

Guinness Limited
(formerly Guinness Brewing Worldwide Limited)
(Registered Number 510607)

Directors' Report And Financial Statements

30 June 1998



Guinness Limited **(formerly Guinness Brewing Worldwide Limited)**

Directors' Report For The 18 Months Ended 30 June 1998

The Directors submit their Report and the audited financial statements of the Company for the 18 months ended 30 June 1998. On 17 December 1997 Grand Metropolitan PLC merged with Guinness PLC to form Diageo plc which as a result became the ultimate parent undertaking of the Company. The year end of Diageo plc and the Company was changed to 30 June and the financial statements have been prepared for an eighteen month period to 30 June 1998. On 17 December 1997 the company changed its name from Guinness Brewing Worldwide Limited to Guinness Limited.

Review Of The Business And Principal Activities

Throughout the period the Company continued to brew and market Guinness Stout and Kaliber in Great Britain, as well as being responsible for the supply of raw materials, plant and spares to overseas breweries and for the marketing of Guinness Stout, Harp Lager and other products in overseas markets. A more extensive review of the business operations during the period is contained in the Annual Report and Accounts of Diageo plc, the ultimate parent undertaking.

Results And Transfer To Reserves

The year end of the Company has changed to 30 June from 31 December, and the results for the period shown on page 8 are for the eighteen months from 1 January 1997 to 30 June 1998.

The loss before taxation amounted to £30.6 million (1996 – profit £53.5 million). After taxation the loss for the period amounted to £33.1 million (1996 – profit £34.0 million) which after dividends of £nil (1996 – £nil) resulted in a transfer from reserves of £33.1 million (1996 – transfer to reserves £34.0 million).

Board Of Directors

The names of the Directors of the Company during the period are shown below:

– BR O'Neill	Managing Director	(resigned 8 May 1998)
– SR Fletcher		(resigned 1 September 1997)
– MJ Hughes		(resigned 31 July 1997)
– AA Greener	Chairman	
– JP McClean		
– A Wilson		
– NT Fell		
– RJ Joy		(appointed 1 September 1997)
– CA Storm	Chief Executive	(appointed 2 July 1997)
– GS Matthews		(appointed 1 April 1998)

On 16 September 1998, Mr J McGrath was appointed a Director and Chairman of Guinness Limited replacing Mr AA Greener. Mr GS Matthews resigned on 15 January 1999.

Guinness Limited (formerly Guinness Brewing Worldwide Limited)

Directors' Report For The 18 Months Ended 30 June 1998 (Continued)

Secretary

SME O'Donovan

On 1 June 1997 Mr MD Peters resigned as Secretary and Mr PM Forster was appointed in his stead. On 26 January 1998 Mr PM Forster resigned as Secretary and Miss SME O'Donovan was appointed in his stead. On 1 March 1999 Miss SME O'Donovan resigned as Secretary and Mr RJ Joy was appointed in her stead.

Dividends

The Directors do not recommend the payment of a final dividend (1996 - £Nil).

Future Developments

The Company will continue to seek ways of improving its performance in both its home and overseas markets.

Research And Development

Expenditure on research and development activities amounted to £1.8 million (1996 - £1.2 million).

Charitable Donations

The Company made charitable donations during the period of £0.2 million (1996 - £0.1million)

Directors' Interests

No Director had any interest in the share capital of the Company, of any subsidiary undertaking or of any subsidiary of the parent undertaking with the exception of non-beneficial interests as nominee and the interests in the ordinary shares of the ultimate holding company, Diageo plc, as set out below. Mr AA Greener is a director of Diageo plc and his interests in the shares of Diageo plc are set out in that company's Annual Report and Accounts.

	Ordinary Shares	At 30 June 1998 Options over ordinary shares	At 1 January 1997 or date of appointment if later	
			Ordinary shares	Options over ordinary shares
Ordinary shares				
J McClean	8,248	114,858	7,723	94,844
A Wilson	10,480	119,905	-	85,238
NT Fell	4,163	90,556	4,246	59,383
RJ Joy	28,224	267,088	-	295,088
CA Storm	40,947	252,302	29,718	277,625
GS Matthews	-	51,336	-	51,336

Guinness Limited (formerly Guinness Brewing Worldwide Limited)

Directors' Report For The 18 Months Ended 30 June 1998 (Continued)

During the period, the following movements in options over the ordinary shares of Diageo plc took place:

	Options granted during the period or since date of appointment		Options exercised during the period or since date of appointment Market price at date of exercise £			Options lapsed during the period
	Number	Price £	Number	Price £		Number
JP McClean	8,560	*0.001	-	-	-	1,906
	13,360	*4.94				
A Wilson	10,376	*0.001	-	-	-	-
	24,291	*4.94				
NT Fell	17,510	*0.001	-	-	-	-
	13,663	*4.94				
RJ Joy	-	-	28,000	**3.80	6.84	-
CA Storm	11,803	*0.001	28,210	*1.595	4.96	-
	21,588	*4.94	16,310	*1.84	6.30	-
	4,200	*4.94	18,394	*1.495	6.84	-
GS Matthews	-	-	-	-	-	-

* These options were granted and exercised under the terms of the Executive Share Option Scheme

** These options were granted and exercised under the terms of the US \$ Option Scheme

The options outstanding at 30 June 1998 have been granted under Group employee share participation schemes and are exercisable at varying dates between 1992 and 2007 at varying prices between 225.5 pence and 533.5 pence. The mid-market price of the shares at 30 June 1998 was 711 pence. The highest mid-market price during the period was 762.5 pence and the lowest mid-market price was 533 pence.

Directors of subsidiaries of Diageo plc are deemed to be interested as employees in shares held by an employee share trust, details of which are disclosed in the accounts of Diageo plc.

The ultimate parent company purchases liability insurance covering the directors and officers of Diageo plc and its subsidiaries.

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Directors' Report For The 18 Months Ended 30 June 1998 (Continued)

Employment Policies

(1) Communication and consultation with employees

The Company is committed to the continuing development of effective employee communication, consultation and involvement. The Company consults employees and their representative bodies on decisions which are likely to affect them and encourages the involvement of employees in the financial performance of the Company through a profit sharing scheme and SAYE stock option schemes in Diageo plc.

Communication is achieved through the availability to employees of the Diageo plc Annual Report and Accounts, interim statements, company newspapers and departmental consultative committees and briefings.

(2) Disabled persons

The policy of the Company is to give full and fair consideration to applications for employment made by disabled persons. If an employee becomes disabled whilst employed by the Company, every effort is made to find suitable employment, with re-training as necessary. Disabled people share equally in the opportunities available for training, career development and promotion.

Statement On Supplier Payments

The Company does not operate a standard code in respect of payments to suppliers. The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including terms of payment. It is Company policy that payments to suppliers are made in accordance with these terms.

The number of days' purchases included in creditors as at 30 June 1998, in respect of the company, is 50 days.

Year 2000

The Year 2000 problem is caused by the inability of many systems to handle four-digit years. There is a risk that without correction the two digit year "00", meaning 2000, could be recognised as 1900. The Company has recognised that Year 2000 is a major issue and has established a Company-wide program to co-ordinate the activities of the business. The impact assessment phase is complete, correction and testing of equipment is well advanced, with implementation in progress in most areas. The Company has also commenced action working with its Trading Partners to ensure continuity of supply chains.

However, the general expectation by those who have studied the Year 2000 problem is that even the best run projects will face some Year 2000 compliance failures. The cost to the Company of modifying its systems is currently estimated to be £4.53 million of which £4.27 million will be charged to the profit and loss account.

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Directors' Report For The 18 Months Ended 30 June 1998 (Continued)

The euro

Economic and Monetary Union ("EMU") and the introduction of the euro on 1 January 1999 has had operational implications as the Company has substantial dealings with Member States of the European Union. The implications are currently being considered by a working party. These include continuing refinement of business systems for trading in euros; the potential impact of increased price transparency on price differentials between Member States; the benefits of elimination of exchange rate risk in cross border transactions within the common currency area and training and human resource issues.

The Company is also actively working with key business suppliers and customers regarding the implications of EMU. The potential benefits and costs to the Company have not been quantified.

Statement Of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements on pages 8 to 22, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

RJ Joy
Secretary

20 April

1999

Price Waterhouse



**Auditors' Report To The Members Of
Guinness Limited
(formerly Guinness Brewing Worldwide Limited)**

We have audited the financial statements on pages 8 to 22 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 6 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 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
London

20 April 1999

Guinness Limited
(formerly Guinness Brewing Worldwide Limited)

Profit And Loss Account
For The 18 months ended 30 June 1998

		18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
	<i>Note</i>		
Turnover - Continuing Operations	2	717.9	463.2
Net Operating Charges	3	(748.0)	(474.7)
Operating Loss - Continuing Operations		(30.1)	(11.5)
Net Interest (payable)/receivable	4	(0.5)	65.0
(Loss)/Profit On Ordinary Activities Before Taxation		(30.6)	53.5
Taxation on (loss)/profit on ordinary activities	5	(2.5)	(19.5)
(Loss)/Profit For The Period		(33.1)	34.0
Amount Transferred (From)/To Reserves	16	(33.1)	34.0

Guinness Limited
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Statement Of Total Recognised Gains And Losses
For the 18 Months Ended 30 June 1998

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
Reported (loss)/profit on ordinary activities after taxation	(33.1)	34.0
Effect of foreign exchange rate changes	3.0	-
Total recognised gains and losses	(30.1)	34.0

Statement Of Historical Cost Profits And Losses
For The 18 Months Ended 30 June 1998

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
Reported (loss)/profit on ordinary activities before taxation	(30.6)	53.5
Difference between historical cost depreciation charge and actual depreciation charge of the year calculated on the re-valued amount	1.0	0.7
Historical cost (loss)/profit on ordinary activities before taxation	(29.6)	54.2
Historical cost (loss)/profit for the year retained after taxation and dividends	(32.1)	34.7

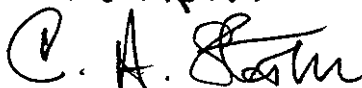
The notes on pages 11 to 22 form part of these financial statements.

Guinness Limited
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Balance Sheet At 30 June 1998

	<i>Note</i>	30 June 1998 £'m	31 December 1996 £'m
Fixed Assets			
Tangible assets	8	187.1	204.3
Investments	9	0.1	0.1
		187.2	204.4
Current Assets			
Stocks	11	19.1	21.7
Debtors	12	1,378.6	1,299.2
Cash at bank and in hand		-	7.8
		1,397.7	1,328.7
Creditors (amounts falling due within one year)	13	(385.4)	(303.5)
Net Current Assets		1,012.3	1,025.2
Total Assets Less Current Liabilities		1,199.5	1,229.6
Net Assets		1,199.5	1,229.6
Capital And Reserves			
Called up share capital	15	1,156.1	1,156.1
Revaluation reserve	16	32.4	33.4
Profit and loss account	16	11.0	40.1
Equity Shareholders' Funds	17	1,199.5	1,229.6

Approved By The Board
 On 20 April 1999



Director

The notes on pages 11 to 22 form part of these financial statements.

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

1 Accounting Policies

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards.

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary of another company incorporated in Great Britain, nor has a statement of cash flows been provided because the 1998 Annual Report and Accounts of Diageo plc includes such a statement.

(2) Depreciation

Tangible assets are depreciated in equal annual instalments at rates calculated to write off their cost or valuation over the term of their estimated useful lives. Details of depreciation rates are given in note 8.

(3) Leased assets

Assets acquired under finance leases, comprising of vehicles, casks and computer equipment, are capitalised. The annual costs in respect of operating leases are charged to the profit and loss account as incurred and disclosed under the heading "operating lease charges".

(4) Stocks

Valuation of stocks is at the lower of cost and net realisable value. Cost includes raw materials, excise duty and the appropriate proportion of labour costs, production and other overheads.

(5) Research and development expenditure

All research and development expenditure is written off to the profit and loss account as incurred.

(6) Investments

Investments are stated at cost less amounts written off.

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

1 Accounting Policies (Continued)

(7) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling using contract rates of exchange or exchange rates prevailing at the balance sheet date, as appropriate. Exchange differences arising from foreign currency transactions in the normal course of trading are dealt with in the profit and loss account.

(8) Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation, on differences between the treatment of certain items for accounting and taxation purposes, is accounted for to the extent that a liability or an asset is expected to crystallise within the foreseeable future.

(9) Pensions

The Company is a member of a group pension scheme which is operated by its ultimate holding company, Diageo plc. Contributions to the scheme are assessed by a qualified actuary based on the cost of providing pensions across all participating group undertakings. Costs are not determined for each individual undertaking, and accordingly, contributions are charged to the profit and loss account when they become payable.

2 Turnover

Turnover represents the net amounts receivable including duties where applicable but excluding value added tax.

The Company carries out principally one class of business, that of brewing and marketing Guinness Stout and other brands of beer and lager. Turnover and profit predominantly arise within the United Kingdom. Further segmental information is provided in the accounts of the parent company, Diageo plc.

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

3 Net Operating Charges

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
Change in stocks of finished goods and work in progress	3.7	2.4
Raw materials and consumables	311.8	155.2
Excise duties	169.7	114.3
Staff costs (Note 6)	97.9	55.6
Depreciation	39.0	23.3
Other operating charges	125.9	123.9
	748.0	474.7

	18 months ended 30 June 1998 £'000	12 months ended 31 December 1996 £'000
Other operating changes including the following:		
Research and development expenditure	1,782	1,173
Auditors' remuneration - audit work	95	101
- non audit work	494	227

4 Interest

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
External interest payable	(0.3)	-
Interest (payable to)/receivable from parent undertaking	(0.2)	65.0
	(0.5)	65.0

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

5 Taxation On Profit On Ordinary Activities

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
United Kingdom corporation tax for current period at 30% (1996 - 33%)	(1.4)	17.3
(Under)/over provision in respect of prior years	0.5	1.9
	(0.9)	19.2
Deferred tax (note 14)	3.4	0.3
Tax (credit)/charge	2.5	19.5

6 Staff Costs And Employees

(1) Staff Costs

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
Wages and salaries	83.1	47.0
Social security costs	6.4	3.6
Other pension costs (Note 19)	8.4	5.0
	97.9	55.6

(2) Average number of employees

	Number	Number
Average for period	1,357	1,301

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

7 Directors' Emoluments

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
Salaries and pension scheme contributions	2,100	974
Emoluments (excluding pension scheme contributions) of:		
Chairman	Nil	Nil
Highest paid director	434	239

Compensation for loss of office of £393,209 was paid to M J Hughes in the period.

The accrued pension of A Wilson at 30 June 1998 was £11,422 (31 December 1996: £2,178). This represents the annual pension to which he is entitled at normal retirement age of 62 based on current salary levels and service.

Retirement benefits are accruing to four directors (1996: six) under the Company's defined benefit scheme.

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

8 Tangible Assets

(1) Cost or valuation

	Land and buildings £'m	Plant and machinery £'m	Casks and road vehicles £'m	Total £'m
At 1 January 1997	62.4	171.0	72.8	306.2
Additions	-	29.1	7.9	37.0
Transfers from group undertakings	8.3	3.4	1.6	13.3
Transfers to group undertakings	-	(3.0)	(0.9)	(3.9)
Reclassifications	(2.2)	2.2	-	-
Disposals	(8.3)	(12.9)	(11.7)	(32.9)
At 30 June 1998	60.2	189.8	69.7	319.7

Accumulated depreciation

At 1 January 1997	6.6	72.5	22.8	101.9
Charge for the year	2.6	24.5	11.9	39.0
Transfers from group undertakings	0.7	0.9	0.3	1.9
Transfers to group undertakings	-	(1.5)	(0.2)	(1.7)
Disposals	(0.7)	(5.5)	(2.3)	(8.5)
At 30 June 1998	9.2	90.9	32.5	132.6

Net book amount

At 30 June 1998	51.0	98.9	37.2	187.1
At 31 December 1996	55.8	98.5	50.0	204.3

(2) Land and buildings - the net book amount includes the following:

	30 June 1998 £'m	31 December 1996 £'m
Freehold	49.3	54.0
Long leasehold (over 50 years unexpired)	1.7	1.8
	51.0	55.8

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

8 Tangible Assets (continued)

(3) Land and buildings - the amount shown at cost or valuation includes the following:

	30 June 1998 £'m	31 December 1996 £'m
At cost	14.4	16.6
At valuation		
- prior to 1992	2.0	2.0
- 1992	43.8	43.8
	<hr/> 60.2	<hr/> 62.4

(4) Land and buildings included at valuation would have been included on an historical cost basis at:

	30 June 1998 £'m	31 December 1996 £'m
Cost	29.9	29.9
Accumulated depreciation	(9.0)	(7.5)
	<hr/> 20.9	<hr/> 22.4

(5) Included in the cost of tangible fixed assets are the following amounts in respect of assets under construction

	30 June 1998 £'m	31 December 1996 £'m
Land and buildings	0.2	2.5
Plant and machinery	13.1	27.1
	<hr/> 13.3	<hr/> 29.6

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

8 Tangible Assets (continued)

(6) The principal rates of depreciation are:

Buildings:

Freehold and long leasehold	2% - 5%
Short leasehold	over term of lease

Plant and machinery:

Brewing and racking plant	5% - 12½%
Containers	5%
Office machinery	33%

Casks and road vehicles:

Distribution vehicles	12.5%
Motor cars	25% - 50%
Casks	6.67%

Depreciation rates for motor cars differ from those of the ultimate parent undertaking as salesmen's vehicles are considered to have shorter useful economic lives.

9 Investments

**Investments in
Subsidiary undertakings
£'m**

At 1 January 1997 and at 30 June 1998 **0.1**

- (1)** All the shares are either unclassified or classified as ordinary.
- (2)** In the opinion of the Directors, the aggregate value of the Company's investments in its subsidiaries is not less than the aggregate amount at which they are stated in the balance sheet.

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Notes To The Financial Statements - 30 June 1998

10 Subsidiary Companies

The Company has the following subsidiary undertakings:

Brewing	% holding	Country of incorporation and principal country of operation	Activity
ES Beaven (Maltings) Limited	100	England	Maltster
The Interesting Drinks Co. Ltd	100	England	Dormant
HKS Properties Ltd	100	England	Property
The Harp Lager Company Ltd	100	England	Beer Marketing

11 Stocks

	30 June 1998	31 December 1996
	£'m	£'m
Raw materials and consumables	6.4	5.3
Work in progress	0.9	0.8
Finished goods and goods for resale	11.8	15.6
	19.1	21.7

The replacement cost of stocks is not materially different from their book value.

12 Debtors

	30 June 1998	31 December 1996
	£'m	£'m
Trade debtors	43.0	47.0
Amounts owed by parent undertaking	1,221.9	1,159.8
Amounts owed by subsidiary undertakings	26.1	17.2
Amounts owed by fellow subsidiary undertakings	67.5	58.1
Corporation tax	7.3	-
Other debtors	8.9	7.0
Prepayments and accrued income	1.2	4.0
Deferred tax (note 14)	2.7	6.1
	1,378.6	1,299.2

The amounts owed by the parent undertaking include a loan of £1,150,000,000 repayable on demand. A market rate of interest was received on the loan during 1996. The loan became non-interest bearing from 1 January 1997. The loan was made to finance the acquisition of the company's own shares as permitted under S155 of the Companies Act 1985.

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

13 Creditors (amounts falling due within one year)

	30 June 1998 £'m	31 December 1996 £'m
Bank loans and overdrafts	2.3	-
Trade creditors	23.7	41.5
Amounts owed to fellow subsidiary undertakings	291.9	183.8
Amounts owed to subsidiary undertakings	8.8	8.1
Corporation tax	-	12.3
Other creditors	6.7	12.5
Social security and other taxes	9.0	8.2
Accruals and deferred income	43.0	37.1
	385.4	303.5

Bank loans and overdrafts of £2,300,000 represents an unsecured overdraft and is payable on demand.

14 Deferred Taxation

	Amount £'m	30 June 1998 Full Potential Liability £'m	Amount £'m	31 December 1996 Full potential liability £'m
Accelerated capital allowances on plant, machinery and industrial buildings	-	-	(0.4)	(19.9)
Provisions allowable for tax in future years	2.7	2.7	6.5	6.5
	2.7	2.7	6.1	(13.4)

The deferred tax asset is included in debtors in note 12.

Guinness Limited
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Notes To The Financial Statements - 30 June 1998

15 Called Up Equity Share Capital

	30 June 1998 £'m	31 December 1996 £'m
Authorised:		
1,157,500,000 ordinary shares of £1 each	1,157.5	1,157.5
Issued, allotted, called up and fully paid:		
1,156,100,000 ordinary shares of £1 each	1,156.1	1,156.1

16 Reserves

	Revaluation Reserve £'m	Profit and loss account £'m
At 1 January 1997	33.4	40.1
Retained loss for the period	-	(33.1)
Depreciation transfer on revaluation surpluses	(1.0)	1.0
Exchange adjustment	-	3.0
At 30 June 1998	32.4	11.0

17 Reconciliation Of Movements In Shareholders' Funds

	18 months ended 30 June 1998 £'m	12 months ended 31 December 1996 £'m
Retained (Loss)/Profit for the Period	(33.1)	34.0
Effect of foreign exchange rate changes	3.0	-
Net (reduction)/addition to shareholders' funds	(30.1)	34.0
Opening shareholders' funds	1,229.6	1,195.6
Closing shareholders' funds	1,199.5	1,229.6

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Notes To The Financial Statements - 30 June 1998

18 Future Capital Expenditure

	30 June 1998 £'m	31 December 1996 £'m
Contracted but not provided for in the financial statements	0.3	2.3

19 Pensions

The Company is a member of a group pension scheme which is operated by its ultimate holding company Diageo plc. The scheme is of the defined benefit type, is administered by a trustee company and is maintained independently of the finances of Diageo plc and its subsidiary undertakings.

Contributions to the scheme are assessed by a qualified actuary based on the costs of providing pensions across all participating Group undertakings. Costs are not determined for each individual undertaking and, accordingly, contributions are charged to the profit and loss account when they become payable.

A valuation of the scheme was performed in 1996 by the actuary and particulars of the valuation are included in the 1998 Annual Report and Accounts of Diageo plc.

The charge to the profit and loss account in respect of pension costs was £8,400,000 (1996: £5,029,000.)

20 Parent Undertaking

The Company is a wholly owned direct subsidiary of Diageo plc. Diageo plc is the parent undertaking of the smallest and largest group for which group accounts incorporating those of the Company are prepared. Copies of the 1998 Annual Report and Accounts of Diageo plc can be obtained from:

Diageo plc
8 Henrietta Place
London
W1 9AG.

21 Related Party Disclosure

The Company has taken advantage of Section 3 in Financial Reporting Standard 8 Related Party Disclosures not to disclose transactions with other members of the Group.