

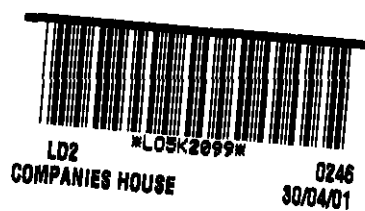
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**HKS Properties Limited**

**Directors' report and financial  
statements**

**Registered number 423978**

**30 June 2000**



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## Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2000.

## Activities

The company did not trade during the financial year or the preceding financial year and the Directors do not expect the Company to trade in the foreseeable future. The directors foresee no changes in the company's activities.

## Euro

The directors do not anticipate that there will be any significant implications on the activities of the company on the introduction of the euro. There are no significant anticipated costs associated with the introduction of the euro for HKS Properties Limited. A statement explaining the impact of the introduction of the euro, and the programme put in place to deal with this, 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 2000 (1999 - £nil)

## Directors

The directors who served during the year were as follows:

S H Wingfield-Digby  
B Beanland (resigned 31 May 2000)  
D F Hoy (appointed 31 May 2000)

## Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (1999 - £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 <sup>101</sup>/<sub>108</sub> p each in the ultimate parent company, Diageo plc:

(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
S H Wingfield-Digby	41,058	27,832	5,232	0	0	0	5,232
D F Hoy	5,808	13,064	4,736	0	0	0	4,736

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.

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	Option Price (pence)	Market Price (pence)
S H Wingfield-Digby	44,671	5,403	2,062	48,012	359 354	543.50 505.00
D F Hoy	10,608	0	0	10,608		

For executive option schemes, UK grants were between 1991 and 1999 at prices between 354 pence and 518 pence with 1999 grants being at 518 pence.

The mid-market share price of Diageo plc shares fluctuated between 384p and 696.5p during the year. The mid-market share price on 30 June 2000 was 593p.

At 30 June 2000, the directors had an interest in 22,068,050 shares and 2,296,087 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

## Employee involvement

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the company's operations. The directors continue to place a high priority on good communications practices at all levels. Responsibility for ensuring that company employees are informed of and, where appropriate, consulted upon matters of concern affecting their immediate jobs rests with departmental managers with support from the personnel function. On-site group discussions between managers and employees are encouraged.

On a wider basis, the company provides more general information to and for its employees concerning its performance and on economic and other matters affecting it. The methods used to disseminate such information are bulletins and related publications, including a monthly house journal. In addition, a twice yearly video presentation for employees sets out world-wide developments of the company, its products and its people.

Information is also communicated when employees participate in induction or training courses, or by the circulation of information personally to all employees. The company has continued to maintain these practices during the year.

It is the policy of the parent company to encourage employees to participate in a SAYE share option scheme. It is also parent company policy to enable employees to benefit from the contribution they have made to the generation of improved profits. This is done by way of a profit sharing scheme, paid in ordinary shares of Diageo plc, in which all employees are entitled to participate.

The company continues to support initiatives by employees in fund-raising events to assist registered charitable organisations by matching the value of the support so raised.

## **Employment Policies**

The company's managers are instructed to give sympathetic consideration, when recruiting, to applications from disabled persons and to bear in the mind the special needs of disabled employees in regard to training, structure of company premises and facilities and to ensure that disabled employees are not adversely affected in their career opportunities. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

It is recognised that the company's continuing success depends upon the quality of its employees and its policies are designed to attract, retain and motivate the best staff. This is achieved by offering equal opportunities regardless of sex, race, religion or disability.


## **Supplier Payment Policy**

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

## **Auditors**

The auditors, KPMG Audit Plc, are willing to continue in office and a resolution for their re-appointment as auditors of the company will be submitted to the Annual General Meeting.

By order of the board

  
**SME O'Donovan**  
Secretary

8 Henrietta Place, London W1G 0NB  
23 April 2001

**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

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## **Auditor's report to the members of HKS Properties Limited**

We have audited the financial statements on pages 8 to 12.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 6, 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. 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 an 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 2000 and of its result 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

*30 April 2001*

**Balance sheet**  
*at 30 June 2000*

	<i>Note</i>	<b>2000</b> <b>£000</b>	1999 £000
<b>Current assets</b>			
Debtors	3	14,648	14,648
<b>Creditors: amounts falling due within one year</b>	4	(17,573)	(17,573)
<b>Net liabilities</b>		(2,925)	(2,925)
<b>Capital and reserves</b>			
Called up share capital	5	270	270
Profit and loss account	6	(3,195)	(3,195)
<b>Equity shareholders' funds</b>		(2,925)	(2,925)

These financial statements were approved by the Board of Directors on **23/4/01** and were signed on its behalf by:

*David Hay*

*Director*

**Reconciliation of movements in shareholders' funds**  
*for the year 30 June 2000*

	2000 £000	1999 £000
<b>Retained profit for the financial year</b>	-	-
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	-	-
Opening shareholders' funds	(2,925)	(2,925)
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	(2,925)	(2,925)
	<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of 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 have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

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 the balances) with entities that are part of the Diageo plc group or investees of the Diageo plc group.

#### *Going concern*

The accounts have been prepared on a going concern basis upon assurances given by the parent company that it will provide sufficient finance to enable the company to meet its liabilities as they fall due.

## Notes (continued)

### 2 Directors and employees

The Company has no employees. The Directors received no emoluments for their services to the Company.

### 3 Debtors

	2000 £000	1999 £000
Amounts owed by group undertakings	14,648	14,648
	<u>14,648</u>	<u>14,648</u>

### 4 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Amounts owed to group undertakings	17,573	17,573
	<u>17,573</u>	<u>17,573</u>

### 5 Called up share capital

	2000 £000	1999 £000
<b>Authorised</b>		
250,000 ordinary shares of £1 each	250	250
20,000 1% cumulative preference shares of £1 each	20	20
	<u>270</u>	<u>270</u>
	<u>270</u>	<u>270</u>
<b>Allotted, called up and fully paid</b>		
250,000 ordinary shares of £1 each	250	250
20,000 1% cumulative preference shares of £1 each	20	20
	<u>270</u>	<u>270</u>
	<u>270</u>	<u>270</u>

**Notes** *(continued)*

**6 Reserves**

	<b>Profit and loss account £000</b>
At 30 June 2000 and 1 July 1999	(3,195)

**7 Parent undertaking**

The Company is a subsidiary undertaking of Guinness Limited. Diageo plc is the ultimate parent undertaking of the smallest and largest group for which group accounts incorporating those of the Company are prepared. Copies of the 2000 Annual Report and Accounts of Diageo plc can be obtained from 8 Henrietta Place, London, W1G 0NB.