Justerini & Brooks Limited

Directors' report and financial statements

Registered number 68576

30 June 1999

Contents

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 1999.

Activities

The principal activity of the company is the production, sale and export of wines and spirits, particularly J&B Rare Scotch Whisky. The company sells its products globally, the most significant markets being Spain, the USA, France, Italy, Belgium, South Africa and Japan. The directors foresee no changes in the company's activities.

Year 2000 and euro

The directors do not anticipate that there will be any implications on the activities of the company from the Year 2000 or the introduction of the euro. No issues have arisen since 1 January 2000.

The cost of managing the Year 2000 problem and the introduction of the euro for Justerini & Brooks Limited has not been identified separately, but is included within the overall programme cost shown in the annual report of the ultimate parent company, Diageo plc.

Financial

The results for the year are shown on page 7.

An interim dividend of £150,000,000 (1998: £40,000,000) was declared on 28 June 1999. A preference dividend of £41,600,000 (1998: £31,115,000) was paid during the year.

After deducting the total dividends of £191,600,000 (1998: £71,115,000) the profit for the year retained in the company is £48,773,000 (1998: £7,513,000).

Directors

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

W R F Bedloe (Resigned 30 June 1999)
J J Corbett
E P Demery
J B McGrath
P J Radcliff (Appointed 29 June 1999)
N C Rose
P R Somers (Resigned 29 June 1999)
R N Watling
G Williams (Resigned 1 February 1999)

Subsequent to the year-end P K Bentley was appointed a director and N C Rose resigned as a director on 1 July 1999.

Emoluments

The emoluments of the directors are detailed in Note 4 of these accounts.

Directors' report *(continued)*

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 year in any significant contract with the company.

The directors who held office at the end of the financial year 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 28 101/108p (1)	Ordinary shares of 28 101/108p (1)	RSP Awards (2)	Guinness LTIP (2)	Diageo LTIP (3)	Diageo LTIP (3)
	1.7.98 or date of appointment	30.6.99	30.6.99	30.6.99	Performance cycle commencing 1.1.98	1.1.99
W R F Bedloe	1,000	5,291	2,000	-	-	-
J J Corbett	1,380	3,859	5,000	-	2,250	-
E P Demery	9,724	10,833	2,000	-	2,250	2,300
P J Radcliff	6,400	6,400	-	-	15,000	14,193
R N Watling	2,073	3,989	9,500	-	8,000	8,200

Options

Name of Director	1.7.98 or date of appointment	Granted during year	Exercised during year	30.6.99
W R F Bedloe	61,608	-	59,859	-
J J Corbett	64,803	-	5,000	59,803
E P Demery	44,941	433	6,084	39,290
P J Radcliff	101,098	-	-	101,098
R N Watling	98,000	1,300	20,000	79,300

At 30 June 1999, J B McGrath and N C Rose were also directors of the ultimate parent company, Diageo plc. Details of their beneficial interests in the shares of Diageo plc are shown in the Diageo plc Annual Report and Accounts, copies of which can be obtained from 8 Henrietta Place, London W1M 9AG.

The directors held the above options under Grand Metropolitan PLC and Diageo plc share option schemes at prices between 314p and 533.5p per share exercisable by 2007. Options over 1,749 shares held by W R F Bedloe lapsed during the year.

The mid-market share price of Diageo plc shares fluctuated between 480.5p and 778.5p per share during the year. The mid-market share price on 30 June 1999 was 662.5p.

At 30 June 1999 the directors had an interest in 22,169,328 shares and 9,096,653 shares subject to call options held by trusts to satisfy grants made under ex-Grand Metropolitan incentive plans, ex-Guinness incentive plans and Diageo incentive plans and savings-related share option schemes.

Directors' report *(continued)*

* **NOTES**

(1) **Ordinary Shares**
Interests in ordinary shares at 1 July 1998, or date of appointment where applicable, include B shares converted at a rate of 70.993915 ordinary shares to every 100 B shares, although the conversion actually occurred on 1 August 1998.

(2) **The Guinness LTIP and The Grand Metropolitan Restricted Share Plan (RSP)**
Awards over shares were granted to senior executives, with eventual transfer dependent on the performance of total shareholder return (TSR) against a comparator group of companies at the end of three years after the date of grant. Following the merger, performance targets attached to the Guinness awards granted in 1996 were waived. The 1997 awards granted by Grand Metropolitan and Guinness are now dependent upon the performance of Diageo's TSR against comparator groups of companies.

(3) **The Diageo LTIP (LTIP)**
Under the Diageo LTIP, approved in August 1998, eligible senior executives are granted a conditional right to receive shares or, exceptionally, a cash sum. The rights vest after the end of a three year period following the date of grant (the "performance cycle") provided a performance test is achieved and subject to the discretion of the trustees who operate the LTIP. The performance test is a comparison of the annualised percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) known as total shareholder return (TSR) with the TSRs of a defined peer group of 20 companies over a three year period. The remuneration committee will not recommend the release of awards if there has not been an underlying improvement in the financial performance of Diageo. The first LTIP performance cycle runs from 1 January 1998 to 31 December 2000 and the second from 1 January 1999 to 31 December 2001. Awards of shares will be released, subject to the performance test and the discretion of the trustees, in March 2001 and March 2002 respectively. The number of awards shown will only be released if Diageo reaches position five within the peer group (upper quartile). At position four 125% of the original awards will vest and, at position three or above, 150%. At position ten (median position), 50% of the awards will vest. Between median and upper quartile, vesting will be calculated on a straight line basis. Awards will lapse if Diageo does not reach position ten.

Employee Involvement

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the company's operations. The directors continue to place a high priority on good communications practices at all levels. Responsibility for ensuring that company employees are informed of and, where appropriate, consulted upon matters of concern affecting their immediate jobs rests with departmental managers with support from the personnel function. On-site group discussions between managers and employees are encouraged.

On a wider basis, the company provides more general information to and for its employees concerning its performance and on economic and other matters affecting it. The methods used to disseminate such information are bulletins and related publications, including a monthly house journal. In addition, a twice-yearly video presentation for employees sets out worldwide developments of the company, its products and its people. Information is also communicated when employees participate in induction or training courses, or by the circulation of information personally to all employees. The company has continued to maintain these practices during the year.

It is the policy of the parent company to encourage employees to participate in a SAYE share option scheme. It is also parent company policy to enable employees to benefit from the contribution they have made to the generation of improved profits. This is done by way of a profit sharing scheme, paid in ordinary shares of Diageo plc, in which all employees are entitled to participate.

Directors' report *(continued)*

The company continues to support initiatives by employees in fund-raising events to assist registered charitable organisations by matching the value of the support so raised.

Employment Policies

The company's managers are instructed to give sympathetic consideration, when recruiting, to applications from disabled persons and to bear in mind the special needs of disabled employees in regard to training, structure of company premises and facilities and to ensure that disabled employees are not adversely affected in their career opportunities. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

It is recognised that the company's continuing success depends upon the quality of its employees and its policies are designed to attract, retain and motivate the best staff. This is achieved by offering equal opportunities regardless of sex, race, religion or disability.

Supplier Payment Policy

Given the international nature of the Diageo Group's operations, there is no standard code in respect of payments to suppliers. Companies are responsible for agreeing terms and conditions for their business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

The number of days' purchases included in creditors as at 30 June 1999 in respect of the company is 35 days. Some of the company's invoices for goods and services are settled by a subsidiary acting as an agent for the company.

By Order of the Board

M D Peters
Secretary

61 St James's Street
London
SW1A 1LZ

20 April 2000

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditor set out on page 6, 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 7 to 20, 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 they consider to be appropriate for the purpose of enabling them to give their audit report.

kpmg

KPMG Audit Plc
24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Auditor's report to the members of Justerini & Brooks Limited

We have audited the financial statements on pages 7 to 20.

Respective responsibilities of directors and auditor

As described on page 5 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 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 April 2000

Profit and loss account

for the year ended 30 June 1999

	Note	Year ended 30 June 1999 Before exceptional items £000	Exceptional items £000	Total £000	9 months 30 June 1998 - restated Before exceptional items £000	Exceptional items £000	Total £000
Turnover							
Continuing operations	2	303,125	-	303,125	229,697	-	229,697
Operating costs	3-6	(201,693)	(26,069)	(227,762)	(168,339)	(43,253)	(211,592)
Operating profit							
Continuing operations		101,432	(26,069)	75,363	61,358	(43,253)	18,105
Sale of brands	6	-	180,083	180,083	-	115,043	115,043
Net interest receivable	7	15,125	-	15,125	2,483	-	2,483
Profit on ordinary activities before taxation		116,557	154,014	270,571	63,841	71,790	135,631
Tax on profit on ordinary activities	8	(38,217)	8,019	(30,198)	(21,340)	(35,663)	(57,003)
Profit on ordinary activities after taxation		78,340	162,033	240,373	42,501	36,127	78,628
Equity dividends paid and proposed	9	(150,000)	-	(150,000)	(40,000)	-	(40,000)
Non equity preference dividends	9	(41,600)	-	(41,600)	(31,115)	-	(31,115)
Retained profit/(loss) for the year		(113,260)	162,033	48,773	(28,614)	36,127	7,513

There are no recognised gains or losses other than the profit for the year.

Balance sheet
at 30 June 1999

	Note	30 June 1999 £000	30 June 1999 £000	30 June 1998 £000	30 June 1998 £000
Fixed assets					
Tangible assets	*10*		**17,780**		34,574
Investments	*11*		**500,076**		500,076
			517,856		534,650
Current assets					
Stocks	*12*	**22,032**		258,620	
Debtors	*13*	**706,574**		733,369	
Cash at bank and in hand		**4,219**		60,347	
		732,825		1,052,336	
Creditors: amounts falling due within one year	*14*	**(469,181)**		(868,598	
Net current assets			**263,644**		183,738
Total assets less current liabilities			**781,500**		718,388
Provisions for liabilities and charges	*15*		**(19,036)**		(4,697
Net assets			**762,464**		713,691
Capital and reserves					
Equity share capital	*16*		**86**		86
Non equity share capital	*16*		**520,000**		520,000
Called up share capital			**520,086**		520,086
Profit and loss account	*17*	**242,378**		193,605	
Reserves attributable to equity shareholdings			**242,378**		193,605
Shareholders' funds			**762,464**		713,691

These financial statements were approved by the board of directors on 20 April 2000 and were signed on its behalf by:

J Corbett

JJ Corbett
Director

Note of historical cost profits and losses
for the year ended 30 June 1999

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	**270,571**	135,631
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	-	2,039
Historical cost profit on ordinary activities before taxation	**270,571**	137,670
Historical cost profit for the year retained after taxation and dividends	**48,773**	9,552

Reconciliation of movements in shareholders' funds
for the year ended 30 June 1999

	1999 £000	1998 £000
Profit for the financial year	**240,373**	78,628
Dividends	**(191,600)**	(71,115)
Retained profit for the financial year and net increase in shareholders' funds	**48,773**	7,513
Opening shareholders' funds	**713,691**	706,178
Closing shareholders' funds	**762,464**	713,691

Notes
(forming part of the financial statements)

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 accounting standards and under the historical cost accounting rules.

Adjustments have been made to prior year figures to increase sales by £24,630,000, raw materials and consumables by £5,755,000 and other external charges by £18,875,000 to reclassify items included within these captions onto a basis consistent with 1999.

Tangible fixed assets

Tangible fixed assets are stated at cost, or at professional valuation, less appropriate provision for depreciation.

No depreciation is provided on freehold land. Other fixed assets are depreciated to residual values on a straight line basis over their estimated useful lives within the following ranges:

Freehold buildings	-	50 years
Plant and machinery	-	4-10 years
Fixtures, fittings, tools and equipment	-	3-10 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Transactions covered by forward currency contracts are recorded and any resulting assets or liabilities are translated, at the contracted rate of exchange.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

Accounting policies *(continued)*

Investments

Investments are valued individually at the lower of cost and net realisable value. In the case of unlisted investments the net realisable value is estimated by the directors.

Pensions

The costs of providing pensions are charged against profits on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to the plans are treated as assets or liabilities in the balance sheet. Deferred tax is accounted for on these assets and liabilities.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes, where appropriate, production and other direct overhead expenses included in the maturing process.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation if there is reasonable expectation that such deferred taxation will be payable or recoverable in the foreseeable future.

Turnover

Turnover consists of the proceeds of sales, less returns and VAT, and includes any duty thereon where appropriate.

Notes *(continued)*

2 Analysis of turnover and profit before taxation

Turnover and profit before taxation are attributable to one class of business.

All turnover originates in the United Kingdom. The turnover by geographical market is as follows:

	Year to 30 June 1999	9 months to 30 June 1998 restated
	£000	£000
United Kingdom and Eire	**62,270**	41,579
Rest of Europe	**164,783**	122,087
North America	**35,763**	28,713
Africa and Middle East	**13,223**	8,210
Rest of world	**27,086**	29,108
	303,125	229,697

3 Operating costs

	Year to 30 June 1999	9 months to 30 June 1998 restated
	£000	£000
Increase in maturing stocks and stocks of finished goods	**(3,325)**	(11,942)
Raw materials and consumables	**127,909**	90,516
Other external charges	**58,112**	74,372
Staff costs (see note 5)	**18,874**	16,611
Auditors' fees:		
Audit	**41**	68
Non audit	**12**	9
Depreciation of fixed tangible assets (see note 10)	**5,191**	4,444
Other operating income	**(5,121)**	(5,739)
	201,693	168,339

Notes *(continued)*

4 Remuneration of directors

	Year to 30 June 1999 £000	9 months to 30 June 1998 £000
Directors' emoluments (excluding pension contributions)	-	516
Amounts receivable under long term incentive schemes	-	153
	-	669

The directors received no emoluments in respect of their services to the company during 1999.

The 1998 comparative figure for the aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £296,879. The highest paid director was a member of a defined benefit scheme under which his accrued pension at 30 June 1998 was £18,119.

During 1998 three directors carried out non-executive roles within the company. They did not receive any emoluments from the company nor, in the opinion of the directors, did their emoluments from other roles with the Diageo group include any significant amounts in respect of these services.

	Year to 30 June 1999 £000	9 months to 30 June 1998 £000
The number of directors for whom retirement benefits are accruing under a defined benefit scheme was:	-	6
The number of directors who exercised share options was:	-	5
The number of directors in respect of whose services shares were receivable under long term incentive schemes* was:	-	3

*unvested awards under the Grand Metropolitan Restricted Share Plan

Notes *(continued)*

5 Staff numbers and costs

The average number of employees was 720 (1998: 853).

The aggregate payroll costs of these persons were as follows:

	Year to 30 June 1999 £000	9 months to 30 June 1998 £000
Wages and salaries	**17,655**	15,555
Social security costs	**1,857**	1,562
Other pension costs	**(638)**	(506)
	18,874	16,611

6 Exceptional items

Exceptional items include:

- £20 million in relation to redundancy, training and task force provisions in respect of the proposed closure of the Strathleven site.
- a £183 million gain in respect of the sale of brands and a £3 million charge in respect of costs of disposal of a brand.
- £797,000 of costs incurred in relation to the integration of the UD and IDV Spirits businesses as a consequence of the merger of Guinness plc with Grand Metropolitan Plc to form Diageo plc.

7 Net interest receivable

	Year to 30 June 1999 £000	9 months to 30 June 1998 £000
External interest receivable	**247**	630
External interest payable on bank loans and overdrafts	**-**	(319)
Inter-group interest receivable	**14,878**	2,172
	15,125	2,483

Notes *(continued)*

8 Taxation

	Year to 30 June 1999 £000	9 months to 30 June 1998 £000
UK corporation tax at 30.75% *(1998: 32%)* on the profit for the year on ordinary activities	**34,761**	60,228
Deferred taxation	**(4,697)**	(1,065)
Adjustment in respect of prior years	**134**	(2,160)
	30,198	57,003

No taxation arises on the gain on the intergroup sale of brands.

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

9 Dividends

	Year to 30 June 1999 £000	9 months to 30 June 1998 £000
Ordinary shares:		
Interim	**150,000**	40,000
Preference shares:		
Non-equity preference dividends paid	**41,600**	31,115
	191,600	71,115

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£000	£000	£000	£000
Cost or valuation				
At beginning of year	48,547	86,657	5,132	140,336
Additions	175	1,882	98	2,155
Disposals	-	-	(3)	(3)
Group transfers	874	(36,860)	3,323	(32,663)
At end of year	49,596	51,679	8,550	109,825
Depreciation				
At beginning of year	47,942	55,566	2,254	105,762
Charge for year	965	3,819	407	5,191
Group transfers	180	(21,632)	2,544	(18,908)
At end of year	49,087	37,753	5,205	92,045
Net book value				
At 30 June 1999	**509**	**13,926**	**3,345**	**17,780**
At 30 June 1998	605	31,091	2,878	34,574

The net book value of land and buildings comprises:

	1999	1998
	£000	£000
Freehold land	**509**	605

11 Investments

	£000
At 30 June 1998 and 30 June 1999	500,076

The investments, which are stated at cost, include 500,000,000 ordinary £1 shares in Grand Metropolitan Capital Company Limited, a fellow subsidiary company of Diageo plc. At 30 June 1999, this investment represented 17% of the issued ordinary share capital of Grand Metropolitan Capital Company Limited. Other investments comprise trade investments in an unlisted company, which was formerly a partnership prior to incorporation during the year.

Notes *(continued)*

12 Stocks

	1999 £000	1998 £000
Raw materials and consumables	2,302	3,021
Stocks of maturing scotch whisky	-	239,194
Finished goods and goods for resale	19,730	16,405
	22,032	258,620

During the year, no depreciation previously recovered to stocks has been released to current operating costs (1998: £928,000). On July 1998, the maturing whisky stock of the company was transferred to another group company. All risk of loss or damage to this stock remains with Justerini & Brooks Limited. At 30 June 1999 the value of the stock amounted to £203,817,000.

13 Debtors

	1999 £000	1998 £000
Trade debtors	1,628	2,889
Amounts owed by group undertakings	672,316	689,507
Other debtors	4,201	7,202
Prepayments and accrued income	28,429	33,771
	706,574	733,369

Debtors are receivable within one year except for £25,810,000 (1998: £25,169,000) being the prepayment in respect of the group pension surplus and £290,000 (1998: £290,000) being an interest free loan, repayable on 1 October 2005.

14 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank loans and overdrafts	22,583	21,210
Trade creditors	9,565	25,419
Amounts owed to group undertakings	400,041	669,315
Other creditors including taxation and social security:		
Corporation tax	34,309	95,520
Other including other taxes and social security	837	1,768
Accruals and deferred income	1,846	15,366
Equity dividend proposed	-	40,000
	469,181	868,598

Notes *(continued)*

15 Provisions for liabilities and charges

	Deferred taxation	Restructuring provisions	Total
	£000	£000	£000
At beginning of year	4,697	-	4,697
Transfer to profit and loss account	(4,890)	20,000	15,110
Utilised in the year	193	(964)	(771)
At end of year	-	**19,036**	**19,036**

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided	**Unprovided**	Provided	Unprovided
	£000	**£000**	£000	£000
Accelerated capital allowances on plant and machinery and industrial buildings	-	-	-	148
Short term timing differences	-	-	4,697	-
	-	-	4,697	148

A debit amount of £5,712,000 in respect of deferred tax at 30 June 1999 has not been recognised.

16 Called up share capital

Equity	**1999**	1998
	£000	£000
Authorised		
400,000,000 ordinary shares of £1 each	**400,000**	400,000
Allotted, called up and fully paid		
86,500 ordinary shares of £1 each	**86**	86
Non equity		
Authorised		
600,000,000 preference shares of £1 each	**600,000**	600,000
Allotted, called up and fully paid		
520,000,000 preference shares of £1 each	**520,000**	520,000

The preference shares carry a fixed cumulative preference dividend of 8% per annum. The earliest date at which preference shares are redeemable at par at the option of the company is 2001.

Notes *(continued)*

17 Reserves

	Profit and loss account £000
At beginning of year	193,605
Retained profit for the year	48,773
At end of year	**242,378**

18 Contingent liabilities

In the opinion of the directors there are no contingent liabilities requiring disclosure at 30 June 1999 (1998: £Nil), except that a letter of indemnity has been given in respect of the operation by International Distillers & Vintners Export Limited of a bank account.

19 Cash flow statement

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.

20 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made in these financial statements are as follows:

	1999 £000	1998 £000
Contracted	**121**	-

(ii) Annual commitments under operating leases are as follows:

	Plant and machinery	
	1999 £000	1998 £000
Operating leases which expire:		
Within one year	**478**	98
In the second to fifth years inclusive	**105**	158
Over five years	-	-
	583	256

Notes *(continued)*

21 Pensions

The majority of company employees are members of group pension schemes operated by Diageo plc. Contributions by this company are based on pension costs across the Diageo group as a whole. The schemes are of the defined benefit type, funded by payments to trustee administered funds.

Particulars of the valuations of the group schemes are contained in the financial statements of Diageo plc.

22 Ultimate holding company

The company is a wholly owned subsidiary of United Distillers & Vintners (HP) Limited (formerly International Distillers & Vintners Limited) and its ultimate holding company as at 30 June 1999 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.

23 Related party transactions

The exemption from disclosing transactions with fellow subsidiary undertakings 90 per cent or more of whose voting rights are controlled within the Diageo plc group has been invoked.