

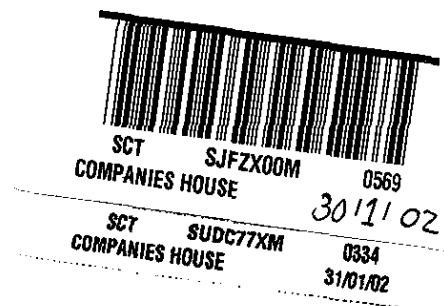
UNITED DISTILLERS UK PLC

FINANCIAL STATEMENTS

30 June 2001

Registered Number: 135736

16



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2001.

Activities

With effect from 30 June 1999 the company ceased to trade. The company did not trade during the financial year or the preceding financial year. The directors foresee no changes in the company's activities.

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 United Distillers UK PLC. 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.

Proposed dividend

The directors do not recommend the payment of a dividend for the year ended 30 June 2001 (2000 - £Nil).

Directors

The directors who served during the year were as follows:

PK Bentley (resigned 31 October 2000)
IK Meakins
RH Myddelton

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2000 - £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 28 ¹⁰¹/₁₀₈ p each in the ultimate parent company, Diageo plc:

DIRECTORS' REPORT (continued)

(i) Ordinary shares and conditional rights to ordinary shares

| | Ordinary Shares | | Conditional rights to ordinary shares | | | | |
|---------------|---|-------------------|---|--------------------|-------------------|-------------------|-------------------|
| | At beginning of year (or date of appointment) | At end of year | At beginning of year (or date of appointment) | Granted in year | Vested in year | Lapsed in year | At end of year |
| I K Meakins | 35,488 | 31,795 | 103,115 | 52,265 | (12,890) | (8,208) | 134,282 |
| R H Myddelton | 22,780 | 33,411 | 51,412 | 6,919 | (21,443) | (7,206) | 29,682 |

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans, the Share Incentive Plan and the Total Shareholder Return Plan ('TSR'). 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 (or date of appointment) | Granted during the year | Exercised during the year | At end of year |
|---------------|---|----------------------------------|---------------------------------|-------------------|
| I K Meakins | 76,554 | 127,768 | - | 204,322 |
| R H Myddelton | 236,208 | 30,829 | (122,139) | 144,898 |

The directors held the above options under Diageo plc share option schemes at prices between 402p and 587p per ordinary share for UK options, exercisable by 2010. 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.

Options granted under the Senior executive Share Option Plan ('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 ultimate holding company, Diageo plc.

The mid-market share price of Diageo plc shares fluctuated between 792p and 560p during the year. The mid-market share price on 30 June 2001 was 780p.

At 30 June 2001 all the directors had an interest in 9,831,421 shares held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition: I K Meakins had an interest in 10,528,614 shares and 4,074,020 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes and R H Myddelton had an interest in 46,480 shares and 2,077,419 shares subject to call options held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

Secretary

M D Peters resigned as Secretary on 10 November 2000 and S M Bunn was appointed in his stead.

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 2001.

By Order of the Board



S M Bunn
Secretary

Edinburgh Park, 5 Lochside Way, Edinburgh EH12 9DT

29 January 2002

**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, 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 at the end of the financial year and of the profit or loss of the company for the financial year.

The directors, in preparing the financial statements consider that, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that 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

Independent auditors' report to the members of United Distillers UK Plc

We have audited the financial statements on pages 6 to 12.

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 1985. 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG Audit Plc', written over a horizontal line.

KPMG Audit Plc
Chartered Accountants
Registered Auditors

29 January 2002

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain land and buildings, and in accordance with applicable UK accounting standards.

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc, which are publicly 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related forward currency contract.

All exchange gains and losses are taken to the profit and loss account.

Turnover

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable, but excluding value added tax.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that an actual liability will crystallise.

PROFIT AND LOSS ACCOUNT

| | Notes | Year ended 30 June <u>2001</u> £'000 | Year ended 30 June <u>2000</u> £'000 |
|--|-------|---|---|
| Turnover | 2 | Nil | Nil |
| Cost of sales | | Nil | Nil |
| Gross Profit | | Nil | Nil |
| Net operating costs | 3 - 4 | Nil | Nil |
| Operating profit* | | Nil | Nil |
| Disposal of fixed assets | | Nil | Nil |
| Other interest receivable and similar income | 7 | 7,361 | 6,809 |
| Interest payable and similar charges | 8 | Nil | (983) |
| Profit on ordinary activities before taxation | | 7,361 | 5,826 |
| Taxation on profit on ordinary activities | 9 | <u>725</u> | <u>6,360</u> |
| Profit on ordinary activities after taxation | | 8,086 | 12,186 |
| Dividends | 10 | <u>Nil</u> | <u>Nil</u> |
| Transferred (from)/to reserves | 14 | <u>8,086</u> | <u>12,186</u> |

The notes on pages 9 to 12 form part of these financial statements.

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.

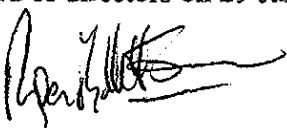
There is no difference between the profit for the year shown in the profit and loss account and the profit for the relevant periods restated on an historical basis.

BALANCE SHEET

| | Notes | 30 June 2001 | | 30 June 2000 | |
|--|-------|----------------|---------------|----------------|---------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Current assets | | | | | |
| Debtors - due within one year | 11 | 571,626 | | 602,634 | |
| Creditors - due within one year (including convertible debt) | 12 | <u>483,479</u> | | <u>522,573</u> | |
| Net assets | | | <u>88,147</u> | | <u>80,061</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 50 | | 50 |
| Profit and loss account | 14 | | <u>88,097</u> | | <u>80,011</u> |
| | | | <u>88,147</u> | | <u>80,061</u> |

The notes on pages 9 to 12 form part of these financial statements.

The financial statements on pages 6 to 12 were approved by a duly appointed and authorised committee of the board of directors on 29 January 2002 and signed on its behalf by:

+  +

RH Myddelton
Director

NOTES TO THE FINANCIAL STATEMENTS

1. Compliance with new accounting standards

The financial statements comply with the following Financial Reporting Standards issued by the Accounting Standards Board.

FRS 15 - Tangible Fixed Assets. This standard addresses the measurement, valuation and depreciation of tangible fixed assets. The company has adopted the transitional arrangements of the standard and has retained the book amounts of certain tangible assets which were previously revalued. It is expected that no further valuations will be carried out.

FRS 16 - Current Tax. This standard was issued in December 1999. It specifies how current tax, in particular withholding tax and tax credits, should be reflected in financial statements.

Compliance with the above new standards has not given rise to any restatement of figures reported for prior periods.

2. Analysis of turnover and profit before taxation

With effect from 30 June 1999 the company ceased to trade. As a result there is no turnover in the current or previous financial year.

The profit before taxation is attributable to income from interest on loans.

3. Operating costs

| | <u>2001</u> <u>£'000</u> | <u>2000</u> <u>£'000</u> |
|-----------------------|-----------------------------|-----------------------------|
| Staff costs (note 4) | - | - |
| Depreciation | - | - |
| Administration costs | - | - |
| Distribution costs | - | - |
| Other operating costs | - | - |
| | <u>-</u> | <u>-</u> |

4. Exceptional costs

There were no exceptional costs in either the current or previous financial year.

5. Staff costs

The company did not employ any staff during the year (2000 - nil). At 1 July 1998 all employees previously employed by United Distillers plc had their contracts terminated and reinstated with UDV (HP) Limited who have since changed their name to Guinness United Distillers & Vintners Limited. There have been no staff costs recharged from Guinness United Distillers & Vintners Limited in the year.

The aggregate payroll costs of these employees were £Nil (2000 - £Nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Directors' emoluments

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2000 - £nil). Auditors' remuneration was paid on behalf of the company by another group undertaking.

7. Other interest receivable and similar income

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|--------------------|----------------------|----------------------|
| Net exchange gains | 1,163 | - |
| Other | <u>6,198</u> | <u>6,809</u> |
| | <u>7,361</u> | <u>6,809</u> |

Of the above amount, £6,198,000 (2000 : £6,809,000) was receivable from group undertakings.

8. Interest payable and similar charges

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|------------------------------|----------------------|----------------------|
| Net exchange losses | - | 983 |
| On bank loans and overdrafts | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>983</u> |

9. Tax on profit on ordinary activities

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|---|----------------------|----------------------|
| UK corporation tax payable at 30% (2000-30%) on the profits/losses of the year | | |
| In respect of prior year | <u>(725)</u> | <u>(6,360)</u> |
| | <u>(725)</u> | <u>(6,360)</u> |

Companies in the Diageo plc group generally apply group relief rules in administering their taxation positions. Such group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit. The prior year adjustment principally results from a reassessment of group relief in respect of earlier periods.

10. Dividends

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|-----------------------|----------------------|----------------------|
| Equity shares: | | |
| Interim dividend paid | - | - |
| | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Debtors

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|--------------------------------|----------------------|----------------------|
| Amounts owed by group | | |
| Undertakings | 548,116 | 557,669 |
| Prepayments and accrued income | 301 | 311 |
| Corporation Tax | <u>23,209</u> | <u>44,654</u> |
| | <u>571,626</u> | <u>602,634</u> |

12. Creditors

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|------------------------------|----------------------|----------------------|
| Amounts owed to group | | |
| Undertakings | 483,383 | 522,478 |
| Corporation tax | | - |
| Other taxation including | | |
| Social security | - | - |
| Accruals and deferred income | 96 | 96 |
| | <u>483,479</u> | <u>522,573</u> |

13. Share capital

| | <u>2001</u> £'000 | <u>2000</u> £'000 |
|-------------------------------------|----------------------|----------------------|
| Authorised | | |
| Equity - Ordinary shares of £1 each | 50 | 50 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid | | |
| Equity - Ordinary shares of £1 each | 50 | 50 |
| | <u> </u> | <u> </u> |

14. Reserves

| | <u>Profit and loss account</u> £'000 |
|--------------------------|---|
| At 30 June 2000 | 80,011 |
| Retained profit for year | 8,086 |
| | <u> </u> |
| At 30 June 2001 | <u>88,097</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Commitments

There were no capital commitments or annual commitments under non-cancellable operating leases at the end of the financial year (2000 - £nil).

16. Ultimate parent undertaking

The immediate parent undertaking of the company is Guinness United Distillers & Vintners Scotland Limited (formerly United Distillers and Vintners (ER) Limited), a company incorporated and registered in Scotland.

The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2001, can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.