

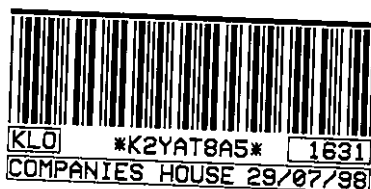
GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

DIRECTORS

P. K. Bentley
R. H. Myddelton
D. C. Stainton
D. E. Tagg
B. E. Wickham

Secretary and Registered Office
S.M.Bunn
8 Henrietta Place, London W1M 9AG
Telephone: (0171) 927 5200

Company Registration No.3249862



GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

DIRECTORS' REPORT

The directors have pleasure in submitting their report and financial statements for the 380 day period ended 30 September 1997.

Activities

The company was incorporated on 16 September 1996. On 26 September 1996, the company changed its name from Trushelfco (No.2182) Limited to Grand Metropolitan Capital Company Limited.

The company is an investment holding company. The directors foresee no material changes in the nature of the company's activities. Details of changes in investments during the year are set out in note 6 to the financial statements.

Dividend and profit

The directors do not recommend the payment of a dividend. The profit for the period transferred to reserves was £142,706,000.

Directors

The directors who held office during the year were as follows:

P.K. Bentley	(appointed 27 September 1996)
J. Haw	(appointed 26 September 1996 and resigned 27 September 1996)*
A. McClean	(appointed 26 September 1996 and resigned 27 September 1996)*
R.H. Myddelton	(appointed 27 September 1996)
S.R.B. Powell	(appointed 26 September 1996 and resigned 27 September 1996)
D.C.J. Rowe	(appointed 16 September 1996 and resigned 26 September 1996)
P.C. Snell	(appointed 26 September 1996 and resigned 27 September 1996)
D.C. Stainton	(appointed 27 September 1996)
D.E. Tagg	(appointed 27 September 1996)
B.E. Wickham	(appointed 27 September 1996 and resigned 27 March 1998)
E.J. Zuercher	(appointed 16 September 1996 and resigned 26 September 1996)

*Mr J. Haw was appointed as an alternate director to Mr S.R.B. Powell on 26 September 1996 and resigned on 27 September 1996.

*Mr A. McClean was appointed as an alternate director to Mr P.C. Snell on 26 September 1996 and resigned on 27 September 1996.

Mrs S.M. Bunn and Mr M.D. Peters were appointed directors of the company on 27 March 1998.

Emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company.

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

DIRECTORS' REPORT

Directors (continued)

Share Interests

None of the directors who held office at the end of the financial year had any interest in the shares of the company.

The directors had the following interests in the share capital of Grand Metropolitan PLC, which was the ultimate holding company at 30 September 1997 (see note 14 to the financial statements):

	Ordinary Shares		+ RSP award 1997	Options			
	1.10.96 or date of appointment	30.9.97		1.10.96 or date of appointment	Granted in year	Exercised in year	30.9.97
P.K. Bentley	-	-	15,625	66,959	2,138	-	69,097
R.H. Myddelton	27,952	21,368	18,081	311,747	1,513	-	313,260
D.C. Stainton	-	-	15,290	205,689	-	-	205,689
B.E. Wickham	24,000	28,124	5,000	109,802	-	4,124	105,678

+ Restricted Share Plan award granted 1 January 1997. Details of performance targets relating to these are shown in the financial statements of Grand Metropolitan PLC.

The above options were held under Grand Metropolitan PLC share option schemes at prices between 314p and 474p per share 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 30 September 1997 was 592p.

D E Tagg was a director of the company's holding company Grand Metropolitan PLC as at 30 September 1997 and details of his interests are disclosed in the annual report of that company.

As potential beneficiaries of the Grand Metropolitan PLC Number 2 Employee Share Trust, R H Myddelton and D C Stainton each had an interest at 30 September 1997 in 263,794 shares registered in the name of Greenwood Nominees Limited and 7,949,884 shares which were the subject of call options purchased by the trustees, Hill Street Trustees Limited, from SBC Warburg Dillon Read and National Westminster Bank Plc.

As a potential beneficiary of the Grand Metropolitan PLC Number 1 Employee Share Trust, B E Wickham had an interest at 30 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, Mourant and Co Trustees Limited, from SBC Warburg Dillon Read and National Westminster Bank Plc.

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

DIRECTORS' REPORT

Auditors

KPMG Audit Plc were appointed auditor of the Company on 27 September 1996. Having signified their willingness to continue in office, a resolution proposing their re-appointment as auditor of the Company will be submitted to the forthcoming AGM.

By order of the board



S M Bunn

Secretary

7 July 1998

8 Henrietta Place
London
W1M 9AG

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

DIRECTORS' RESPONSIBILITIES
IN RELATION TO FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the auditor set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor 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 as at the end of the financial period and of the profit or loss for the financial period.

The directors, in preparing the financial statements on pages 7 to 13 consider that 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 auditor to take whatever steps and undertake whatever inspections it considers to be appropriate for the purpose of enabling it to give an audit report.

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

**REPORT OF THE AUDITOR, KPMG AUDIT PLC,
TO THE MEMBERS OF GRAND METROPOLITAN CAPITAL COMPANY
LIMITED**

We have audited the financial statements on pages 7 to 13.

Respective responsibilities of directors and auditor

As described on page 5 the company's directors are responsible for the preparation of the 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.

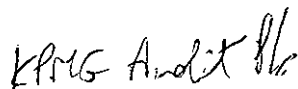
Basis of opinion

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 30 September 1997 and of its profit for the 380 days then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
7 July 1998

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

PROFIT AND LOSS ACCOUNT
for the period ended 30 September 1997

	Notes	1997 £'000s
Income from group undertakings	2	40,838
Other interest receivable and similar income	3	103,108
Profit on ordinary activities before taxation	4	<u>143,946</u>
Taxation on profit on ordinary activities	5	<u>(1,240)</u>
Profit for the financial period, transferred to reserves	10	<u><u>142,706</u></u>

The results in the above profit and loss account relate entirely to continuing operations.

There are no recognised gains or losses other than those presented in the above profit and loss account. Accordingly no statement of recognised gains and losses is presented.

There is no material difference between the company's profit and loss account and the historical cost profits and losses. Accordingly no note of the historical profits and losses for the period has been presented.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
for the period ended 30 September 1997

	Notes	1997 £'000s
Profit for the financial period	10	142,706
Share issues - equity	9	3,005,000
Shareholders' funds at end of period		<u><u>3,147,706</u></u>

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

BALANCE SHEET
at 30 September 1997

	Notes	1997 £'000s
Fixed assets		
Investments in group undertakings	6	2,561,500
		<u>2,561,500</u>
Current assets		
Debtors	7	587,446
		<u>587,446</u>
Creditors: amounts falling due within one year		
Other creditors	8	(1,240)
Net current assets		<u>586,206</u>
		<u>3,147,706</u>
Capital and reserves		
Called up share capital - equity	9	3,005,000
Profit and loss account	10	142,706
		<u>3,147,706</u>

The financial statements on pages 7 to 13 were approved by the Board of Directors on 7 July 1998 and were signed on its behalf by:



R. H. Middleton, Director

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Accounting convention

The financial statements are prepared under the historical cost convention and comply with applicable UK accounting standards.

Preference dividends receivable and payable

The preference share dividends receivable and payable are accounted for on an accruals basis, since the entitlement to those dividends is calculated by reference to time.

Taxation

The charge for taxation is based on the profit for the period 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 taxation deferred if there is reasonable evidence that such deferred taxation will be payable or recoverable in the foreseeable future.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

2. Income from group undertakings

1997
£'000s

Dividends from shares in group undertakings

36,964

Interest from loans to group undertakings

3,874

40,838

3. Other interest receivable and similar income

1997
£'000s

Amortisation of option premia

103,108

103,108

4. Operating costs

The company has no employees. The auditor's remuneration was borne by a group company.

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

NOTES TO THE FINANCIAL STATEMENTS

5. Taxation	1997 £'000s
UK corporation tax at 32%	<u>1,240</u>
	<u>1,240</u>

The charge for taxation includes amounts which may be paid to other companies in the Grand Metropolitan group in return for the surrender of tax losses.

6. Investments	1997 £'000s At cost
Additions	5,961,500
Disposals	<u>(3,400,000)</u>
At 30 September 1997	<u>2,561,500</u>

The company's principal subsidiaries and other investments are:

	Class of capital	Total issued capital £'000s	Consideration £'000s	Proportion held
Grand Metropolitan (Cayman Islands) Limited	Ordinary Shares	10,000	11,500	100%
Grand Metropolitan (Cayman Islands) Limited	'A' Cumulative Redeemable Preference Shares	850,000	850,000	100%
Grand Metropolitan (Cayman Islands) Limited	'B' Cumulative Redeemable Preference Shares	800,000	800,000	100%
Grand Metropolitan (Cayman Islands) Limited	'C' Cumulative Redeemable Preference Shares	400,000	400,000	100%
Grand Metropolitan (Cayman Islands) Limited	'D' Cumulative Redeemable Preference Shares	500,000	500,000	100%
		<u>2,560,000</u>	<u>2,561,500</u>	

During the period, the company acquired and disposed of the following investments:

On 27 September 1996, the company acquired 350,000,000 4.75% 'L' Cumulative Redeemable Preference Shares of £1 each and 2,355,000,000 5.75% 'M' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan Holdings Limited.

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

NOTES TO THE FINANCIAL STATEMENTS

6. Investments (continued)

On 17 October 1996 and 18 October 1996 respectively, the company acquired 2 ordinary shares of £1 each and 10,000,000 ordinary shares of £1 each, in Grand Metropolitan (Cayman Islands) Limited. On the same date the company acquired 695,000,000 4.75% 'Q' Cumulative Redeemable Preference Shares of £1 each and disposed of 2,355,000,000 % 5.75% 'M' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan Holdings Limited.

On 18 April 1997, the company acquired 1 ordinary share of £1 at a premium of £1,500,000 in Grand Metropolitan (Cayman Islands) Limited.

On 8 July 1997, the company acquired 400,000,000 5.617624933 % 'C' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan (Cayman Islands) Limited. On the same date the company disposed of 350,000,000 4.75% 'L' Cumulative Redeemable Preference Shares of £1 each and 50,000,000 4.75% 'Q' Cumulative Preference Shares of £1 each in Grand Metropolitan Holdings Limited.

On 8 July 1997 and 9 July 1997 respectively, the company acquired 850,000,000 5.472592104% 'A' Cumulative Redeemable Preference Shares of £1 each and 800,000,000 5.922709135% 'B' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan (Cayman Islands) Limited.

On 11 July 1997, the company acquired 500,000,000 5.856639206 % 'D' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan (Cayman Islands) Limited. On the same date the company disposed of 105,000,000 4.75% 'Q' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan Holdings Limited

On 30 September 1997, the company disposed of 540,000,000 4.75% 'Q' Cumulative Redeemable Preference Shares of £1 each in Grand Metropolitan Holdings Limited.

7. Debtors

	1997
	£'000s
Amounts owed by parent company and fellow subsidiary undertakings	587,446
	587,446

Debtors are all recoverable within one year.

8. Other creditors: amounts falling due within one year

	1997
	£'000s
Corporation tax at 32%	1,240
	1,240

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

NOTES TO THE FINANCIAL STATEMENTS

9. Called up share capital

	Authorised 1997 Number (m)	Allotted, called up and fully paid 1997 Number (m)	1997 £m
Ordinary shares £1 each	3,500	3,005	3,005

Ordinary shares are entitled to one vote each.

On incorporation on 16 September 1996, 100 shares of £1 each were authorised and issued at par for cash.

On 27 September 1996, the authorised share capital of the company was increased to £3,000,000,000 by the creation of an additional 2,999,999,900 ordinary shares of £1 each which were issued at par for cash. On the same date 500,000,000 of these ordinary shares were reclassified as 'A' Ordinary Shares and 2,500,000,000 as 'B' Ordinary Shares.

On 14 October 1996, 500,000,000 'A' Ordinary Shares of £1 each and 2,500,000,000 'B' Ordinary Shares of £1 each were reclassified as 3,000,000,000 ordinary shares of £1 each.

On 8 July 1997, the authorised share capital of the company was increased to £3,500,000,000 from £3,000,000,000 by the creation of an additional 500,000,000 ordinary shares of £1 each which were issued at par for cash.

10. Reconciliation of movement in reserves

	1997 £'000s
Profit for the financial period	142,706
Reserves at 30 September 1997	<u>142,706</u>

11. Cash flow statement

A cash flow statement is not presented as the company was a wholly owned subsidiary undertaking of Grand Metropolitan PLC at 30 September 1997. A cash flow statement for the Grand Metropolitan group is included in the financial statements of Grand Metropolitan PLC.

12. Group accounts

The company is exempt from preparing group accounts under Section 228 of the Companies Act 1989, being a wholly owned subsidiary undertaking of Grand Metropolitan PLC at 30 September 1997. These financial statements present information about the company as an individual undertaking and not about its group.

GRAND METROPOLITAN CAPITAL COMPANY LIMITED
(formerly Trushelfco (No.2182) Limited)
Period Ended 30 September 1997

NOTES TO THE FINANCIAL STATEMENTS

13. Related party transactions

The company was ultimately controlled by Grand Metropolitan PLC at 30 September 1997 and is exempt from disclosing transactions with it and other Group undertakings under Financial Reporting Standard 8 since it is a wholly owned subsidiary undertaking included in the consolidated accounts.

14. Ultimate holding company

The Company is a wholly owned subsidiary of Grand Metropolitan Public Limited Company ('Grand Metropolitan'). Grand Metropolitan is incorporated and registered in England. A copy of the financial statements of Grand Metropolitan 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 held in Grand Metropolitan, shareholders received one ordinary share of 25 pence in Guinness PLC (which was renamed Diageo plc) and each Grand Metropolitan ordinary share was 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.