

UNITED DISTILLERS INTERNATIONAL LIMITED

REGISTERED NO. 908005

DIRECTORS REPORT AND ACCOUNTS

31 DECEMBER 1996



UNITED DISTILLERS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 1996

DIRECTORS

A.C.P. Carr-Locke (Chairman)

J.E. Airey

SECRETARY

D.B. Phillips

REGISTERED OFFICE

39 Portman Square, London, W1H 0EE

REGISTERED NUMBER

908005

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 1996.

REVIEW OF BUSINESS

The Company's principal activity is to maintain offices in export markets to enable employees to further the awareness of group products in those markets.

Turnover for the year ended 31 December 1996 was £3,566 (1995 - £47,230) and costs were £(69,264) (1995 - £136,859) resulting in a profit on ordinary activities before taxation for the year of £72,830 (1995 - £89,629 loss).

RESULTS AND TRANSFER TO RESERVES

After taxation the profit for the year amounted to £64,694 (1995 - £94,799 loss) which after the payment of a dividend of NIL (1995 - NIL) resulted in a transfer to reserves of £64,694 (1995 - £94,799 from reserves).

DIVIDENDS

No interim dividend was paid (1995 - £NIL).

The Directors do not recommend the payment of a final dividend (1995 - £NIL).

UNITED DISTILLERS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (Continued)

FIXED ASSETS

Details of fixed assets are shown in Note 6 to the accounts.

FUTURE DEVELOPMENTS

As a result of the transfer in 1993 of the European Duty Free activities to United Distillers plc, the future activities of United Distillers International Ltd are anticipated to continue at significantly smaller levels.

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' INTERESTS

The names of the present Directors of the Company are set out below:

A.C.P. Carr-Locke
J.E. Airey

No Director had an interest in shares or debentures of the Company or any subsidiary of the parent undertaking with the exception of non-beneficial interests as nominee and the interests in the ordinary shares of the ultimate parent undertaking, Guinness PLC, as set out below:-

	At 31 December 1996		At 1 January 1996 or at date of appointment if later	
	Ordinary Shares	Options Over Ordinary Shares	Ordinary Shares	Options Over Ordinary Shares
A.C.P. Carr-Locke	-	27,061	-	-
J.E. Airey	7,311	40,554	6,771	30,662

During the year, the following movements in options over the ordinary shares of Guinness PLC took place:

	Options Granted during 1996		Options exercised during 1995	
	Number	Price	Number	Price
A.C.P. Carr-Locke	24,858+	4.42	-	-
	2,203*	3.54	-	-
J.E. Airey	9,892+	4.60	6,263+	4.575
	-	-	1,032*	4.010

UNITED DISTILLERS INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (Continued)

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 and Savings Related Share Option Scheme respectively.

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

All Directors and Officers are insured against liabilities in relation to the Company as defined in S310 Companies Act 1985. This cover does not extend to the company's auditors and professional advisors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

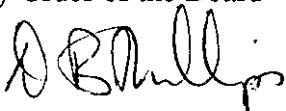
The Directors are required by the Companies Act 1985 to prepare statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 12, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have a 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 a 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.

By Order of the Board



DB Phillips

Secretary

19th September 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF
UNITED DISTILLERS INTERNATIONAL LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 3, 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 judgments 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 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

19 September 1997

UNITED DISTILLERS INTERNATIONAL LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996**

	Year Ended 31 December 1996 £	Year Ended 31 December 1995 £
TURNOVER (Note 2)	3,566	47,230
Net Operating Income/(Costs) (Note 3)	<u>69,264</u>	<u>(136,859)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 2)	72,830	(89,629)
Taxation (Note 5)	<u>(8,136)</u>	<u>(5,170)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION/ RETAINED PROFIT/(LOSS) FOR THE YEAR	64,694	(94,799)
Balance at 1 January 1996	<u>98,497</u>	<u>193,296</u>
Balance at 31 December 1996	<u>163,191</u>	<u>98,497</u>

NOTES OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the reported profit/loss for 1996 and 1995 and the profit/loss for those years on a historical cost basis.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than those reflected in the profit and loss account.

The notes on pages 7 to 12 form part of these accounts.

CASHFLOW STATEMENT

The company has taken advantage of the exemption of not having to prepare a cashflow statement contained within FRS1 (revised).

UNITED DISTILLERS INTERNATIONAL LIMITED**BALANCE SHEET AS AT 31 DECEMBER 1996**

	As at 31 December 1996 £	As at 31 December 1995 £
FIXED ASSETS		
Tangible Assets (Note 6)	-	252
CURRENT ASSETS		
Debtors (Note 7)	2,573,900	3,683,219
Cash at Bank and In Hand	<u>241,251</u>	<u>155,943</u>
	2,815,151	3,839,162
CREDITORS: Amounts falling due within one year (Note 8)	<u>(2,631,960)</u>	<u>(3,720,917)</u>
Net Current Assets	<u>183,191</u>	<u>118,245</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>183,191</u>	<u>118,497</u>
CAPITAL & RESERVES		
Called Up Share Capital (Note 9)	20,000	20,000
Profit & Loss Account	<u>163,191</u>	<u>98,497</u>
		<u>118,497</u>
EQUITY SHAREHOLDERS' FUNDS	<u>183,191</u>	

Approved by the Board on 19th September 1997

A. Carr-Locke

A. Carr-Locke
DIRECTOR

The notes on pages 7 to 12 form part of these accounts.

UNITED DISTILLERS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 1996**

1. ACCOUNTING POLICIES

(1) Basis of Accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting and financial reporting standards.

(2) Foreign Currencies

Assets and liabilities in foreign currencies have been translated into sterling using the rates of exchange ruling at the balance sheet date. Exchange differences from currency conversions in the normal course of trading are dealt with in the profit and loss account.

(3) Depreciation

Tangible assets are depreciated principally on a straight line basis at annual rates estimated to write off their book value over the term of their useful lives. Details of depreciation rates are as follows:-

Fixtures and Fittings	10% - 20% on cost
Computer Equipment	30% on cost
Motor Vehicles	11% -25% on cost

(4) Deferred Taxation

Deferred taxation is provided only to the extent that a liability is expected to become payable within the foreseeable future.

(5) Turnover

Turnover represents the invoice value of goods sold including duties where applicable, and any recharges to the immediate parent undertaking of expenses incurred overseas, but excluding value added tax.

UNITED DISTILLERS INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1996 (Continued)****2 GEOGRAPHICAL ANALYSIS OF TURNOVER & PROFIT**

<u>Turnover for Continuing Activities</u>	31 December 1996 £	31 December 1995 £
United Kingdom	<u>3,566</u>	<u>47,230</u>

<u>Profit/(Loss) Before Taxation</u>	31 December 1996 £	31 December 1995 £
United Kingdom	<u>72,830</u>	<u>(89,629)</u>

3 NET OPERATING (INCOME)/COSTS

	31 December 1996 £	31 December 1995 £
Staff Costs	-	64,959
Other Operating Income	(110,462)	-
Other Operating Charges	209	116,360
Depreciation	212	172
Exchange Losses (Gains)	40,623	(40,340)
Interest Paid/(Received) on Bank Loans, overdrafts and other loans (Wholly repayable within 5 years)	<u>154</u>	<u>(4,292)</u>
	<u>(69,264)</u>	<u>136,859</u>

Included with Other Operating charges for 1996 is £6 (1995 - £104,518) relating to loss on disposal of fixed assets relating to the closure of regional offices.

UNITED DISTILLERS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

3 NET OPERATING COSTS (Continued)

<u>Staff Costs</u>	31 December 1996 £	31 December 1995 £
Wages and Salaries	-	4,030
Social Security Costs	-	28,006
Pension Costs	-	<u>32,923</u>
	-	<u>64,959</u>
Average Number of Employees, All Employed Outside the UK	NIL	NIL

The audit fee has been borne by the immediate parent undertaking.

Fees payable to the Auditors for non-audit services amounted to £NIL (1995 - £1,374).

4 DIRECTORS' EMOLUMENTS

The Directors' received no remuneration for their services to the Company during the year ended 31 December 1996 (1995 - £NIL).

5 TAXATION

Taxation on the profit for the year:

	31 December 1996 £	31 December 1995 £
UK Corporation tax on profit for the year at 33% (1995 - 33%)	-	-
Overseas taxation	8,136	5,170
	<u>8,136</u>	<u>5,170</u>

UNITED DISTILLERS INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)****6 FIXED ASSETS**

	Fixtures & Fittings £	Total £
COST:		
At 1 January 1996	1,018	1,018
Disposals	(986)	(986)
Exchange adjustments	<u>(32)</u>	<u>(32)</u>
At 31 December 1996	<u>-</u>	<u>-</u>
DEPRECIATION:		
At 1 January 1996	766	766
On disposals	(952)	(952)
Charge for year	212	212
Exchange adjustments	<u>(24)</u>	<u>(24)</u>
At 31 December 1996	<u>-</u>	<u>-</u>
NET BOOK VALUE:		
At 31 December 1996	<u>-</u>	<u>-</u>
At 31 December 1995	<u>252</u>	<u>252</u>

7 DEBTORS

	31 December 1996 £	31 December 1995 £
Amount owed by group undertakings	2,514,831	3,077,099
Other debtors & prepayments	48,865	80,819
Corporation Tax	-	500,000
Overseas Taxation	<u>10,204</u>	<u>25,301</u>
	<u>2,573,900</u>	<u>3,683,219</u>

UNITED DISTILLERS INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)****8 CREDITORS:** Amounts falling due within one year.

	31 December 1996 £	31 December 1995 £
Amount owed to group undertakings	2,628,453	3,369,191
Other creditors and accruals	<u>3,507</u>	<u>351,726</u>
	<u>2,631,960</u>	<u>3,720,917</u>

9 CALLED UP SHARE CAPITAL

	31 December 1996 £	31 December 1995 £
Authorised, issued and fully paid, 100 ordinary shares of £200 each	20,000	20,000

10 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS FUNDS

	£
Profit for the year	64,694
Opening shareholders funds	<u>118,497</u>
Closing shareholders funds	<u>183,191</u>

UNITED DISTILLERS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (Continued)

11 PARENT UNDERTAKING

The immediate parent undertaking is United Distillers plc, registered in Scotland.

The ultimate parent undertaking is Guinness PLC, registered in England and Wales. The ultimate parent undertaking is the only company preparing group accounts and copies of these group accounts are available from the Secretary of the Company at Guinness PLC, 39 Portman Square, London W1H OEE.