

UNITED DISTILLERS & VINTNERS LIMITED

(formerly Truschelfco (No.2242) Limited

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 1998

Company Registration No. 3368630



**United Distillers & Vintners Limited (formerly Truscelfco (No. 2242) Limited)
Directors' Report for the period ended 30 June 1998**

DIRECTORS' REPORT

The directors have pleasure in submitting their report, together with the audited financial statements, for the period 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. The company changed its name on 9 May 1997. The company was incorporated on 9 May 1997.

Activities

The company did not trade during the year. The directors foresee no change in the company's activities.

Year 2000

The Diageo Group has recognised that Year 2000 is a major issue and has established a Year 2000 team, which has made good progress in establishing an effective post-integration framework for its Year 2000 programme, having completed their impact assessment and project plans. Based on the work detailed above, the company believes that once the testing and conversion of computer systems is complete, internal systems and equipment will not give rise to significant operational problems as a result of the Year 2000 issue.

The Diageo Group is also working with key business suppliers, joint distribution arrangement partners and customers to prepare for the Year 2000 and is establishing contingency plans for Year 2000 failures by such business partners. Contingency plans are also being prepared for unexpected Year 2000 failures that may affect business critical systems and equipment.

The general expectation by those who have studied best practice in managing the Year 2000 problem is that even the best run projects will face some Year 2000 compliance failures. There can be no assurance that Year 2000 projects will be successful or that the date change from 1999 to 2000 will not adversely affect the company's operations and financial results. The Diageo Group may also be adversely affected by the inability of third parties to manage the Year 2000 problem.

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The Euro

In accordance with the Treaty on European Union, signed at Maastricht on 7 February 1992, the third stage of Economic and Monetary Union (EMU) commenced on 1 January 1999. At that time, a single currency, the 'euro', was introduced. The Diageo Group's euro-readiness is being managed as a discrete business project, the Group has systems and procedures in place which will enable it to conduct euro transactions appropriate to local market requirements.

The Diageo Group is also working actively with key business suppliers, joint distribution arrangement partners and customers in respect of EMU. In addition, monetary union may have a significant impact on macroeconomic factors, including interest and foreign exchange.

Looking forward, key commercial risks, such as pricing transparency, have been analysed, with a view to minimising the impact through active management in these areas over the EMU transition period and beyond. However, there can be no assurance that the euro will not have a negative impact. The impact of future entry to EMU of other European countries (particularly the UK) has been similarly analysed.

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 8 are for 13 months and 21 days from 9 May 1997 to 30 June 1998.

The directors do not recommend the payment of a dividend. The profit for the period retained in the company was £nil.

Directors

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

J L Cohen (appointed 9 May 1997 and resigned 13 October 1997)
P M Olney (appointed 9 May 1997 and resigned 13 October 1997)
B E Wickham (appointed 13 October 1997 and resigned 27 March 1998)
R H Myddelton (appointed 13 October 1997)
S M Bunn (appointed 27 March 1998)
M D Peters (appointed 27 March 1998)

Emoluments

None of the directors received any remuneration during the period in respect of their services as directors of the company.

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Directors' Report for the period ended 30 June 1998**

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

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 of 514 $\frac{12}{17}$ pence and the consolidation of existing shares from 25 pence ordinary shares to 28 $\frac{101}{108}$ 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 9.5.97 (or date of appointment)	Ordinary shares of 28 $\frac{101}{108}$ p each 30.6.98	B Shares 9.5.97 (or date of appointment)	30.6.98	RSP/MTEP/Awards* 9.5.97	30.6.98
S M Bunn	-	-	-	-	-	-
R H Myddelton	21,368	20,049	-	-	18,081	18,081
M D Peters	5,943	2,733	855	224	1,434	1,434

Options

Name of Director	9.5.97	Granted during period	Exercised during period	30.6.98
S M Bunn	14,672	-	-	14,672
R H Myddelton	313,260	-	105,738	207,522
M D Peters	13,348	-	-	13,348

The directors held the above options under Grand Metropolitan PLC and Diageo plc share option schemes at prices between 314p and 494p per share exercisable by 2007. No options lapsed and no awards vested during the period.

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The mid-market share price of Grand Metropolitan PLC/Diageo plc shares fluctuated between 490.5p and 765.5p per share during the period. The mid-market share price on 30 June 1998 was 711p.

R H Myddelton had an interest in 4,975,416 shares subject to call options held by trusts to satisfy grants made under the various GrandMet share option schemes existing prior to the merger.

*** NOTES**

(i) **The Grand Metropolitan Restricted Share Plan (RSP).** In 1997, GrandMet shares or ADSs were conditionally awarded to executives, with eventual release dependent on the performance of GrandMet'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 is on a sliding scale.

(ii) **The Guinness Medium Term Executive Plan (MTEP)** was established in 1997. The plan was operated by the trustees of the Diageo plc Employee Incentive Trust 1997. Awards were made only to B grade executives and below world-wide. Performance conditions are tailored to the particular division within which the relevant executive works and may have been adjusted when they moved within the Group. The plan was wound up in June 1998 with cash payments made to participants in September 1998 in lieu of shares. Proportionate payments were made based on the time elapsed since the plan was first established.

Secretary

On 13 October 1997 D C J Rowe resigned and Secretary and S M Bunn was appointed in her place on the same date. On 1 June 1998 S M Bunn resigned as Secretary of the Company and V A Lynch was appointed in her place.

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Directors' Report for the period ended 30 June 1998

Auditor

The company having been dormant within the meaning of Section 250 of the Companies Act 1985 during the period a special resolution exempting the company from the obligation to appoint an auditor will be submitted to the AGM.

By Order of the Board



V A Lynch
Secretary
8 Henrietta Place
London W1M 9AG

5 March 1999

UNITED DISTILLERS & VINTNERS LIMITED

(formerly Trushelfco (No. 2242) Limited)

14 Months to 30 June 1998

Directors' Responsibilities in Respect of the Preparation of Financial Statements

The following statement, which should be read in conjunction with the report of the auditor set out on page 7, 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 period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for the financial period.

The directors, in preparing the financial statements on pages 8 to 10, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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 its audit report.

UNITED DISTILLERS & VINTNERS LIMITED

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14 Months to 30 June 1998

Report of the Auditor, KPMG Audit Plc
to the members of United Distillers & Vintners Limited

We have audited the financial statements on pages 8 to 10.

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 results for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
5 March 1999

UNITED DISTILLERS & VINTNERS LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE 14 MONTHS ENDED 30 JUNE 1998

The company was incorporated on 9 May 1997.

During the 14 month period ended 30 June 1998, the company did not trade and received no income and incurred no expenditure. Consequently, during the period, the company made neither a profit nor a loss, and there were no other recognised gains or losses.

UNITED DISTILLERS & VINTNERS LIMITED
(formerly Trushelfco (No. 2242) Limited)
BALANCE SHEET AS AT 30 JUNE 1998

30 June
1998
£

CURRENT ASSETS

Debtors:

Amounts owed by Grand Metropolitan Public Limited Company	<u>2</u>
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CAPITAL

Share capital (note 2)		<u>2</u>
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DIRECTOR
M D Peters

The financial statements were approved by the board of directors on 5 March 1999.

Notes:

1. The balance sheet has been prepared on the historical cost basis of accounting. As the company is a wholly owned subsidiary of Diageo plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions with entities which form part of the group (or trustees of the group qualifying as related parties. A cash flow statement is not presented as the company is a member of a group, whose ultimate holding company, Diageo plc, includes a group cash flow statement in its financial statements.

2. Share capital

30 June
1998
£

Authorised 100 ordinary shares of £1 each	<u>100</u>
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Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>
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Ordinary shares are entitled to one vote each.

3. The company is a wholly owned subsidiary of Grand Metropolitan Public Limited Company 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 Diageo plc, 8 Henrietta Place, London W1M 9AG.