

**Guinness Overseas Holdings Limited**  
**(Registered Number 1488969)**

**Directors' Report And Financial Statements**

**30 June 1998**



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COMPANIES HOUSE 10/02/99

# **Guinness Overseas Holdings 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.

### **Review Of The Business**

The Company is the holding company of a group of companies engaged in exports and overseas brewing and related operations.

The principal subsidiary company is Guinness Overseas Limited which is the holding company of a sub-group of companies engaged in the brewing and marketing of alcoholic beverages, including Guinness Stout and Harp Lager, and in the production and marketing of soft drinks abroad.

### **Results And Transfer From Reserves**

The year end of the Company has changed to 30 June from 31 December, and the results for the period shown on page 6 are for the eighteen months from 1 January 1997 to 30 June 1998.

Profit for the period was £26,284,000 (1996 - £5,392,000) which, after dividends of £26,284,000 (1996 - £5,392,000), resulted in a transfer to reserves of £Nil (1996 - £Nil).

### **Directors**

The Directors of the Company who have held office during the period are:

BR O'Neill	(resigned 8 May 1998)
CA Storm	
RJ Joy	(appointed 10 October 1997)
DHC Hampshire	(appointed 8 May 1998)

### **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.

### **Dividends**

An interim dividend of £26,284,000 has been paid during the period (1996 - £5,392,000). The directors do not recommend the payment of a final dividend.

### **Future Developments**

The Company will continue to act as an intermediate holding company.

# Guinness Overseas Holdings Limited

## Directors' Report For The 18 months ended 30 June 1998 (Continued)

### Directors' Interests

No Director in office at 30 June 1998 had any interest in shares in the Company or of any other group company, with the exception of non-beneficial interests as nominee and the interests in the ordinary shares of the ultimate holding undertaking, Diageo plc as set out below:

		At 30 June 1998	At 1 January 1997 or date of appointment if later	
	Ordinary shares	Options over Ordinary shares	Ordinary shares	Options over ordinary shares
Ordinary shares of 25p each				
CA Storm	40,947	252,302	29,718	277,625
RJ Joy	28,224	267,088	-	295,088
DHC Hampshire	24,262	148,313	24,262	174,159

During the year the following movements in options over the ordinary shares of Diageo plc took place.

	Options granted in the period		Options exercised during the period		
	Number	Price £	Number	Price £	Market price at exercise £
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
RJ Joy	-	-	28,000	**3.80	6.84
DHC Hampshire	-	-	15,292	*3.21	6.84
			10,554	*2.255	6.84

\* 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 undertaking purchases liability insurance covering the directors and officers of Diageo plc and its subsidiaries.

# **Guinness Overseas Holdings Limited**

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

### **Statement On Suppliers 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.

### **Year 2000**

The Guinness Group of Companies has recognised that Year 2000 is a major issue and has established a Group-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 some areas. 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 considered not to be material so has not been separately quantified. The cost to the Guinness Group is disclosed in the Guinness Limited 1998 Annual Report and Accounts.

### **The euro**

Economic and Monetary Union ("EMU") and the introduction of the euro on 1 January 1999 has had minimal operational implications as the Company has no dealings with Member States of the European Union. Therefore, 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 6 to 10, 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.

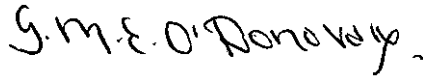
# Guinness Overseas Holdings Limited

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

### Statement Of Directors' Responsibilities (Continued)

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



SME O'Donovan  
Secretary

27 January 1999

*Price Waterhouse*



## **Auditors' Report To The Members Of Guinness Overseas Holdings Limited**

We have audited the financial statements on pages 6 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

### **Respective responsibilities of directors and auditors**

As described on pages 3 and 4 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 judgments 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 result 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

27 January 1999

# Guinness Overseas Holdings Limited

## Profit And Loss Account For The 18 Months Ended 30 June 1998

		18 months ended 30 June 1998 £'000	12 months ended 31 December 1996 £'000
	Note		
Income from shares in group undertakings		26,284	5,392
Profit On Ordinary Activities Before Taxation	2	26,284	5,392
Taxation on profit on ordinary activities	3	-	-
Profit For The Period After Taxation		26,284	5,392
Dividends paid and proposed		(26,284)	(5,392)
Amounts Transferred To Reserves	9	-	-

Profits stated on a historical basis are no different from those shown above.

There have been no other recognised gains or losses other than those shown in the profit and loss account.

Movements on reserves are shown in note 9 to the financial statements.

The notes on pages 8 to 10 form part of these financial statements.

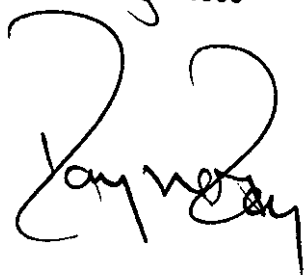
# Guinness Overseas Holdings Limited

## Balance Sheet At 30 June 1998

	Note	30 June 1998 £'000	31 December 1996 £'000
<b>Fixed Assets</b>			
Investments	5	-	-
<b>Current Assets</b>			
Debtors	6	34,754	34,754
Creditors (amounts falling due within one year)	7	(34,754)	(34,754)
<b>Net Current Assets</b>		-	-
<b>Total Assets Less Current Liabilities</b>		-	-
<b>Capital And Reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	-	-
<b>Equity Shareholders' Funds</b>	10	-	-

Approved By The Board  
On 27 January 1999

Director



The notes on pages 8 to 10 form part of these financial statements.



# **Guinness Overseas Holdings Limited**

## **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 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 Diageo plc 1998 Annual Report and Accounts include such a statement.

#### **(2) Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling using rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account.

#### **(3) Taxation**

The charge for taxation is based on the profit for the year 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.

#### **(4) Investments**

Investments in subsidiaries are stated at cost less provision for permanent diminution in value, where applicable.

### **2 Profit On Ordinary Activities**

Auditors' remuneration is borne by Guinness Limited.

### **3 Taxation On Profit On Ordinary Activities**

No taxable profit has been made during the period, therefore no corporation tax has been provided for (1996 - £Nil).

# Guinness Overseas Holdings Limited

## Notes To The Financial Statements - 30 June 1998

### 4 Directors And Employees

The Company has no employees. The directors received no emoluments for their services to the Company or its subsidiary undertakings during the year.

### 5 Investments

Shares in subsidiary  
undertakings  
£'000

At 1 January 1997 and at 30 June 1998

The Company's subsidiaries, whose activities are described in the directors' report, are as follows:

Name	% holdings	Country of incorporation
Guinness Overseas Limited	100	Great Britain
Guinness (Thailand) Limited	100	Thailand

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 shown in the balance sheet.

### 6 Debtors

	30 June 1998 £'000	31 December 1996 £'000
Amounts owed by subsidiary undertakings	32,719	32,719
Amounts owed by other group undertakings	2,035	2,035
	<b>34,754</b>	<b>34,754</b>

### 7 Creditors (amounts falling due within one year)

	30 June 1998 £'000	31 December 1996 £'000
Amount owed to parent undertaking	13,398	13,398
Amounts owed to other group undertakings	21,351	21,351
Other creditors	5	5
	<b>34,754</b>	<b>34,754</b>

# Guinness Overseas Holdings Limited

## Notes To The Financial Statements - 30 June 1998

### 8 Called Up Share Capital

	30 June 1998 £	31 December 1996 £
Authorised, allotted, issued, called up and fully paid:		
100 ordinary shares of £1 each	100	100

### 9 Reserves

	Profit and loss £'000
At 1 January 1997	-
Transfer from reserves for the period	-
At 30 June 1998	-

### 10 Reconciliation Of Movements In Equity Shareholders' Funds

	18 months ended 30 June 1998 £'000	12 months ended 31 December 1996 £'000
Profit for the Period	26,284	5,392
Dividend paid	(26,284)	(5,392)
Net addition to equity shareholders' funds	-	-
Opening shareholders' funds	-	-
Closing equity shareholders' funds	-	-

### 11 Holding Company

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 W1M 9AG.

### 12 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.