

UNITED DISTILLERS UK PLC

FINANCIAL STATEMENTS

30 June 2002

Registered Number: 135736



DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2002.

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.

Proposed dividend

The directors do not recommend the payment of a dividend for the year ended 30 June 2002 (2001 – £Nil).

Directors

The directors who served during the year were as follows:

S M Bunn (appointed 15 March 2002)
I K Meakins
R H Myddelton

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (2001 - £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 <u>appointment</u>)	At end of year	At beginning of year (or date of <u>appointment</u>)	Granted in year	Vested in year	Lapsed In year	At end of year
S M Bunn	2,818	2,853	-	-	-	-	-
I K Meakins	31,795	24,295	134,282	43,933	(12,789)	(12,789)	152,637
R H Myddelton	33,411	32,666	29,682	5,760	(8,422)	(8,422)	18,598

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 <u>appointment</u>)	Granted during the <u>year</u>	Exercised during the <u>year</u>	At end of year
S M Bunn	20,796	-	-	20,796
I K Meakins	204,322	114,629	(27,327)	291,624
R H Myddelton	144,898	27,055	(78,748)	93,205

The directors held the above options under Diageo plc share option schemes at prices between 402p and 710p per ordinary share for UK options, exercisable between 2002 and 2011. 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 grants of options to date 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.

DIRECTORS' REPORT (continued)

The mid-market share price of Diageo plc shares fluctuated between 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002 all the directors had an interest in 14,179,435 shares and 6,124,020 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition: R H Myddelton and S M Bunn had an interest in 2,080,328 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes and R H Myddelton and I K Meakins had an interest in 3,763,799 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.


Secretary

S M Bunn resigned as Secretary on 15 March 2002 and was replaced by J J Nicholls.

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 2002.

By Order of the Board



J J Nicholls
Secretary

Edinburgh Park, 5 Lochside Way, Edinburgh EH12 9DT

27 January 2003

**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

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 11.

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 audit 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 2002 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

29 January 2003

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 30 June <u>2002</u> £'000	Year ended 30 June <u>2001</u> £'000
Turnover	2	<u>Nil</u>	<u>Nil</u>
Operating profit		Nil	Nil
Other interest receivable and similar income	5	12,846	7,361
Profit on ordinary activities before taxation		<u>12,846</u>	<u>7,361</u>
Taxation on profit on ordinary activities	6	Nil	725
Amounts transferred to reserves	10	<u>12,846</u>	<u>8,086</u>

The notes on pages 8 to 11 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.

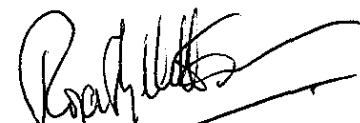
There is no difference between the profit for the year shown in the profit and loss account and the profit for the relevant periods restated on an historical basis.

BALANCE SHEET

	Notes	30 June 2002		30 June 2001	
		£'000	£'000	£'000	£'000
Current assets					
Debtors - due within one year	7	583,071		571,626	
Creditors - due within one year	8	<u>482,078</u>		<u>483,479</u>	
Net assets			<u>100,993</u>		<u>88,147</u>
Capital and reserves					
Called up share capital	9		50		50
Profit and loss account	10		<u>100,943</u>		<u>88,097</u>
Equity shareholders' funds	10		<u>100,993</u>		<u>88,147</u>

The notes on pages 8 to 11 form part of these financial statements.

The financial statements on pages 6 to 11 were approved by a duly appointed and authorised committee of the board of directors on 27 January 2003 and signed on its behalf by:



RFI Myddelton
 Director

NOTES TO THE FINANCIAL STATEMENTS

1.

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

The group has adopted FRS 19 'Deferred Taxation' for the first time in these financial statements. FRS 19 requires deferred tax to be provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, as rates expected to apply when they crystallise, based on current tax rates and the law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

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

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.

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 and foreign exchange differences on loans.

3. Staff costs

The company did not employ any staff during the year (2001 – nil).

The aggregate payroll costs of these employees were £Nil (2001 - £Nil).

4. Directors' emoluments

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2001 - £nil). Auditors' remuneration was paid on behalf of the company by another group undertaking.

5. Other interest receivable and similar income

	<u>2002</u> £'000	<u>2001</u> £'000
Net exchange gains	7,579	1,163
Other	<u>5,267</u>	<u>6,198</u>
	<u>12,846</u>	<u>7,361</u>

Of the above amount, £4,330,000 (2001: £6,198,000) was receivable from group undertakings.

6. Tax on profit on ordinary activities

	<u>2002</u> £'000	<u>2001</u> £'000
UK corporation tax payable at 30% (2001-30%) on the profits/losses of the year	<u>Nil</u>	<u>(725)</u>
Total Current Tax	<u>Nil</u>	<u>(725)</u>
Factors affecting the tax credit for period		
Profit on ordinary activities	<u>12,846</u>	<u>7,361</u>
Corporation tax at standard rate (30%) (2001 30%)	3,854	2,208
Effect of:		
Group relief received for nil consideration	(3,573)	(2,208)
Non-taxable interest	(281)	Nil
Adjustments in respect of prior periods	<u>Nil</u>	<u>(725)</u>
Current tax credit for period	<u>Nil</u>	<u>(725)</u>

7. Debtors

	<u>2002</u> £'000	<u>2001</u> £'000
Amounts owed by group		
Undertakings	568,102	548,116
Prepayments and accrued income	-	301
Corporation Tax	<u>14,969</u>	<u>23,209</u>
	<u>583,071</u>	<u>571,626</u>

8. Creditors

	<u>2002</u> £'000	<u>2001</u> £'000
Amounts owed to group		
Undertakings	481,982	483,383
Accruals and deferred income	96	96
	<u>482,078</u>	<u>483,479</u>

9. Share capital

	<u>2002</u> £'000	<u>2001</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>

10. Reserves

	Profit and loss account £'000	Total shareholders' funds £,000
At 30 June 2001	88,097	88,147
Retained profit for year	12,846	12,846
	<u> </u>	
At 30 June 2002	<u>100,943</u>	<u>100,993</u>

11. Ultimate parent undertaking

The immediate parent undertaking of the company is Diageo Scotland Limited (formerly Guinness United Distillers & Vintners Scotland 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 2002, can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.