

Guinness Overseas Holdings Limited

**Directors' report and financial
statements**

Registered number 1488969

30 June 1999



Contents

Directors' report	1
Statement of directors' responsibilities	5
Auditor's report to the members of Guinness Overseas Holdings Limited	6
Profit and loss account	7
Balance sheet	8
Reconciliation of movements in shareholders' funds	9
Notes	10

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 1999.

Review of the business and principal activities

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 to reserves

The profit for the period was £15,228,000 (1998: £26,284,000) which, after dividends of £15,228,000 (1998: £26,284,000), resulted in a transfer from reserves of £Nil (1998: £Nil).

Year 2000

Most companies face a major challenge in making their business and other systems Year 2000 ready. The problem is caused by the inability of some systems to handle four-digit years. For example, without correction the two digit year '00', meaning 2000, could be recognised as 1900, causing systems to generate inaccurate information and potentially to fail.

The Diageo group recognises this challenge and has established a compliance programme to address the issue in all of its business units and subsidiaries. The implications for Guinness Overseas Holdings Limited are being addressed as part of the Guinness programme to allow it to operate successfully and safely into the new millennium. This includes potential risks to:

- Information systems used to support Guinness Overseas Holdings Limited's activities;
- Building services and computerised equipment in all premises from which the company operates;
- Trading partners including suppliers of critical business and other support services to the company.

Each programme involved the identification and assessment of items at risk in these areas, followed by the implementation of an appropriate strategy to avoid or minimise the impact of year 2000 related problems. Testing was performed as necessary, taking into account professional advice and a full assessment of risk.

All major stages of the programme were completed on target by 30 September 1999 and Guinness Overseas Holdings Limited is now Year 2000 ready. Procedures are in place to maintain a clean environment where risks have been addressed. Some outstanding work remains but is not business critical. This includes ongoing contact with key trading partners to share best practice and risk information.

Even the best run projects are likely to face some year 2000 compliance failures. There can be no certainty that the Year 2000 programmes will be successful or that the date change from 1999 to 2000 will not materially and adversely affect a company's operations and financial results. Based on the work already completed, we do not believe that the Year 2000 will give rise to significant operational problems for Guinness Overseas Holdings Limited. However, it may still be adversely affected by the inability of third parties to manage the problem and by the general uncertainty inherent in the Year 2000. Business Continuity Plans are therefore in place, along with proactive mitigation strategies (millennium operating procedures) for the key impact period. Both continue to be refined to reflect the best available risk information.

The full cost of managing the year 2000 problem for Guinness Overseas Holdings 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.

Directors' report *(continued)*

The Euro

In accordance with the Treaty on European Union, signed at Maastricht on 7 February 1992, the third stage of Economic and Monetary Union (EMU) commenced on 1 January 1999. The Company's euro-readiness is being managed as a discrete business project. The Company expects to have systems and procedures in place which will enable it to conduct euro transactions appropriate to local market requirements.

The Company is also working actively with key business suppliers, joint distribution arrangement partners and customers. In addition, monetary union may have a significant impact on macroeconomic factors, including interest and foreign exchange rates.

Key commercial risks, such as pricing transparency, have been analysed, with a view to reducing any impact through active management over the transition period and beyond. However, there can be no assurance that the euro will not have a negative impact. The impact of future entry to EMU of other European countries (particularly the United Kingdom) is being similarly analysed.

The cost associated with the euro-readiness project for Guinness Overseas Holdings Limited has not been identified separately but is included within the overall project cost in the annual report of the ultimate parent company, Diageo plc.

Future developments

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

Dividends

An interim dividend of £nil has been paid during the period (1998: £26,284,000). The Directors recommend the payment of a final dividend of £15,228,000 (1998: £nil)

Directors and directors' interests

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

CA Storm
RJ Joy
DHC Hampshire

Secretary: SME O'Donovan

No Director had any interest in shares or debentures 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:

Directors' report (continued)

Directors and directors' interests (continued)

Mr CA Storm is a director of Diageo plc and his interest in the shares of Diageo plc are set out in that company's annual report and accounts.

	Ordinary shares at 30 June 1999	Options over ordinary shares as at 30 June 1999	Ordinary shares at 1 July 1998	Options over ordinary shares as at 1 July 1998
RJ Joy	27,109	275,852	28,224	267,078
DHC Hampshire	24,628	176,027	24,262	148,313

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

	Note	Granted	Exercised	Exercise price £/p	Market price at date of exercise £/p	Date from which exercisable	Expiry date
RJ Joy	3	16,679		Nil		01.01.01	01.01.01
	3	16,095		Nil		01.01.02	01.01.02
	2		24,000	4.710	7.100	24.06.95	24.06.02
DHC Hampshire	1	1,300		4.470		01.12.01	31.05.02
	3	16,177		Nil		01.01.01	01.01.01
	3	18,000		Nil		01.01.02	01.01.02
	1		3,155	3.280	6.540	01.12.98	01.12.99
	+		4,608				

Notes:

- 1 These options were granted and exercised under the terms of the Save As Your Earn scheme.
- 2 These options were granted and exercised under the terms of the Executive Share Options scheme.
- 3 These LTIPs were granted and exercised under the terms of the Diageo LTIP.
- # 1998 and 1999 LTIP grossed up to 150%.
- + These options have lapsed.

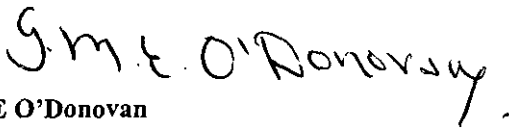
Directors' report *(continued)*

Directors and directors' interests *(continued)*

The options outstanding at 30 June 1999 have been granted under Group employee share participation schemes and are exercisable at varying dates between 1990 and 2009 at varying prices between 321.0 pence and 494.0 pence. The mid-market price of the shares at 30 June 1999 was 662.5 pence. The highest mid-market price during the period was 778.5 pence and the lowest mid-market price was 460.5 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 1999 Annual Report and Accounts of Diageo plc. The ultimate parent Company purchases liability insurance covering the Directors and officers of Diageo plc and its subsidiaries.

By Order of the Board


SME O'Donovan
Secretary

27 April 2000

Statement of directors' responsibilities

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

- select suitable accounting policies and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Auditor's report to the members of Guinness Overseas Holdings Limited

We have audited the financial statements on pages 7 to 13.

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 profit 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

28 April 2000

Profit and loss account
for the year ended 30 June 1999

	<i>Notes</i>	12 months ending 30 June 1999 £000	18 months ending 30 June 1998 £000
Income from shares in group undertakings			
Continuing operations		15,228	26,284
Operating profit	2	15,228	26,284
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		15,228	26,284
Dividends		(15,228)	(26,284)
Amount transferred to reserves	10	-	-

Results stated on an historical cost basis are no different from those shown above.

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

Movements on reserves are shown in note 10 to the financial statements.

Balance sheet
 at 30 June 1999

	Note	1999 £000	1998 £000
Fixed assets			
Investments	5	-	-
		<hr/>	<hr/>
Current assets			
Debtors	7	49,982	34,754
Creditors: amounts falling due within one year	8	(49,982)	(34,754)
		<hr/>	<hr/>
Net current assets		-	-
		<hr/>	<hr/>
Net assets		-	-
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	-	-
		<hr/>	<hr/>
Equity shareholders' funds		-	-
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on

and were signed on its behalf by:

27th April 2000


 Director

Reconciliation of movements in shareholders' funds
for the year 30 June 1999

	1999 £000	1998 £000
Retained profit for the financial year	15,228	26,284
Ordinary dividends	(15,228)	(26,284)
	<hr/>	<hr/>
Net movement in shareholders' funds	-	-
Opening shareholders' funds	-	-
	<hr/>	<hr/>
Closing shareholders' funds	-	-
	<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 modified to include the revaluation of land and buildings and in accordance with applicable UK accounting standards. Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of Companies Act 1985 relating to depreciation and amortisation and an explanation of the departure is given in note below.

During the previous financial period, the financial accounting date was changed to 30 June. Accordingly the comparative accounting period runs from 1 January 1997 to 30 June 1998.

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.

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 taxation and accounting purposes, is accounted for to the extent that a liability or an asset is expected to crystallise within the foreseeable future.

Investments

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

Notes (continued)

2 Operating profit

Auditors remuneration is borne by Guinness Limited.

3 Directors and employees

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

4 Taxation

No taxable profit has been made during the period, therefore no corporation tax has been provided for (1998: £Nil).

5 Investments

Shares in
 subsidiary
 undertakings
 £000

At 1 July 1998 and 30 June 1999

-

6 Subsidiary Companies

The Company had the following subsidiary undertakings:

	Country of incorporation	Principal activity	Percentage of shares held
Guinness Overseas Limited	Great Britain	Holding company	100%
Guinness (Thailand) Limited (in liquidation)	Thailand	None	100%
Guinness Cameroun SA	Cameroon	Sales and distribution	100%

Notes (continued)

7 Debtors

	1999 £000	1998 £000
Amounts owed by subsidiary undertakings	47,947	32,719
Amounts owed by other group undertakings	2,035	2,035
	<u>49,982</u>	<u>34,754</u>

8 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Amounts owed to fellow parent undertakings	13,398	13,398
Amounts owed to other group undertakings	21,351	21,351
Other creditors	5	5
Ordinary dividend payable	15,228	-
	<u>49,982</u>	<u>34,754</u>

9 Called up share capital

	1999 £	1998 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes *(continued)*

10 Reserves

**Profit
and loss
account
£000**

At 1 July 1998 and 30 June 1999

-

11 Parent undertaking

The Company is a wholly owned subsidiary undertaking 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 1999 Annual Report and Accounts of Diageo plc can be obtained from 8 Henrietta Place, London, W1 9AG.