

UNITED DISTILLERS INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

30 JUNE 2000

Company Registration No. 908005



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

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

These activities have now largely ceased or are being undertaken by other entities. It is therefore the intention of the directors to wind the company up.

Financial

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

Directors

The directors who served during the year were as follows:

S M Bunn
R H Myddelton
M D Peters

MD Peters was appointed Secretary 1 July 1999. Subsequent to year end, M D Peters resigned as director and secretary on 10 November 2000 and S M Bunn was appointed as secretary in his stead.

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 or any subsidiary. The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28 $\frac{101}{108}$ p each in the ultimate parent company, Diageo plc:

(i) Ordinary shares and conditional rights to ordinary shares

	<u>Ordinary shares</u>		<u>Conditional rights to ordinary shares</u>				
	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
S M Bunn	2,061	682	4,650	0	0	0	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	0	0	0	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'), the Share Incentive Plan 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 respectively. R H Myddelton did not have his shares released until September 2000, these are shown under the "vested in year" column above. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. 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 in year	Exercised in year	At end of year	<u>Exercised</u>	
					Option price (pence)	Market price (pence)
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) (550)	17,043	359 354	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 during the year. The mid-market share price on 30 June 2000 was 593p.

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 the SESOP, which are subject to performance conditions, as detailed above.

Auditors

The company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint auditors annually. The auditors, KPMG Audit Plc, are willing to continue in office and will be deemed to be reappointed on the expiry of their term in office in respect of the year ended 30 June 2000.

By order of the board



S M Bunn
Secretary

8 Henrietta Place, London W1G 0NB
26 July 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the report of the auditors, 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 period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit of the company for the financial period.

The directors, in preparing the financial statements on pages 6 to 10, consider that the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards they consider to be applicable have been followed, and that it is appropriate to prepare the financial statements on the 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 that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the auditors to the members of United Distillers International Limited

We have audited the financial statements on pages 6 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, 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

26 July 2001

United Distillers International Limited

Profit and Loss Account For the Year Ended 30 June 2000

	Notes	<u>2000</u> £	<u>1999</u> £
Turnover		0	0
Net operating costs		<u>(3,444)</u>	<u>(1,552)</u>
Loss on ordinary activities before taxation	3	(3,444)	(1,552)
Taxation	5	<u>4,954</u>	<u>(120,913)</u>
Profit / (Loss) on ordinary activities after taxation		1,510	(122,465)
Dividends		<u>0</u>	<u>0</u>
Retained profit / (loss) for the year		1,510	(122,465)
Balance at 1 July 1999		(116,364)	6,101
Balance at 30 June 2000		<u>(114,854)</u>	<u>(116,364)</u>

Notes on Historical Profits and Losses

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

Statement of Total Recognised Gains and Losses

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

United Distillers International Limited

Balance Sheet as at 30 June 2000

	Notes	As at 30 June 2000 £	As at 30 June 1999 £
Current Assets			
Debtors	6	302	327
Cash at Bank and In Hand		181,121	186,955
		<u>181,423</u>	<u>187,282</u>
Creditors (Amounts Falling Due Within One Year)	7	<u>(276,277)</u>	<u>(283,646)</u>
Net Current Assets		<u>(94,854)</u>	<u>(96,364)</u>
Total Assets Less Current Liabilities		<u>(94,854)</u>	<u>(96,364)</u>
Capital and Reserves			
Called up share capital	8	20,000	20,000
Profit & loss account		<u>(114,854)</u>	<u>(116,364)</u>
Equity Shareholders' Funds	9	<u>(94,854)</u>	<u>(96,364)</u>

Approved by the Board on 26 July 2001


R H Myddelton
Director

The notes on pages 8 to 10 form part of these accounts.

United Distillers International Limited

Notes to Financial Statements

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

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

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publically available. Consequently, the company has taken advantage of the exemption from preparing a cash-flow statement under the terms of Financial Reporting Standard No.1 (revised 1996). The company is also 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.

1.2 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.

1.3 Deferred Taxation

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

1.4 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

2 Geographical Analysis of Turnover and Profit

	<u>2000</u>	<u>1999</u>
	£	£
Turnover for Continuing Activities		
United Kingdom	nil	nil
Loss before Taxation		
Europe	(3,444)	(1,552)

3 Net Operating Costs

	<u>2000</u>	<u>1999</u>
	£	£
Other operating charges	202	138
Exchange losses	3,242	1,414
	<u>3,444</u>	<u>1,552</u>

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

Fees payable to the Auditors for non-audit services amounted to £NIL (1999 - £NIL)

United Distillers International Limited

Notes to Financial Statements

4 Directors' Emoluments

The Directors' received no remuneration for their services to the Company during the year ended 30 June 2000 (1999 - £ NIL)

5 Taxation

Taxation on the loss for the year:	<u>2000</u> £	<u>1999</u> £
UK Corporation tax	0	102,000
Overseas taxation	(4,954)	18,913
	<u>(4,954)</u>	<u>120,913</u>

Companies in the Diageo plc group generally apply group relief rules in administering their tax positions. From 1 July 1999, the company has agreed to change its policy from paying / charging for group relief so that group relief is effective for nil consideration. As a consequence the company has neither a current UK tax charge nor a credit for the year ended 30 June 2000.

6 Debtors

	<u>2000</u> £	<u>1999</u> £
Other debtors and prepayments	302	327
	<u>302</u>	<u>327</u>

7 Creditors: Amounts falling due within one year

	<u>2000</u> £	<u>1999</u> £
Amount owed to group undertakings	(273,515)	(263,961)
Other creditors and accruals	(2,762)	(19,685)
	<u>(276,277)</u>	<u>(283,646)</u>

8 Called Up Share Capital

	<u>2000</u> £	<u>1999</u> £
Authorised, issued and fully paid, 100 ordinary shares of £200 each	20,000	20,000

United Distillers International Limited

Notes to Financial Statements

9 Reconciliation of Movements on Shareholders Funds

	£
Profit for the year	1,510
Opening shareholders' funds	(96,364)
Closing shareholders' funds	(94,854)

10 Parent Undertaking

The company's immediate parent company is Guinness United Distillers & Vintners Scotland Limited (formerly United Distillers & Vintners (ER) Limited), a company incorporated and registered in Scotland

The company's ultimate parent company is Diageo plc, a company incorporated and registered in England

The consolidated accounts of Diageo plc for the year ended 30 June 2000, can be obtained from the registered office at 8 Henrietta Place, London W1G ONB

11 Financial Support

The company's parent company has indicated its willingness to continue to support the company financially