

**THE GUINNESS GROUP LIMITED**

**FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2003**

**Registered in England No. 213108**



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COMPANIES HOUSE

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30/04/04

**THE GUINNESS GROUP LIMITED**  
**Year ended 30 June 2003**  
**DIRECTORS' REPORT**

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2003.

**Activities**

The company is an investment holding company and did not trade during the year. The directors foresee no changes in the company's activities.

**Financial**

The results for the year ended 30 June 2003 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2002 - £nil). The loss for the year transferred from reserves is £515,000 (2002 - £nil).

**Directors**

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

P S Binning	(appointed 31 March 2003)
S M Bunn	
G P Crickmore	(appointed 31 March 2003)
R H Myddelton	(resigned 31 March 2003)
A Williams	(resigned 18 April 2003)

P S Binning resigned as a director of the company on 3 October 2003 and R Rajagopal was appointed a director of the company on that date.

**Directors' emoluments**

The directors did not receive any remuneration during the year in respect of their services as directors of the company (2002 - £nil).

**Directors' interests**

The directors had no 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 GUINNESS GROUP LIMITED**

Year ended 30 June 2003

**DIRECTORS' REPORT (continued)****Directors' interests (continued)**

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28<sup>101/108</sup> pence each in the ultimate parent company, Diageo plc:

**(i) Ordinary shares**

	<b>Ordinary shares</b>		<b>Conditional rights to ordinary shares</b>				
	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
<b>P S Binning</b>	<b>38,521</b>	<b>39,146</b>	<b>77,041</b>	-	-	-	<b>77,041</b>
<b>S M Bunn</b>	<b>2,853</b>	<b>3,351</b>	-	-	-	-	-
<b>G P Crickmore</b>	<b>8,579</b>	<b>6,663</b>	-	-	-	-	-

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

**(ii) Options**

	<b>Options over ordinary shares</b>			
	At beginning of year (or date of appointment)	Granted in year	Exercised during year	At end of year
<b>P S Binning</b>	<b>222,871</b>	-	-	<b>222,871</b>
<b>S M Bunn</b>	<b>20,786</b>	<b>11,866</b>	<b>(1,909)</b>	<b>30,743</b>
<b>G P Crickmore</b>	<b>37,154</b>	-	-	<b>37,154</b>

The directors held the above options under Diageo plc share option schemes at prices between 391 pence and 759 pence per ordinary share exercisable between 2003 and 2012. 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.

**THE GUINNESS GROUP LIMITED**  
**Year ended 30 June 2003**

**DIRECTORS' REPORT (continued)**

**Directors' interests (continued)**


The mid-market share price of Diageo plc shares fluctuated between 582 pence and 851 pence per share during the year. The mid-market share price on 30 June 2003 was 647 pence.

At 30 June 2003, all the directors had an interest in 20,744,545 shares and 6,605,055 shares subject to call options, and P S Binning had an additional interest in 6,177,180 shares, held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

**Auditor**

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 auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be re-appointed on the expiry of its term in office in respect of the year ended 30 June 2003.

By order of the board



J Nicholls  
Secretary  
8 Henrietta Place  
London  
W1G 0NB

29 April 2004

**THE GUINNESS GROUP LIMITED**

**Year ended 30 June 2003**

**DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS**

The following statement, which should be read in conjunction with the independent auditor's report 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 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 for the financial year.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GUINNESS GROUP LIMITED**

We have audited the financial statements on pages 7 to 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditor**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, 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 affairs of the company as at 30 June 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG AJ + PL*

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
London  
29 April 2004

**THE GUINNESS GROUP LIMITED**

Year ended 30 June 2003

**PROFIT AND LOSS ACCOUNT**

		Year ended 30 June 2003	Year ended 30 June 2002
	Notes	£'000	£'000
Provision against investments	4	(515)	—
<b>Loss on ordinary activities before taxation</b>		(515)	—
Taxation	3	—	—
<b>Loss for the financial year transferred from reserves</b>		(515)	—

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

The results for the current and preceding years arise from continuing business activities.

There are no recognised gains and losses other than the loss for the financial 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 result for the years shown in the profit and loss account and the result for the relevant years restated on an historical cost basis and consequently no note of historical cost profits and losses has been presented as part of the financial statements.

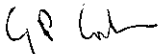
**THE GUINNESS GROUP LIMITED**  
**Year ended 30 June 2003**

**BALANCE SHEET**

	Notes	30 June 2003 £'000	30 June 2002 £'000
<b>Fixed assets</b>			
Investments	4	8	523
<b>Current assets</b>			
Debtors – trade debtors due within one year		6	6
<b>Current liabilities</b>			
Creditors – due within one year	5	(31,291)	(31,291)
<b>Total assets less current liabilities</b>		<u>(31,277)</u>	<u>(30,762)</u>
<b>Capital and reserves</b>			
Share capital	6	20	20
<b>Reserves</b>			
Profit and loss account	7	(31,297)	(30,782)
<b>Shareholder's deficit</b>		<u>(31,277)</u>	<u>(30,762)</u>

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

The financial statements on pages 7 to 12 were approved by the board of directors on 29 April 2004 and were signed on its behalf by:

  
G P Crickmore  
Director



**THE GUINNESS GROUP LIMITED**  
**Year ended 30 June 2003**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Accounting policies**

**Basis of preparation**

The financial statements of the company are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The bases used are consistent with those used in the previous year. The company has not presented group financial statements by virtue of section 228 of the Companies Act 1985.

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 ("group undertakings") or investees of the Diageo plc group.

**Going concern**

The financial statements have been prepared on a going concern basis as a fellow group undertaking has agreed to provide financial support for the foreseeable future. The only liabilities at the balance sheet date are due to group undertakings.

**Investments**

Investments are valued individually at the lower of cost and net realisable value. All investments are unlisted and net realisable value is estimated by the directors.

**2. Profit and loss account**

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2002 - £nil).

**THE GUINNESS GROUP LIMITED**  
**Year ended 30 June 2003**

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

**3. Taxation**

	2003 £'000	2002 £'000
<b>Factors affecting the current tax charge for the year:</b>		
Profit/(loss) on ordinary activities before taxation	(515)	-
UK corporation tax at 30% (2002 – 30%)	(155)	-
Expenses not deductible for tax purposes	155	-
Current ordinary tax charge for the year	<u>-</u>	<u>-</u>

**4. Investments**

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
<b>Cost:</b>			
At beginning and end of the year	<u>3,235</u>	<u>15,876</u>	<u>19,111</u>
<b>Provision:</b>			
At beginning of the year	(2,720)	(15,868)	(18,588)
Current year provision	(515)	-	(515)
At end of the year	<u>(3,235)</u>	<u>(15,868)</u>	<u>(19,103)</u>
<b>Net book value:</b>			
At beginning of the year	<u>515</u>	<u>8</u>	<u>523</u>
At end of the year	<u>-</u>	<u>8</u>	<u>8</u>

Details of the subsidiary undertakings are as follows:

Subsidiary undertakings	Principal activity	Class of shares held
Guinness Brewing Worldwide Limited	Dormant	Ordinary
Guinness Morison International Limited	Dormant	Ordinary
Harp Limited	Non-trading	Ordinary
M.S.J. Light Engineering (International) Limited	Non-trading	Ordinary
Park Royal Development Company Limited	Non-trading	Ordinary
Werneth Mould Engineering Limited	Non-trading	Ordinary

**THE GUINNESS GROUP LIMITED**

Year ended 30 June 2003

**NOTES TO THE FINANCIAL STATEMENTS (continued)****4. Investments (continued)**

All of the subsidiary undertakings are incorporated and registered in England and are wholly owned subsidiaries of the company.

In the opinion of the directors of the company, the aggregate value of the shares of the subsidiary undertakings is not less than the aggregate of the amounts at which the investments are stated in the balance sheet.

**5. Creditors – due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Amount owed to parent undertaking (Diageo plc)	(28,323)	(28,323)
Amounts owed to other group undertakings:		
The Gleneagles Collection Limited	(25)	(25)
Guinness Brewing Worldwide Limited	(1)	(1)
Kimpheer Limited	(1,261)	(1,261)
M.S.J. Light Engineering (International) Limited	(169)	(169)
White Child & Beney Limited	(1,512)	(1,512)
	<u>(31,291)</u>	<u>(31,291)</u>

**6. Share capital**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
31,024 ordinary shares of £1 each	<u>31</u>	<u>31</u>
<b>Allotted, called up and fully paid</b>		
20,034 ordinary shares of £1 each	<u>20</u>	<u>20</u>

**7. Reserves**

	<b>Profit and loss account</b>
	<b>£'000</b>
At beginning of the year	(30,782)
Loss for the year	<u>(515)</u>
At end of the year	<u>(31,297)</u>

**THE GUINNESS GROUP LIMITED**

**Year ended 30 June 2003**

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

**8. Movement in shareholders' deficit**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of the year	(30,762)	(30,762)
Loss for the year	<u>(515)</u>	<u>-</u>
At end of the year	<u>(31,277)</u>	<u>(30,762)</u>

**9. Immediate and ultimate parent undertaking**

The company's immediate and ultimate parent undertaking is Diageo plc, a company registered and incorporated in England. The consolidated financial statements of Diageo plc can be obtained from the Registered Office at 8 Henrietta Place, London W1G 0NB.