

## **JAMES BUCHANAN & COMPANY LIMITED**

### **DIRECTORS' REPORT for the 18 Months Ended 30 June 1998**

The directors have pleasure in submitting their report, together with the financial statements, for the eighteen months ended 30 June 1998. On 17 December 1997 Grand Metropolitan Public Limited Company merged with Guinness PLC to form Diageo plc, formerly Guinness PLC, as a result of which, Diageo plc remains the ultimate parent of the company.

#### **Activities**

The company did not trade during the year.

#### **Dividend**

The directors do not recommend the payment of a dividend. (1997: £Nil)

#### **Financial**

The financial year end of the company has been changed to 30 June from 31 December, and the results for the period shown on page 4 are for the eighteen months from 1 January 1997 to 30 June 1998.

#### **Year 2000**

In the opinion of the directors there are no risks or uncertainties with the Year 2000 problem due to the company's dormant status.

#### **Directors**

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

A MacDonald-Buchanan  
P G H Antrobus (Resigned 31 March 1998)  
R J Gilchrist (Resigned 31 March 1998)  
N T Kerr (Resigned 31 March 1998)  
G W King (Resigned 31 March 1998)  
S M Bunn (Appointed 31 March 1998)  
R H Myddelton (Appointed 31 March 1998)  
M D Peters (Appointed 31 March 1998)

#### **Emoluments**

None of the directors received any remuneration during the period in respect of their services as directors of the company (1997:£nil).

# JAMES BUCHANAN & COMPANY LIMITED

## DIRECTORS' REPORT for the 18 Months 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.

### Directors' Interests (continued)

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 and the consolidation of existing shares from 4,117 million 25 pence ordinary shares to 3,557 million 28 <sup>101</sup>/<sub>108</sub> 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 or Ordinary shares of 28 101/108p	Ordinary shares of 28 101/108p	B shares	RSP & MTEP Awards*	
	1.1.97 or date of appointment	30.6.98	30.6.98	1.1.97	30.6.98
A MacDonald-Buchanan	104	89	14	-	-
S M Bunn	-	-	-	-	-
R H Myddelton	20,049	20,049	-	18,081	18,081
M D Peters	2,703	2,733	224	-	1,434

### Options

Name of Director	1.1.97 or date of appointment	Granted during Period	Exercised during Period	30.6.98
A MacDonald-Buchanan	-	-	-	-
S M Bunn	14,672	-	-	14,672
R H Myddelton	207,522	-	-	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.

# **JAMES BUCHANAN & COMPANY LIMITED**

## **DIRECTORS' REPORT for the 18 Months Ended 30 June 1998**

### **Directors' Interests (continued)**

The mid-market share price of Grand Metropolitan PLC/Diageo plc shares fluctuated between 535p and 762.5p 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**

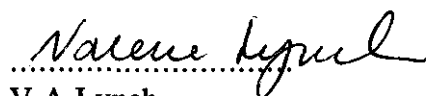
(i) **The Grand Metropolitan Restricted Share Plan (RSP).** In 1997, GrandMet shares or ADSs were conditionally awarded to executives, with eventual release dependent on the performance of GrandMet's TSR compared with the TSR of the other FTSE 100 companies, over a minimum of three years. The allocation 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 31 March 1998 R J Gilchrist resigned as Secretary of the Company and V A Lynch was appointed in his place.

By Order of the Board



V A Lynch

Secretary

8 Henrietta Place

London W1M 9AG

26<sup>th</sup> April 1999

**JAMES BUCHANAN & COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT for the 18 Months Ended 30 June 1998**

During the 18 month period and the preceding financial period, the company did not trade and received no income and incurred no expenditure. Consequently, during those periods, the company made neither a profit nor a loss, and there were no other recognised gains or losses.

The notes on page 5 form part of these accounts.

**JAMES BUCHANAN & COMPANY LIMITED****BALANCE SHEET as at 30 June 1998**

	<b>30 June 1998 £000</b>	<b>31 December 1996 £000</b>
<b>DEBTORS</b>		
Amount owed by group undertaking	<u>5</u>	<u>5</u>

**SHARE CAPITAL AND RESERVES**

Called up share capital (note 2)	<u>5</u>	<u>5</u>
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The company was dormant, within the meaning of section 250 of the Companies Act 1985, throughout the financial year.



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

**Notes:**

1. The balance sheet has been prepared on the historical cost basis of accounting.

2. Share capital

	<b>30 June 1998 £000</b>	<b>31 December 1996 £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>

3. No director received any emoluments in respect of his services to the company during the period or the previous year.
4. The company is a wholly owned subsidiary of United Distillers & Vintners (ER) Limited and the company's ultimate holding company as at 30 June 1998 was Diageo plc. Diageo plc is incorporated and registered in England and its accounting period end is 30 June. The first consolidated accounts of Diageo plc for the eighteen months period ended 30 June 1998 can be obtained from 8 Henrietta Place, London W1M 9AG.
5. The financial statements were approved by the board of directors on 26<sup>th</sup> April 1999.