

**JAMES BUCHANAN & COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**30 JUNE 2000**

**Registered Company No. 149234**



## **DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2000.

### **Activities**

During the year the company sold trademarks to a fellow group subsidiary undertaking for a consideration of £207,000.

### **Euro**

The directors do not anticipate that there will be any implications on the activities of the company on the introduction of the euro. There are no costs associated with the introduction of the euro for James Buchanan & Company Limited. A statement explaining the impact of the introduction of the euro, and the programme put in place to deal with this along with associated costs, for the Diageo group is disclosed in the annual report of the ultimate parent undertaking, Diageo plc.

### **Financial**

The results for the year are on page 6.

The directors do not recommend the payment of a dividend (1999 - £nil).

The profit for the year retained in the company is £207,000 (1999 - £nil).

### **Directors**

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

A J M Buchanan  
S M Bunn  
R H Myddelton  
M D Peters

Subsequent to the year end M D Peters resigned as a director on 10 November 2000.

### **Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (1999 - £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 year in any significant contract with the company.

**Directors' interests (continued)**

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**

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary shares		Conditional rights to ordinary shares				
	At beginning of year	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
A J Buchanan	89	153	-	-	-	-	-
S M Bunn	2,061	682	4,650	-	-	-	4,650
R H Myddelton	19,519	22,780	53,449	5,919	10,125	(7,956)	51,412
M D Peters	4,744	6,957	4,650	-	-	-	4,650

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans (The Grand Metropolitan Restricted Share Plan ('GrandMet RSP') and the Total Shareholder Return Plan ('TSR')). The GrandMet RSP vested during the year and the directors received 56% of their conditional rights to ordinary shares. R H Myddelton did not have his shares released until September 2000; these are shown under the "vested in year" column above. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

	At beginning of year	Granted during the year	Exercised during the year	At end of year	Exercised	
					Option price (pence)	Market price (pence)
A J Buchanan	-	-	-	-	-	-
S M Bunn	4,021	5,032	(977)	8,076	353	635
R H Myddelton	204,354	33,808	(1,954)	236,208	353	635
M D Peters	12,730	5,824	(961)	17,043	359	438
			(550)		354	438

The directors held the above options under Diageo plc share option schemes at prices between 314p and 518p per ordinary share exercisable by 2009. The options are granted at market value on the date the option is granted and the option price is payable when the option is exercised.

The mid-market share price of Diageo plc shares fluctuated between 384p and 696.5p per share during the year. The mid-market share price on 30 June 2000 was 593p.

**Directors' interests (continued)**

At 30 June 2000, R H Myddelton had an interest in 3,123,181 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; and the directors had an interest in 22,068,050 shares and 2,296,087 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

A new Diageo plc senior executive share option plan ('SESOP') was introduced with effect from 1 January 2000. The combined benefits provided under the TSR and the SESOP are expected to be the same as those previously provided under the TSR. Options granted under the SESOP may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to the first grant of options under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the parent company, Diageo plc.

Options granted during the year for R H Myddelton are principally options granted under SESOP, which are subject to performance conditions, as detailed above.

**Auditors**

KPMG Audit Plc were appointed by the directors to fill a casual vacancy during the year and, in accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Extraordinary General Meeting. Pursuant to an elective resolution previously passed under Section 386 Companies Act 1985 the company will not be required to re-appoint its auditors annually in subsequent years.

**Secretary**

On 17 August 1999, V A Lynch resigned as secretary of the company and S M Bunn was appointed in her place.

By order of the board



S M Bunn  
Secretary

**DIRECTORS' RESPONSIBILITIES**  
**IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the report of the auditors set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors 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 6 to 9, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all applicable accounting standards have been followed, and that it is appropriate to prepare the financial statements on 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.

**AUDITORS' REPORT TO THE MEMBERS OF JAMES BUCHANAN & COMPANY LIMITED**

We have audited the financial statements on pages 6 to 9.

**Respective responsibilities of the directors and auditors**

The directors are responsible for preparing the directors' report as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

**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 2000 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  
London

25 April 2001

**PROFIT AND LOSS ACCOUNT**

		<b>Year ended 30 June 2000 £000</b>	<b>Year ended 30 June 1999 £000</b>
	<b>Note</b>		
Gain on disposal of trademarks	3	<u>207</u>	<u>-</u>
<b>Profit on ordinary activities before and after taxation</b>		<u>207</u>	<u>-</u>

The notes on pages 8 and 9 form part of these financial statements.

There are no recognised gains or losses other than the gain for the financial year and consequently a statement of total recognised gains and losses is not presented as part of these financial statements.


There is no difference between the profit for the year and the historical profit for the year and consequently no note of historical cost profits has been presented as part of the financial statements.

**BALANCE SHEET**

	Notes	30 June 2000 £000	30 June 1999 £000
<b>CURRENT ASSET</b>			
<b>DEBTOR</b>			
Amount owed by United Distillers & Vintners (ER) Limited		<u>212</u>	<u>5</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	4	5	5
Profit and loss account	5	<u>207</u> <u>212</u>	<u>-</u> <u>5</u>

The notes on pages 8 and 9 form part of these financial statements.

The financial statements were approved by the board of directors on 25 April 2001.

  
**R H Myddelton**  
**Director**



**NOTES TO THE FINANCIAL STATEMENTS**

**1. Accounting policies**

***Basis of preparation***

The financial statements of the company are prepared under the historical cost convention and comply with applicable UK accounting standards.

The company is exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are part of the Diageo plc group or investees of the Diageo plc group.

Under Financial Reporting Standard No 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt from the requirement to prepare group accounts under Section 228 of the Companies Act 1985 as its results are included in the consolidated accounts of Diageo plc.

**2. Auditors' remuneration**

Auditors' remuneration was paid on behalf of the company by a group undertaking.

**3. Disposal of trademarks**

During the year the company sold trademarks for a consideration of £207,000. No tax liability arose on the disposal as the trademarks were purchased by a fellow UK group subsidiary company.

**4. Share capital**

	<b>30 June 2000 £000</b>	<b>30 June 1999 £000</b>
Authorised:		
300,050 ordinary shares of £100 each	<u>30,005</u>	<u>30,005</u>
Allotted and fully paid:		
50 ordinary shares of £100 each	<u>5</u>	<u>5</u>

Ordinary shares are entitled to one vote each.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5. Profit and loss account**

	<b>30 June</b>	<b>30 June</b>
	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
At beginning of the year	-	-
Retained profit for the year	<u>207</u>	-
At end of the year	<u>207</u>	-

**6. Movements in shareholders' funds**

	<b>30 June</b>	<b>30 June</b>
	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Profit for the year	207	-
Shareholders' funds at beginning of the year	<u>5</u>	<u>5</u>
Shareholders' funds at end of the year	<u>212</u>	<u>5</u>

**7. Immediate and ultimate parent undertaking**

The company is a wholly owned subsidiary of United Distillers & Vintners (ER) Limited, a company incorporated and registered in Scotland. The company's ultimate holding company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from 8 Henrietta Place, London W1G 0NB.