Secretary

7 July 1998
8 Henrietta Place
London
W1M 9AG

DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the auditor set out on page 3, 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 4 to 9, 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, and that it is appropriate to use a going concern basis.

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, KPMG AUDIT PLC, TO THE MEMBERS OF GRAND METROPOLITAN ESTATE HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditor

As described on page 2 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.

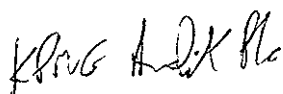
Basis of opinion

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



KPMG Audit Plc
Chartered Accountants
Registered Auditor

London
7 July 1998

PROFIT AND LOSS ACCOUNT
for the year ended 30 September 1997

	Notes	1997 £'000	1996 £'000
Net interest payable	4	(21,407)	(1,200)
Profit on sale of investment		-	114
Loss on ordinary activities before taxation		(21,407)	(1,086)
Taxation on loss on ordinary activities	5	11,416	(523)
Loss for the financial year after taxation		(9,991)	(1,609)
Transferred from reserves	12	(9,991)	(1,609)

The notes on pages 6 to 9 form part of these financial statements.

All of the activities for both the current and preceding year are from continuing activities. The company has no recognised gains or losses other than the loss for the year and accordingly no statement of recognised gains and losses is presented.

There is no material difference between the company's profit and loss account and the historical cost profits and losses. Accordingly, no note of historical cost profits and losses for the period has been presented.

RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS
for the year ended 30 September 1997

	Notes	1997 £'000	1996 £'000
Shareholder's funds at the beginning of the year		9,157	10,766
Loss for the financial year	12	(9,991)	(1,609)
Shareholder's funds at the end of the year		(834)	9,157

BALANCE SHEET
at 30 September 1997


	Notes	1997 £'000	1996 £'000
Fixed Assets			
Investments	6	10	10
Current assets			
Debtors	7	10,761,570	11,451,028
Creditors - amounts falling due within one year	8	(10,235,766)	(10,915,233)
Net current assets		525,804	535,795
Creditors - amounts falling due after more than one year	9	(524,757)	(524,757)
Provisions for liabilities and charges	10	(1,891)	(1,891)
Net liabilities		(834)	9,157
Capital and reserves			
Called up share capital	11	125	125
Share premium account	12	555	555
Profit and loss account	12	(1,514)	8,477
		(834)	9,157

Debtors and net current assets include debtors recoverable after more than one year of £438,271,605 (1996: £455,128,205).

All shareholder's funds relate to equity interests.

The notes on page 6 to 9 form part of these financial statements.

These financial statements were approved by the board of directors on 7 July 1998 and were signed on its behalf by:


R H Myddelton, *Director*

NOTES

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards, and under the historical cost accounting rules.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates, or, if hedged forward, at the rate of exchange under the related forward currency contract. Exchange gains and losses are taken to the profit and loss account.

Cash flow statement

A consolidated cash flow statement is published in the group accounts of Grand Metropolitan PLC. The company is exempt under Financial Reporting Standard 1 from publishing its own cash flow statement.

2. Going concern

The directors of Grand Metropolitan PLC, the ultimate holding company, have indicated that they will provide sufficient funds for the company to continue as a going concern for a period of at least one year following the date of approval of the financial statements.

3. Loss on ordinary activities before taxation

The company had no employees during the year. No directors received emoluments from the company during the year (1996: £Nil).

The auditor's remuneration was borne by a group company.

4. Net interest payable

	1997 £'000	1996 £'000
Interest receivable from group undertakings	645,216	667,310
Interest payable to group undertakings	(654,234)	(665,839)
Foreign exchange loss	(12,390)	(2,672)
Interest receivable from fixed asset investments	1	1
	(21,407)	(1,200)

NOTES

5. Taxation

	1997 £'000	1996 £'000
UK corporation tax at 32% (1996: 33%) on taxable losses	(5,467)	523
Adjustments to prior year's tax provisions	(5,949)	-
	<u>(11,416)</u>	<u>523</u>

The charge for UK corporation tax includes amounts which may be paid to the other group companies in the Grand Metropolitan group in return for the surrender of tax losses.

The level of tax charge is affected by non-taxable foreign exchange differences.

6. Fixed asset investments

	1997 £'000	1996 £'000
Market value of investments listed on the London Stock Exchange	11	10
Cost	10	10

7. Debtors

	1997 £'000	1996 £'000
Amounts owed by parent and fellow subsidiary undertakings	10,712,089	11,400,274
Corporation Tax	11,416	-
Other debtors and prepayments	38,065	50,754
	<u>10,761,570</u>	<u>11,451,028</u>

Included in amounts owed by parent and fellow subsidiary undertakings is £438,271,605 due after more than one year (1996: £455,128,205). Included in other debtors and prepayments £25,376,572 is due after more than one year (1996: £38,065,000).

8. Creditors (amount falling due within one year)

	1997 £'000	1996 £'000
Amounts owed to parent and fellow subsidiary undertakings	10,235,766	10,914,710
Other creditors including taxation and social security: Corporation Tax	-	523
	<u>10,235,766</u>	<u>10,915,233</u>

NOTES

9. Creditors (amount falling due after more than one year)

	1997 £'000	1996 £'000
Amounts owed to parent and fellow subsidiary undertakings	524,757	524,757

10. Provisions for liabilities and charges

	Other provisions £'000
At the beginning of the year	1,891
Utilised during the year	-
At the end of the year	1,891

11. Called up share capital

	1997 £'000	1996 £'000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	125	125

Ordinary shares are entitled to one vote each.

12. Reserves

	Share Premium £'000	Profit & loss account £'000	Total £'000
At 30 September 1996	555	8,477	9,032
Loss for the year	-	(9,991)	(9,991)
At 30 September 1997	555	(1,514)	(959)

13. Related party transactions

The company was ultimately controlled by Grand Metropolitan PLC at 30 September 1997 and is exempt from disclosing transactions with it and other Group undertakings under Financial Reporting Standard 8 since it is a wholly owned subsidiary undertaking included in the consolidated accounts.

NOTES

14. Ultimate Holding Company

The Company is a wholly owned subsidiary of Grand Metropolitan Estates Limited and its ultimate holding company as at 30 September 1997 was Grand Metropolitan Public Limited Company ('Grand Metropolitan'). 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.

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 plc 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.