

**UNITED DISTILLERS UK Plc**

Registered No. 135736.

**REPORT OF THE DIRECTORS AND FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1996**



UNITED DISTILLERS UK Plc

REPORT OF THE DIRECTORS FOR THE YEAR ENDED

31 DECEMBER 1996

DIRECTORS

P.J. Parnell (Chairman)  
A.C.P. Carr-Locke  
M.C. Keiller  
J.C. Long  
G.L. Thompson

SECRETARY

R.J. Gilchrist

REGISTERED OFFICE

Cherrybank, Perth, PH2 0NG, Scotland.

REGISTERED NUMBER

135736

The Directors present their Report and the Audited Financial Statements of the Company for the year ended 31 December 1996.

REVIEW OF BUSINESS

The principal activities of United Distillers UK plc are the marketing and sale of spirits. On 1st June 1995, the Company took over responsibility for the sale of spirits to distributors in the western European market. These sales were previously handled by United Distillers plc. Most of the distributors in the western European market to which the Company sells are owned by the Guinness Group. The Company continues to market and sell in the UK domestic market.

Profit on ordinary activities before taxation was £127,166,000 (1995 - £94,304,000).

The results for 1996 for the rest of Europe include a full year's contribution against 7 months' contribution for 1995. The continental European market continues to be extremely difficult and competitive. Many European markets remain in recession with rising unemployment and the costs of moving towards EMU all impacting on demand. Duty increases were experienced in Greece, Italy, Spain and Portugal. The difficult market conditions, along with significant additional investment in brand marketing, led to an overall deterioration of export margins.

The amount transferred from reserves in the year was £87,076,000 (1995 - £59,957,000 transferred to reserves). Details of dividends are given on Page 9.

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED**

**31 DECEMBER 1996**

**(Continued)**

**FIXED ASSETS**

Movements in the Fixed Assets of the Company are disclosed in note 7 to the financial statements.

**EMPLOYEES**

The Company has a policy of providing employees with information about matters pertaining to the Company by the regular display on all location notice boards. The involvement of employees in the Company's performance is encouraged by means of an Employee Share Scheme under which shares in Guinness PLC can be acquired. All employees are eligible to participate in the Scheme on commencement of employment.

Where reasonable and practicable within existing legislation, the Company has treated all persons, including disabled persons, in the same way in matters relating to employment, training, career development and promotion.

**POLICY ON THE PAYMENT OF CREDITORS**

The Company does not operate a standard code in respect of payments to suppliers. The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including the terms of payment. It is Company policy that payments to suppliers are made in accordance with these terms.

**DIRECTORS AND THEIR INTERESTS**

The persons who at the date of this report are Directors of the Company are listed above.

Mr. A.C.P. Carr-Locke was appointed to the Board on 1 October 1996.

Messrs. G.Biedenbacher and A.J. Allner resigned from the Board on 29th February 1996, and 30th September 1996 respectively.

Directors' interests stated in accordance with statute and intimated to the Company are shown below.

At 31 December 1996

At 1 January 1996  
or at date of appointment if later

	<u>Guinness PLC</u>		<u>Guinness PLC</u>	
	Beneficial Interests	Outstanding Options	Beneficial Interests	Outstanding Options
	<u>Ordinary Shares of 25p each</u>		<u>Ordinary Shares of 25p each</u>	
	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
A.C.P. Carr-Locke	-	27,061	-	-
M.C. Keiller	7,252	91,776	6,481	95,475
J.C. Long	9,416	59,799	6,898	45,978
G.L. Thompson	39,761	113,413	23,487	115,214

UNITED DISTILLERS UK Plc

REPORT OF THE DIRECTORS FOR THE YEAR ENDED

31 DECEMBER 1996

(Continued)

Guinness PLC

Guinness PLC

Options granted during  
1996 in respect of  
Ordinary Shares of 25p each  
or since date of appointment

Options exercised during  
1996 in respect of  
Ordinary Shares of 25p each  
or since date of appointment

	<u>Number</u>	<u>Price (£)</u>	<u>Number</u>	<u>Price (£)</u>
A.C.P. Carr-Locke	24,858+	4.42	-	-
	2,203*	3.54	-	-
M.C. Keiller	1,949*	3.54	16,518+	3.21
	10,870#	4.60	-	-
J.C. Long	13,696+	4.60	1,824*	4.11
	1,949*	3.54	-	-
G.L. Thompson	17,593+	4.60	16,724+	1.49
	-	-	2,670+	2.25

The options outstanding at 31 December 1996 are exercisable at varying dates between 1997 and 2006 at varying prices between 149.5p and 548.5p. The options marked +, \* and # were granted/exercised under the terms of the Executive Share Option Scheme, Savings Related Share Option Scheme and Employee Incentive Trust 1994 respectively.

The interests of P.J. Parnell in the shares of the ultimate parent Company, Guinness PLC, are disclosed in the accounts of United Distillers plc.

No contract or arrangement entered into by the Company in which any Director is interested has existed during the year.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations made by the Company for charitable purposes in the U.K. amounted to £27,000 (1995 - £33,000). In line with established Company policy there were no contributions for political purposes (1995 - £Nil).


DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The ultimate parent company, Guinness PLC, purchases liability insurance covering the directors and officers of the Company and its subsidiaries.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

  
R.J. Gilchrist  
Secretary

Cherrybank, Perth

9 Mar 1997.

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the Company for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 15 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 are also responsible for preparing financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Group and to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED DISTILLERS UK Plc

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention except for the revaluation of certain fixed assets, and the accounting policies set out on page 7.

**Respective Responsibilities of Directors and Auditors**

As described above 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 affairs of the Company as at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

Price Waterhouse

Chartered Accountants and Registered Auditors

9 May 1997

Albany House  
58 Albany Street  
Edinburgh EH1 3QR

**UNITED DISTILLERS UK Plc**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**

**31 DECEMBER 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£'000	£'000
Turnover	1	583,146	508,856
Cost of Sales		<u>(324,804)</u>	<u>(326,232)</u>
Gross Profit		258,342	182,624
Net Operating Costs	2	<u>(131,260)</u>	<u>(88,335)</u>
Operating Profit		<u>127,082</u>	<u>94,289</u>
Interest Receivable	3	<u>84</u>	<u>15</u>
Profit on ordinary activities before taxation		127,166	94,304
Taxation	4	<u>(38,866)</u>	<u>(34,347)</u>
Profit on ordinary activities after taxation		88,300	59,957
Dividends	6	<u>(175,376)</u>	<u>-</u>
Amount transferred (from)/to reserves	12	<u>(87,076)</u>	<u>59,957</u>

There were no recognised gains or losses (1995 - £Nil) other than the result for the year and all operations are continuing.

**Note of historical cost profits and losses**

There is no material difference between the result as disclosed in the profit and loss account and the result on an unmodified historical cost basis (Note 7).

UNITED DISTILLERS UK Plc

BALANCE SHEET AS AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible Assets	7	5,968	6,291
Investments		<u>13</u>	<u>13</u>
		5,981	6,304
<b>CURRENT ASSETS</b>			
Stocks	8	24,649	27,016
Debtors due within one year	9	874,792	776,685
Debtors due after more than one year	9	7,750	-
Cash at bank and in hand		<u>25,797</u>	<u>29,442</u>
		<u>932,988</u>	<u>833,143</u>
<b>CREDITORS</b>			
(amounts falling due within one year)	10	<u>(938,619)</u>	<u>(752,021)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(5,631)</u>	<u>81,122</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>350</u>	<u>87,426</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up Share Capital	11	50	50
Profit & Loss Account	12	<u>300</u>	<u>87,376</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>	13	<u>350</u>	<u>87,426</u>

Approved by the Board of Directors

*A. C. P. Can - London*

Director

on *9 May* 1997

The notes on pages 7 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention, with the exception of Fixed Assets which are included at cost or valuation as disclosed in note 7.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost is based on transfer cost from Group companies and invoice cost for agency brands.

Depreciation

Depreciation is provided, based on the original cost of the assets to the Group or on their revalued amount, on a straight line basis at annual rates estimated to write off their book value over the term of their useful lives. Land is not depreciated. The principal rates used are as follows:-

Freehold Buildings	2% to 4%
Plant, Machinery and Fittings	10% to 25%
Motor Vehicles	25%

Deferred Taxation

Provision is made for deferred taxation on all material timing differences except for those which the Directors consider will not reverse in the foreseeable future.

Pension Funding

The Company is a member of a group pension scheme which is operated by its ultimate parent company, Guinness PLC (note 14).

Goodwill

Goodwill, the excess of the cost of acquisitions over the fair value of the underlying net assets, is written off against reserves in the year in which it arises.

Turnover

Turnover is stated net of price list discounts and V.A.T. but including Customs and Excise duty.

Foreign Exchange

Profit and loss account transactions in foreign currencies are translated into sterling at the rate prevailing under hedging arrangements with Guinness Group Treasury. Monetary assets and liabilities denominated in foreign currencies are retranslated at exchange rates ruling on the 31 December 1996. All revaluation differences and realised foreign exchange differences are taken to profit and loss.

**UNITED DISTILLERS UK Plc**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 1996**

**(Continued)**

	<u>Year Ended</u> <u>31 December</u> <u>1996</u>	<u>Year Ended</u> <u>31 December</u> <u>1995</u>
	£'000	£'000
<b>1 <u>TURNOVER</u></b>		
By geographical sector		
U.K.	286,243	377,565
Republic of Ireland	1,907	1,926
Europe	<u>294,996</u>	<u>129,365</u>
	<u>583,146</u>	<u>508,856</u>
The Company operates within one business segment.		
The turnover for 1996 for the rest of Europe includes a full year's contribution against 7 months for 1995		
<b>2 <u>NET OPERATING COSTS</u></b>		
Staff Costs (Note 15)	8,471	8,465
Depreciation	1,050	1,108
Administration Expenses	99,925	75,951
Distribution Costs	5,477	6,853
Other Operating Income/(Costs)	<u>16,337</u>	<u>(4,042)</u>
	<u>131,260</u>	<u>88,335</u>
Net Operating Costs are stated after charging -		
Auditors' Remuneration - audit fee	45	45
- other services	53	147
Foreign exchange translation losses/(gains)	<u>629</u>	<u>(2,701)</u>
<b>3 <u>INTEREST RECEIVABLE / (PAYABLE)</u></b>		
Bank interest payable	(8)	(16)
Interest receivable	<u>92</u>	<u>31</u>
Net interest receivable	<u>84</u>	<u>15</u>
No part of net interest was due to or from group undertakings.		

UNITED DISTILLERS UK Plc

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

(Continued)

	Year Ended 31 December 1996	Year Ended 31 December 1995
	£'000	£'000
4 <u>TAXATION OF PROFIT ON ORDINARY ACTIVITIES</u>		
United Kingdom Corporation Tax for current period at 33% (1995 - 33%)	40,175	35,152
Over provision in prior years	<u>(1,309)</u>	<u>(805)</u>
	<u>38,866</u>	<u>34,347</u>
5 <u>DEFERRED TAX</u>		
The potential deferred tax asset at 33% (1995 - 33%) for which no asset has been recorded in the financial statements is as follows:		
	£'000	£'000
Accelerated capital allowances	49	39
Provisions allowable for tax in future years	<u>448</u>	<u>1,297</u>
	<u>497</u>	<u>1,336</u>
6 <u>DIVIDENDS</u>		
Ordinary Shares -		
Interim Dividends Paid	144,376	-
Interim Dividend Payable	<u>31,000</u>	<u>-</u>
	<u>175,376</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS31 DECEMBER 1996(Continued)

	<u>Freehold Land &amp; Buildings</u> £'000	<u>Plant, Machinery &amp; Fittings</u> £'000	<u>Motor Vehicles</u> £'000	<u>Total</u> £'000
<b>7 TANGIBLE ASSETS</b>				
Cost or Valuation:				
31 December 1995	3,799	2,245	1,974	8,018
Additions - external	7	239	1,026	1,272
Disposals - external	-	-	(1,181)	(1,181)
31 December 1996	<u>3,806</u>	<u>2,484</u>	<u>1,819</u>	<u>8,109</u>
Depreciation:				
31 December 1995	229	1,410	88	1,727
Charge for year	77	321	652	1,050
Disposals - external	-	-	(636)	(636)
	<u>306</u>	<u>1,731</u>	<u>104</u>	<u>2,141</u>
Net Book Amount:				
31 December 1996	<u>3,500</u>	<u>753</u>	<u>1,715</u>	<u>5,968</u>
31 December 1995	<u>3,570</u>	<u>835</u>	<u>1,886</u>	<u>6,291</u>

Included within tangible assets at 31 December 1996 is land at a valuation of £20,000 (1995 - £20,000) on which no depreciation is charged.

The amounts shown under cost or valuation include the following:

	<u>Total 1996</u> £'000	<u>Total 1995</u> £'000
At cost	4,310	4,219
At valuation in 1992	<u>3,799</u>	<u>3,799</u>
	<u>8,109</u>	<u>8,018</u>

NOTES TO THE FINANCIAL STATEMENTS31 DECEMBER 1996(Continued)7 TANGIBLE ASSETS (Continued)

If stated under historical cost principles, the amounts would be:

	Total <u>1996</u> £'000	Total <u>1995</u> £'000
Historical cost	12,696	12,605
Aggregate depreciation	<u>(2,421)</u>	<u>(1,964)</u>
Net Historical Cost Value	<u>10,275</u>	<u>10,641</u>

8 STOCKS

	<u>1996</u> £'000	<u>1995</u> £'000
Goods held for resale	<u>24,649</u>	<u>27,016</u>

9 DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts falling due within one year:		
Trade debtors	71,603	94,118
Amounts owed by Group Undertakings	793,755	678,148
Other debtors	6,787	3,024
Prepayments and accrued income	<u>2,647</u>	<u>1,395</u>
	<u>874,792</u>	<u>776,685</u>
Amounts falling due after more than one year:		
ACT Recoverable	<u>7,750</u>	<u>-</u>

10 CREDITORS

	<u>1996</u> £'000	<u>1995</u> £'000
Amounts falling due within one year:		
Trade creditors	6,439	5,149
Amounts owed to Group Undertakings	825,480	649,007
Corporation Tax	26,083	35,147
Social Security and other taxes	26,645	28,538
Accruals and deferred income	22,972	34,180
Proposed Dividend	<u>31,000</u>	<u>-</u>
	<u>938,619</u>	<u>752,021</u>

UNITED DISTILLERS UK Plc

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

(Continued)

11	<u>CALLED UP SHARE CAPITAL</u>	<u>1996</u>	<u>1995</u>
		<u>£'000</u>	<u>£'000</u>
	<u>Authorised</u>		
	Ordinary shares of £1 each	<u>50</u>	<u>50</u>
	<u>Allotted, called-up and fully paid</u>		
	Ordinary shares of £1 each	<u>50</u>	<u>50</u>
12	<u>RESERVES</u>		Profit & Loss Account £'000
	At 1 January 1996		87,376
	Transfer to profit and loss account for the year		<u>(87,076)</u>
	At 31 December 1996		<u>300</u>
13	<u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>		£'000
	(Loss) for the year		(87,076)
	Opening shareholders' funds		<u>87,426</u>
	Closing shareholders' funds		<u>350</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1996

(Continued)

14 PENSIONS

The Company is a member of a group pension scheme which is operated by its ultimate parent undertaking, Guinness PLC. The scheme is a defined benefit scheme and is administered by trustees and maintained independently of the finances of Guinness PLC and its subsidiaries (the Group).

Contributions to the scheme are assessed by independent qualified actuaries based on the cost of providing pensions across all participating Group undertakings. Costs are not determined for each individual undertaking and, accordingly, contributions are charged to the profit and loss account when they become payable.

A valuation of the scheme was performed in 1995 by the actuaries and details of the valuation are included in the accounts of Guinness PLC. Contributions in 1996 attributable to the Company amounted to £852,000.

15 STAFF COSTS AND EMPLOYEES

	<u>Year Ended</u> <u>31 December 1996</u>	<u>Year Ended</u> <u>31 December 1995</u>
	£'000	£'000
Wages and salaries	6,972	6,988
Social Security costs	564	566
Pension costs	<u>935</u>	<u>911</u>
	<u>8,471</u>	<u>8,465</u>
	<u>Average</u> <u>Number</u>	<u>Average</u> <u>Number</u>
Sales, Marketing and Administration	<u>240</u>	<u>258</u>

All employees were located in the U.K.

NOTES TO THE FINANCIAL STATEMENTS31 DECEMBER 1996(Continued)16 DIRECTORS' EMOLUMENTS

	Year Ended 31 December 1996	Year Ended 31 December 1995
Emoluments of Directors of the Company for Management Services (including pension contributions):	£'000 <u>22</u>	£'000 <u>564</u>
Further particulars (excluding pension contributions):		
Chairman	£Nil	£Nil
Highest paid Director	<u>£21,664</u>	<u>£150,537</u>
Scale of emoluments of other Directors (excluding pension contributions):	<u>Number</u>	<u>Number</u>
£ 0 - £ 5,000	5	2
£75,001 - £80,000	-	1
£80,001 - £85,000	-	-
£90,001 - £95,000	-	2
£95,001 - £100,000	-	1

None of the directors (excluding the highest paid director) received any emoluments from the Company. A management charge is paid by United Distillers UK Plc to United Distillers Plc which includes charges for services provided by certain of the directors

17 PARENT COMPANY

United Distillers Plc is the immediate parent company of United Distillers UK Plc. Guinness PLC is the ultimate parent company. Guinness PLC is both the smallest and largest group to consolidate the accounts and is also the ultimate controlling party. Both parent companies are incorporated in Great Britain. Copies of group accounts can be obtained from Guinness PLC, 39 Portman Square, London.

Advantage has been taken of the exemption available to 90% owned subsidiaries (where the consolidated financial statements are publicly available) not to disclose related party transactions with members of the group or associates and joint ventures of other group members.

18 CASHFLOW STATEMENT

The Company is exempt from the preparation of a cashflow statement in accordance with Financial Reporting Standard 1, as a wholly-owned subsidiary of an EU registered company which prepares a consolidated cashflow statement.