

IDV CENTRAL ASIA LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1997



DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements for the year ended 30th September 1997.

Activities

The company is engaged in the exporting of wines and spirits to Central Asia.

Financial

The directors recommend that no dividend be paid (1996 - £ nil). The loss for the year retained in the company is £196,145 (1996 - £5,497,062).

Directors

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

R.Ekholm, Chairman	Resigned 19th January 1998
M.P.Hitchcock	Resigned 16th January 1998
E. Lomnitz	Resigned 30th April 1998
D. Lomnitz	Resigned 30th April 1998
G.Williams	Appointed 25 October 1996

The following have been appointed Directors of the company subsequent to the end of the financial year:

N.C.Rose	Appointed 12 March 1998
R.Horvath	Appointed 12 December 1997 (Resigned 27 July 1998)
J.Stewart	Appointed 27 July 1998
R.Rajagopal	Appointed 27 July 1998

Directors' Interests

Of the Directors who held office at the end of the year, Mr D.Lomnitz had the following interests in the share capital of the company:

	ORDINARY SHARES of £1 each	
	30th September 1997	1st October 1996
D. Lomnitz	22,050	22,050

Directors report - *continued*

Options

The Directors had the following interests in the share capital of Grand Metropolitan PLC which, at the end of the financial year was the ultimate holding company (see note 12 to the financial statements):

United Kingdom

	1st October 1996	Granted during the year	Exercised during the year	30th September 1997
Options over ordinary shares				
R.Ekholm	64,000	-	28,000	36,000
M.P.Hitchcock	10,328	-	-	10,328

The Directors held the above options under the Grand Metropolitan PLC share option schemes at prices between 314p and 471p per share exercisable by 2006.

United States

	1st October 1996	Granted during the year	Exercised during the year	30th September 1997
Options over ordinary shares				
R.Ekholm	86,144	-	21,720	64,424

Options are granted over American Depositary Shares ('ADSs'). The above option holdings and prices are stated as ordinary share equivalents; one ADS represents four ordinary shares of 25p each. The ADS options are held at prices between US\$25.21 and US\$28.09 per ADS exercisable by 2006.

The mid-market price of Grand Metropolitan PLC shares fluctuated between 428.5p and 625.5p during the year. The mid-market share price on 30th September 1997 was 592p.

As a potential beneficiary of the Grand Metropolitan PLC No 1 Employee Share Trust, Mr R.Ekholm had an interest at 30th September 1997 in 251,818 shares registered in the name of Greenwood Nominees Limited and 33,256,768 shares which were the subject of call options purchased by the trustees, Maurant & Co Trustees Limited from SBC Warburg Dillon Read and National Westminster Bank Plc.

Mr G.Williams is a Director of the holding company, United Distillers & Vintners (HP) Limited (formerly International Distillers & Vintners Limited) and his interests in the share capital of the ultimate holding company, Grand Metropolitan PLC are disclosed in the annual report of that company.

Secretary

On 1 June 1998, Mrs. S.M.Bunn resigned as secretary of the company and Mr. M.D.Peters was appointed in her place.

Directors report - *continued*

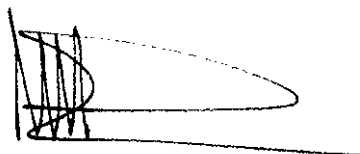
Change of Shareholding

On 30th April 1998 United Distillers & Vintners (HP) Limited (formerly International Distillers & Vintners Limited) purchased from Coromin Limited 49% (44,100) of the shares in the company.

Auditors

Having signified their willingness to continue in office, a resolution proposing the re-appointment of KPMG Audit Plc as the company's auditor will be submitted to the forthcoming Annual General Meeting.

By order of the Board.

A handwritten signature in black ink, appearing to read 'M.D. Peters', with a long horizontal line extending to the right.

M.D.PETERS

Secretary

8 Henrietta Place
London
W1M 9AG

28 July 1998

DIRECTORS' RESPONSIBILITIES

in relation to 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 of the company for the financial year.

The directors consider that in preparing the financial statements on pages 6 to 14, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed, and that it is appropriate to use 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.

The directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

Report of the Auditor, KPMG Audit Plc, to the members of IDV Central Asia Limited

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditor

As described on page 4 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 30th September 1997 and of its loss 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, 28 July 1998

Profit and Loss Account

for the year ended 30th September

	<u>NOTE</u>	1997 £	1996 £
Turnover from continuing operations	2	747,579	2,040,228
Operating costs	3	(952,186)	(7,565,216)
Operating loss from continuing operations		(204,607)	(5,524,988)
Other interest receivable and similar income	5	8,462	27,926
Loss on ordinary activities before taxation		(196,145)	(5,497,062)
Tax on loss on ordinary activities		-	-
Transferred from reserves		(196,145)	(5,497,062)

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


IDV CENTRAL ASIA LIMITED

Balance Sheet

as at 30th September

	<u>NOTE</u>	1997 £	1996 £
Fixed Assets	6	32,177	50,953
Current assets			
Stocks	7	486,599	1,115,222
Debtors - due within one year	8	1,494,291	595,033
Debtors - due after more than one year	8	-	1,417,419
Cash at bank and in hand		125,385	390,576
		2,106,275	3,518,250
Creditors - due within one year	9	(8,135,586)	(4,157,960)
Net current liabilities		(6,029,311)	(639,710)
Total assets less current liabilities		(5,997,134)	(588,757)
Creditors - due after more than one year	9	-	(5,212,232)
		(5,997,134)	(5,800,989)
Capital and reserves			
Called up share capital	10	90,000	90,000
Profit and loss reserve	11	(6,087,134)	(5,890,989)
Shareholders' Funds (all equity)		(5,997,134)	(5,800,989)

The financial statements on pages 6 to 14 were approved by the Board of directors on 28th July 1998 and were signed on its behalf by:



Director

Statement of cash flows
for the year ended 30th September

	<u>NOTE</u>	1997 £	1996 £
NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITY	3	(268,590)	255,519
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RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	5	8,462	27,926
 CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(5,063)	(65,971)
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(DECREASE) / INCREASE IN CASH DURING THE YEAR		(265,191)	217,474
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Reconciliation of net cash flow to movements in net funds			
(Decrease) / Increase in cash during the year		(265,191)	217,474
Net funds at 1 October		390,576	173,102
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Net funds at 30 September		125,385	390,576
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IDV CENTRAL ASIA LIMITED

Reconciliation of Movements in Shareholders' Funds

for the year ended 30th September

	1997	1996
	£	£
Loss for the financial year	(196,145)	(5,497,062)
Net additions to Shareholders' Funds	(196,145)	(5,497,062)
Shareholders' Funds at 1st October	(5,800,989)	(303,927)
Shareholders' Funds at 30th September	(5,997,134)	(5,800,989)

NOTES

(forming part of the financial statements)

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention. They have been drawn up to comply in all material respects with applicable UK accounting standards.

The directors consider it appropriate to prepare the accounts on a going concern basis as the directors of United Distillers & Vintners (HP) Limited, the parent company, have confirmed that it is their intention to provide financial and other support to the company to the extent necessary to enable it to continue to trade and to pay its liabilities as and when they become due.

b) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the year end at the rate of exchange ruling at the balance sheet date. Transactions during the year are translated into sterling at the rates prevailing at the date of transaction. Exchange differences arising in the ordinary course of business are included in the profit and loss account.

c) Taxation

The charge for taxation is based on the result for the year, which takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and the treatment under the company's accounting policies. Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences, to the extent that it is probable that liabilities will crystallise in the foreseeable future.

d) Stock

Stocks are stated at the lower of cost and net realisable value.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one activity, the exporting of wines and spirits, and relates solely to the Central Asian market.

IDV CENTRAL ASIA LIMITED

NOTES - *continued*

3. Operating loss

a) Reconciliation of operating loss to net cash flow from operating activities

	<u>1997</u>	<u>1996</u>
	£	£
Operating loss	(204,607)	(5,524,988)
Decrease in stock	628,623	1,188,971
Decrease in debtors	518,161	18,503
(Decrease) / Increase in creditors	(1,234,606)	4,558,015
Depreciation	23,839	15,018
Net cash (outflow) / inflow from operating activities	<u>(268,590)</u>	<u>255,519</u>

b) Operating loss is stated after (charging) / crediting

	<u>1997</u>	<u>1996</u>
	£	£
Raw materials and consumables	(25,798)	(723,861)
Decrease in stocks	(628,623)	(796,767)
Staff costs	(151,038)	(355,909)
Advertising and promotion	(352)	(10,465)
Other operating income	11,601	5,678
Auditor's remuneration - audit services UK	(15,067)	(6,201)
Warehousing costs	(74,834)	(79,631)
Freight and duty costs	(27,449)	(30,787)
Depreciation	(23,839)	(15,018)
Administrative expenses	(45,541)	(307,718)
Assets written off	28,754	(5,244,537)
	<u>(952,186)</u>	<u>(7,565,216)</u>

The company has no employees and therefore the only staff costs relate to recharges levied by related companies for persons working on behalf of IDV Central Asia Limited.

4. Directors' remuneration

None of the directors received any emoluments from the company in 1997 or 1996. Three directors received remuneration from other group companies in respect of their services to Grand Metropolitan PLC. The directors do not consider it appropriate to disclose any part of this remuneration as being in respect of their services to the company.

Two directors exercised share options.

IDV CENTRAL ASIA LIMITED

NOTES - continued

5. Interest

	<u>1997</u> £	<u>1996</u> £
Interest receivable		
On bank deposits	1,577	16,355
Overdue debtors	6,885	11,571
Net interest receivable	<u>8,462</u>	<u>27,926</u>

6. Fixed Assets

	<u>Plant & machinery</u> £	<u>Fixtures, fittings, tools & equipment</u> £	<u>Total</u> £
Cost			
At 1st October	740	65,231	65,971
Additions	4,291	772	5,063
At 30th September	<u>5,031</u>	<u>66,003</u>	<u>71,034</u>
Depreciation			
At 1st October	83	14,935	15,018
Charge for the year	1,455	22,384	23,839
At 30th September	<u>1,538</u>	<u>37,319</u>	<u>38,857</u>
Net Book value			
30th September 1997	<u>3,493</u>	<u>28,684</u>	<u>32,177</u>
30th September 1996	<u>657</u>	<u>50,296</u>	<u>50,953</u>

7. Stocks

	<u>1997</u> £	<u>1996</u> £
Finished goods and goods for resale	486,599	1,115,222
	<u>486,599</u>	<u>1,115,222</u>

The replacement costs of the above stocks would not be materially different from the above figures.

IDV CENTRAL ASIA LIMITED

NOTES - *continued*

8. Debtors

Amounts falling due within one year

	<u>1997</u> £	<u>1996</u> £
Trade debtors	99,335	535,191
VAT recoverable	-	555
Other debtors	1,394,956	59,287
	<u>1,494,291</u>	<u>595,033</u>

Amounts falling due after more than one year

	<u>1997</u> £	<u>1996</u> £
Other debtors	-	1,417,419

9. Creditors

Amounts falling due within one year

	<u>1997</u> £	<u>1996</u> £
Trade creditors	(3,134,850)	(392,512)
Amounts owing to group undertakings	(3,993,133)	(3,134,850)
Other creditors	-	(52,917)
Accruals and deferred income	(1,007,603)	(577,681)
	<u>(8,135,586)</u>	<u>(4,157,960)</u>

Amounts falling due after more than one year

	<u>1997</u> £	<u>1996</u> £
Amounts owing to group undertakings	-	(4,173,468)
Accruals and deferred income	-	(1,038,764)
	<u>-</u>	<u>(5,212,232)</u>

10. Called up share capital

	<u>1997</u> £	<u>1996</u> £
Authorised:		
200,000 Ordinary shares of £1 each (1996 - 200,000)	200,000	200,000
Allotted, called up and fully paid:		
90,000 Ordinary shares of £1 each (1996 - 90,000)	90,000	90,000

NOTES - *continued*

11. Reserves

	Profit and loss account £
At 30th September 1996	(5,890,989)
Retained loss for the year	(196,145)
At 30th September 1997	<u>(6,087,134)</u>

12. 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 September 1997 was Grand Metropolitan PLC ('Grand Metropolitan'). 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

On 17 December 1997, Grand Metropolitan merged with Guinness PLC to form Diageo plc, which as a result, became the ultimate parent undertaking of the company. The merger was effected by a Scheme of Arrangement under the terms of which for each ordinary share of 25 pence in Guinness PLC (which was renamed Diageo plc) and each Grand Metropolitan share was cancelled. Similarly, for each American Depositary Share ('ADS') held in Grand Metropolitan, ADS holders received one Diageo plc ADS (each representing four Diageo plc ordinary shares). Each Grand Metropolitan ADS has been cancelled.

Diageo plc is a company incorporated and registered in England and its accounting period end will be 30 June. The first consolidated accounts of Diageo plc will be for the eighteen month period ending 30 June 1998, and will be obtainable from the address shown above.

13. Related party transactions

The company is a subsidiary of United Distillers & Vintners (HP) Limited (formerly International Distillers & Vintners Limited) and is controlled by that company. At 30 September 1997, the ultimate holding company was Grand Metropolitan PLC.

During the year the company purchased from fellow subsidiary undertakings net finished goods of £24,053. In addition fellow subsidiary undertakings contributed £113,077 to advertising, marketing and promotional expenditure incurred by the company, and the company recharged £123,407 of its operating costs to other fellow subsidiary undertakings.