

**THE GUINNESS GROUP LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 1999**

**Company Registration No. 213108**



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COMPANIES HOUSE

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26/04/00

## **DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 1999.

### **Activities**

The company is an investment holding company. The directors foresee no changes in the company's activities.

### **Year 2000**

The Year 2000 problem refers to the inability of some information systems and computerised equipment to handle four-digit years, causing them to generate inaccurate information and potentially to fail. The Diageo group established a compliance programme in each of its main business units (UDV, Pillsbury, Guinness, Burger King) and subsidiaries to investigate and manage potential impacts. The programmes were co-ordinated at group level with regular status reports to the Diageo board.

All critical systems and processes were declared Year 2000 ready in September 1999, and to date no major issues have been identified. Procedures are in place to monitor developments and will continue for as long as the Year 2000 risk remains.

The full cost of managing the Year 2000 problem for The Guinness Group Limited has not been identified separately, but is included within the overall programme cost shown in the annual report of the ultimate parent company, Diageo plc.

### **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 The Guinness Group Limited. 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 shown in the annual report of the ultimate parent undertaking, Diageo plc.

### **Financial**

The results shown on page 8 are for the year ending 30 June 1999.

The directors do not recommend the payment of a dividend (18 months to 30 June 1998: - £nil).

## DIRECTORS' REPORT (continued)

The loss transferred from reserves is £20,000 (18 months to 30 June 1998: profit of £1,654,000 to reserves).

### Directors

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

S M Bunn  
R H Myddelton  
M D Peters

### Emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (1998: £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 ordinary shares of 28 101/108 of the ultimate parent company, Diageo plc:-

#### Shares and awards over ordinary shares

	Ordinary shares of 28 101/108p (1)	Ordinary shares of 28 101/108p (1)	Diageo LTIP (2)	Diageo LTIP (2)	RSP Awards (3)
	1.7.98 or date of appointment	30.6.99	Performance cycle commencing 1.1.98	Performance cycle commencing 1.1.99	30.6.99
S M Bunn	-	2,061	2,250	2,400	-
R H Myddelton	20,049	19,519	18,524	16,844	18,081
M D Peters	3,693	4,744	2,250	2,400	-

#### Options over ordinary shares

	1.7.98 or date of appointment	Granted during year	Exercised during year	30.6.99
S M Bunn	14,672	433	11,084	4,021
R H Myddelton	207,522	Nil	3,168	204,354
M D Peters	13,348	433	1,051	12,730

## **DIRECTORS' REPORT (continued)**

The directors held the above options under Grand Metropolitan PLC and Diageo share option schemes at prices between 314p and 533.5p per share exercisable by 2007.

The mid-market share price of Diageo plc shares fluctuated between 480.5p and 778.5p per share during the year. The mid-market share price on 30 June 1999 was 662.5p.

At 30 June 1999 the directors had an interest in 21,897,568 shares and 3,123,181 shares subject to call options held by trusts to satisfy grants made under ex-GrandMet incentive plans, ex-Guinness incentive plans and Diageo incentive plans and savings-related share option schemes.

## **NOTES**

### **(1) Ordinary Shares**

Interests in ordinary shares at 1 July 1998, or date of appointment where applicable, include B shares converted at a rate of 70.993915 ordinary shares to every 100 B shares, although the conversion actually occurred on 1 August 1998.

### **(2) The Diageo LTIP (LTIP)**

Under the Diageo LTIP, approved in August 1998, eligible senior executives are granted a conditional right to receive shares or, exceptionally, a cash sum. The rights vest after the end of a three year period following the date of grant (the "performance cycle") provided a performance test is achieved and subject to the discretion of the trustees who operate the LTIP. The performance test is a comparison of the annualised percentage growth in Diageo's share price (assuming all dividends and capital distributions are re-invested) known as total shareholder return (TSR) with the TSRs of a defined peer group of 20 companies over a three year period. The remuneration committee will not recommend the release of awards if there has not been an underlying improvement in the financial performance of Diageo. The first LTIP performance cycle runs from 1 January 1998 to 31 December 2000 and the second from 1 January 1999 to 31 December 2001. Awards of shares will be released, subject to the performance test and the discretion of the trustees, in March 2001 and March 2002 respectively. The number of awards shown will only be released if Diageo reaches position five within the peer group (upper quartile). At position four 125% of the original awards will vest and, at position three or above, 150%. At position ten (median position), 50% of the awards will vest. Between median and upper quartile, vesting will be calculated on a straight line basis. Awards will lapse if Diageo does not reach position ten.

**DIRECTORS' REPORT (continued)**

**(3) The Guinness LTIP and The Grand Metropolitan Restricted Share Plan (RSP)**

Awards over shares were granted to senior executives, with eventual transfer dependent on the performance of TSR against a comparator group of companies at the end of three years after the date of grant. Following the merger, performance targets attached to the Guinness awards granted in 1996 were waived. The 1997 awards granted by Grand Metropolitan and Guinness are now dependent upon the performance of Diageo's TSR against comparator groups of companies.

By order of the board



S M Bunn  
Secretary

8 Henrietta Place  
London W1M 9AG

Date: 20 April 2000

**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 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 7 to 14, 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.

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF THE GUINNESS GROUP LIMITED**

We have audited the financial statements on pages 7 to 14.

*Respective responsibilities of directors and auditors*

As described on page 5 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 30 June 1999 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

Date: 20 April 2000

## **ACCOUNTING POLICIES**

### **Basis of preparation**

The financial statements are prepared under the historical cost convention and comply 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.

### **Fixed asset investments**

Income from fixed asset investments, is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for diminution in values where such diminution is expected by the directors to be permanent.



**PROFIT AND LOSS ACCOUNT**

	Notes	Year ended 30 June 1999 £'000	18 months ended 30 June 1998 £'000
Operating costs	1	(24)	(47)
<b>Operating (loss) on ordinary activities before taxation</b>		<b>(24)</b>	<b>(47)</b>
Profit on sale of debenture stock		6	-
Income from shares in group undertakings		-	1,701
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(18)</b>	<b>1,654</b>
Tax on loss on ordinary activities		(2)	-
<b>Transferred (from)/to reserves</b>	7	<b>(20)</b>	<b>1,654</b>

The notes on pages 11 to 14 form part of these financial statements.

There are no recognised gains or losses other than the loss 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 loss for the year and the historical loss for the year and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

**BALANCE SHEET**

	Notes	<u>30 June 1999</u> £'000	<u>30 June 1998</u> £'000
<b>Fixed assets</b>			
Investments	3	515	515
<b>Current assets</b>			
Cash at bank		21	-
Debtors	4	22	61
<b>Current liabilities</b>			
Creditors - due within one year	5	(31,312)	(31,310)
<b>Net current liabilities</b>		<u>(31,269)</u>	<u>(31,249)</u>
<b>Net liabilities</b>		<u><b>(30,754)</b></u>	<u><b>(30,734)</b></u>
<b>Capital and reserves</b>			
Called up share capital	6	20	20
Profit and loss account	7	(30,774)	(30,754)
		<u><b>(30,754)</b></u>	<u><b>(30,734)</b></u>

The notes on pages 11 to 14 form part of these financial statements.

The financial statements on pages 7 to 14 were approved by the board of directors on 20 April 2000 and signed on its behalf by:

  
R H Myddelton  
Director

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Year ended 30 June 1999 £'000</b>	<b>18 months ended 30 June 1998 £'000</b>
(Loss) / profit for the period	(20)	1,654
Shareholders' deficit at beginning of the period	(30,734)	(32,388)
Shareholders' deficit at end of the period	<u><b>(30,754)</b></u>	<u><b>(30,734)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Operating costs

	Year ending 30 June 1999 £'000	18 months ended 30 June 1998 £'000
Amortisation of debenture premium	24	47
	<u>24</u>	<u>47</u>

### 2. Directors and employees

None of the directors received any emoluments in respect of their services to the company (1998: £nil). There are no employees of the company.

Auditors' remuneration was paid on behalf of the company by a group undertaking

### 3. Fixed assets - investments

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
<b>Cost:</b>			
At 30 June 1999 and 1998	3,235	15,868	19,103
<b>Provisions:</b>			
At 30 June 1999 and 1998	(2,720)	(15,868)	(18,588)
<b>Net book value:</b>			
At 30 June 1999 and 1998	<u>515</u>	<u>-</u>	<u>515</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3. Fixed assets - investments (continued)**

	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Class of shares held</u>	<u>Percentage of shares held</u>
Guinness Brewing Worldwide Limited (formerly Albermarle Development Limited)	England	Dormant	Ordinary	100
Guinness Morison International Limited	England	Investment holding company	Ordinary	100
Harp Limited	England	Non-trading	Ordinary	100
MSJ Light Engineering (International) Limited	England	Dormant	Ordinary	100
Park Royal Development Company Limited	England	Dormant	Ordinary	100
Werneth Mould Engineering Limited	England	Non-trading	Ordinary	100

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

In accordance with Financial Reporting Standard No.8 'Related Party Transactions' the company is exempt from disclosing details of arrangements with other companies in the Diageo group.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. Debtors**

	<u>30 June 1999</u> £'000	<u>30 June 1998</u> £'000
Amounts recoverable within one year:		
Trade debtors	6	6
Third party debenture	16	55
	<u>22</u>	<u>61</u>

**5. Creditors**

	<u>30 June 1999</u> £'000	<u>30 June 1998</u> £'000
Amounts payable within one year:		
Amounts owed by group undertakings	31,310	31,310
Corporate taxation	<u>2</u>	<u>-</u>
	<u>31,312</u>	<u>31,310</u>

**6. Share capital**

	<u>30 June 1999</u> £'000	<u>30 June 1998</u> £'000
<b>Authorised</b>		
Equity - 31,024 ordinary shares of £1 each	<u>31</u>	<u>31</u>
<b>Allotted, called up and fully paid</b>		
Equity - 20,034 ordinary shares of £1 each	<u>20</u>	<u>20</u>

**7. Reserves**

	<b>Profit and loss account £'000</b>
At 1 July 1998	(30,754)
Retained (loss) for the year	(20)
At 30 June 1999	<u>(30,774)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. Ultimate parent undertaking**

The company is a wholly owned subsidiary of Diageo plc, a company incorporated and registered in England.

The consolidated accounts of Diageo plc for the year ended 30 June 1999, can be obtained from the Registered Office at 8 Henrietta Place, London W1M 9AG.

**9. Financial support**

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