**GUINNESS WORLD RECORDS LIMITED**
**(formerly Guinness Publishing Limited)**

GUINNESS WORLD RECORDS

**FINANCIAL STATEMENTS**

**Year ended 30 June 1999**

**Company registered in England, No. 541295**

## DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 1999.

On 1 July 1999 the Company changed its name from Guinness Publishing Limited to Guinness World Records Limited.

### 1. Activities

The Company is engaged in the publication and licensing of intellectual property. The company changed its name to Guinness World Records Limited to reflect its global branding activities. These activities relate primarily to the main brand, the Guinness World Records book, in the publishing, merchandising and television licensing spheres. The directors foresee no changes in the Company's activities.

### 2. Financial

The results for the period shown on page 9 are for the 12 months from 1 July 1998 to 30 June 1999. The directors do not recommend the payment of a dividend.

### 3. Year 2000

The Year 2000 problem refers to the inability of some information systems and computerised equipment to handle four-digit years, causing them to generate inaccurate information and potentially to fail. The Diageo group established a compliance programme in each of its main business units (UDV, Pillsbury, Guinness, Burger King) and subsidiaries to investigate and manage potential impacts. The programmes were co-ordinated at Group level with regular status reports to the Diageo board.

All critical systems and processes were declared Year 2000 Ready in September 1999, and to date no major issues have been identified. Procedures are in place to monitor developments and will continue for as long as the Year 2000 risk remains.

The full cost of managing the Year 2000 problem for Guinness World Records 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.

### 4. 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 on1 January 1999. The Diageo group's euro readiness is being managed as a discrete business project. The group expects to have systems and procedures in place which will enable it to conduct euro transactions appropriate to local market requirements.

The Diageo group 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 World Records 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.

**5. Directors**

The directors who served during the year were as follows:

| | |
|---|---|
| Ms A Avis | |
| Mr S Boddie | (Appointed 21 June 1999) |
| Mr I Castello-Cortes | |
| Mr F I Chapman, CBE | (Resigned 7 December 1998) |
| Mr N T Fell | (Appointed Chairman 18 September 1998) |
| Mr C C Irwin | |
| Ms S F Raja-Brown (neé Brown) | (Resigned 16 April 1999) |
| Mr M C Roughead | |
| Mr C A Storm | (Resigned as Chairman and as a director 18 September 1998) |

Subsequent to the period end, on 11 October 1999, R J Joy was appointed a director and N Fell resigned as a director. S Boddie resigned as a director on 20 December 1999.

**6. Directors' Emoluments**

The emoluments of the directors are detailed in note 4 of these financial statements.

**7. 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 period in any significant contract with the Company. The directors who held office at the end of the financial period had the following beneficial interests in the shares of the ultimate holding company, Diageo plc:

## Shares and Awards over ordinary shares

| Name of Director | Ordinary shares of 28 101/108p (1) 1.7.98 or date of appointment* | Ordinary shares of 28 101/108p (1) 30.6.99 | Guinness LTIP (2) 30.6.99 | Diageo LTIP (3) Performance cycle commencing 1.1.98 | Diageo LTIP (3) Performance cycle commencing 1.1.99 |
|---|---|---|---|---|---|
| A Avis | 2,189 | 2,189 | - | 9,500 | 7,000 |
| S Boddie | 1,771* | 1,771 | - | 6,861 | 7,500 |
| I Castello-Cortes | 1,411 | 1,411 | - | 2,332 | 2,000 |
| N T Fell | 3,979 | 3,979 | 17,510 | 14,820 | 15,347 |
| C C Irwin | 3,288 | 2,365 | - | 5,403 | 4,250 |
| M C Roughead | 1,896 | 3,438 | - | 2,000 | 2,000 |

## Options

| Name of Director | 1.7.98 or date of appointment* | Granted during period | Exercised during period | 30.6.99 |
|---|---|---|---|---|
| A Avis | 40,673 | - | - | 40,673 |
| S Boddie | 71,785* | - | - | 71,785 |
| I Castello-Cortes | - | - | - | - |
| N T Fell | 73,046 | - | - | 73,046 |
| C C Irwin | 51,484 | - | - | 51,484 |
| M C Roughead | 7,668 | 1,510 | 2,103 | 7,075 |

The directors held the above options under Diageo plc share option schemes at prices between 321p and 533.5p per share exercisable by 2007. No options lapsed and no awards vested during the year.

The mid-market share price of Diageo plc shares fluctuated between 480.5p and 778.5p per share during the year. The mid-market share price on 30 June 1999 was 662.5p.

At 30 June 1999 the directors had an interest in 22,444,659 shares held by trusts to satisfy grants made under ex-Guinness incentive plans and Diageo incentive plans and savings-related share option schemes.

(iii) Notes

(a) **Ordinary shares**
Interests in ordinary shares at 1 July 1998, or date of appointment where applicable, include B shares converted at a rate of 70.993915 ordinary shares to every 100 B shares, although the conversion actually occurred on 1 August 1998.

(b) **The Guinness Long-term Incentive Plan (LTIP)**
Awards over shares were granted to senior executives, with eventual transfer dependent on the performance of total shareholder return (TSR) against a comparator group of companies at the end of three years after the date of grant.

Following the merger, performance targets attached to the Guinness awards granted in 1996 were waived. The 1997 awards granted by Guinness are now dependent upon the performance of Diageo's TSR against comparator groups of companies.

(c) **The Diageo LTIP**
Under the Diageo LTIP, approved in August 1998, eligible senior executives are granted a conditional right to receive shares or, exceptionally, a cash sum. The rights vest after the end of a three-year period following the date of grant (the "performance cycle") provided a performance test is achieved and subject to the discretion of the trustees who operate the LTIP. The performance test is a comparison of the annualised percentage growth in Diageo's share price (assuming all dividends and capital distributions are reinvested) known as total shareholder return (TSR) with the TSRs of a defined peer group of 20 companies over a three-year period. The remuneration committee will not recommend the release of awards if there has not been an underlying improvement in the financial performance of Diageo.

The first LTIP performance cycle runs from 1 January 1998 to 31 December 2000 and the second from 1 January 1999 to 31 December 2001. Awards of shares will be released, subject to the performance test and the discretion of the trustees, in March 2001 and March 2002 respectively. The number of awards shown will only be released if Diageo reaches position five within the peer group (upper quartile). At position four, 125% of the original awards will vest and, at position three or above, 150%. At position ten (median position) 50% of the awards will vest. Between median and upper quartile, vesting will be calculated on a straight-line basis. Awards will lapse if Diageo does not reach position ten.

By order of the Board

S M Bunn
Secretary

8 Henrietta Place, London W1M 9AG
27 January 2000

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

The following statement, which should be read in conjunction with the report of the auditor, 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 of the Company 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 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 as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

# REPORT OF THE AUDITOR TO THE MEMBERS OF GUINNESS WORLD RECORDS LIMITED

We have audited the financial statements on pages 7 to 15.

## Respective responsibilities of directors and auditor

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 were 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 and Registered Auditor
London

27 January 2000

## ACCOUNTING POLICIES

### Basis of preparation

The financial statements are prepared under the historical cost convention and comply with applicable UK accounting standards.

During the previous financial year, the financial period end 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 cashflow statement under the terms of the 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 or investees of the Diageo plc group.

### Revenue recognition

Revenue from the sale of publications is recognised as goods are shipped to customers. Royalties from licences granting publication and other rights and net fees from exhibitions are recognised on a receivables basis.

### Tangible fixed assets – depreciation

Tangible fixed assets are depreciated on a straight-line basis at annual rates estimated to write off their book value over the terms of their useful lives. Details of the depreciation rates per annum used are as follows:

| | |
|---|---|
| Plant and machinery | 5% and 12.5% |
| Computer equipment | 25% |
| Motor vehicles | 20% |

### Intangible assets – amortisation

Amortised on a straight-line basis corresponding with the benefit gained from the acquisition over a maximum period of five years.

### Stocks

Stocks are stated at the lower of cost and net realisable value and valued on a first in, first out basis. Cost includes raw materials, direct labour and expenses.

**Pre-publication expenditure**

Expenditure on books not yet published is included as work in progress and treated as cost of finished goods on publication.

**Research and development**

Research and development expenditure is written off in the period in which it is incurred.

**Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

**Pensions and other post-employment benefits**

The employees of the Company are members of a group scheme managed by Diageo plc. The cost of providing pensions and other post-employment benefits is charged against profits on a systematic basis with pension surpluses and deficits allocated over the expected remaining service lives of current employees. Particulars of the valuations of the group schemes are contained in the financial statements of Diageo plc.

**Taxation**

Deferred taxation in respect of capital allowances and other timing differences is provided only to the extent that it is probable that the liability will become payable or recoverable within the foreseeable future.

**Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date except that, where hedging arrangements are in place, the relevant agreed rate is applied. Exchange gains and losses are charged to the profit and loss account.

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

| | Notes | 12 months ended 30 June 1999 £000 | 18 months ended 30 June 1998 £000 |
|---|---|---|---|
| Turnover | 1 | **11,020** | **10,053** |
| Net operating costs: | | | |
| (Decrease)/increase in stocks of finished goods and work in progress | | (776) | 1,282 |
| Other operating income | | - | 375 |
| Raw materials and consumables | | (3,850) | (4,991) |
| Staff costs | 3 | (2,087) | (3,158) |
| Depreciation of tangible fixed assets | | (185) | (263) |
| Amortisation of intangible assets | | (60) | (90) |
| Other operating costs | | (2,639) | (3,708) |
| | | **(9,597)** | **(10,553)** |
| Operating profit/(loss) | 2 | 1,423 | (500) |
| Interest receivable | 5 | 64 | - |
| Profit/(loss) on ordinary activities before taxation | | 1,487 | (500) |
| Tax on profit on ordinary activities | 6 | (592) | 25 |
| Profit/(loss) on ordinary activities after taxation transferred to reserves | 13 | **895** | **(475)** |

There are no recognised gains or losses other than the profit for the 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 profit for the year and the historical cost profit for the year and consequently no note of historical cost profits has been presented as part of the financial statements.

## BALANCE SHEET

| | Notes | 30 June 1999 £000 | | 30 June 1998 £000 | |
|---|---|---|---|---|---|
| **Fixed assets:** | | | | | |
| Intangible assets | 7 | 150 | | 210 | |
| Tangible assets | 7 | 394 | | 536 | |
| | | | 544 | | 746 |
| **Current assets:** | | | | | |
| Stocks | 8 | 838 | | 1,614 | |
| Debtors – due within one year | 9 | 10,498 | | 6,639 | |
| Cash at bank and in hand | | 6 | | 2 | |
| | | 11,342 | | 8,255 | |
| **Creditors – due within one year** | 10 | (10,315) | | (8,325) | |
| **Net current assets/(liabilities)** | | | 1,027 | | (70) |
| **Total assets less current liabilities** | | | 1,571 | | 676 |
| | | | 1,571 | | 676 |
| **Capital and reserves:** | | | | | |
| Called up share capital | 12 | | - | | - |
| **Reserves:** | | | | | |
| Profit and loss account | 13 | | 1,571 | | 676 |
| Reserves attributable to equity shareholders | | | 1,571 | | 676 |
| | | | 1,571 | | 676 |

The financial statements on pages 7 to 15 were approved by the Board of Directors on 27 January 2000 and signed on its behalf by:

C C Irwin
Director

## IOTES TO THE FINANCIAL STATEMENTS

### . Analysis of Turnover

Turnover represents income from the Guinness World Records brand through net sales of publications and net royalties and fees receivable from licences granting intellectual property rights to overseas publications, television productions in the UK and overseas, other third parties and from franchised exhibitions.

### . Operating Profit

Operating profit is stated after taking account of the following:

| | 12 months to 30.06.99 £000s | 18 months to 30.06.98 £000s |
|---|---|---|
| Auditors' remuneration | 8 | 18 |
| Hire of buildings: rentals payable under operating leases | 155 | 254 |
| Foreign exchange gain | 49 | - |

Other operating income: during the period ended 30 June 1998 the Company's publishing arrangements with Square One Books Limited were terminated in exchange for a payment of £375,000.

### . Staff Costs and Employees

The average number of employees, including directors, during the year was:

| | 12 months ended 30.06.99 | 18 months ended 30.06.98 |
|---|---|---|
| Full time | 48 | 58 |
| Part time | - | 2 |
| Total | 48 | 60 |

The aggregate remuneration of all employees comprised:

| | 12 months ended 30.06.99 £000 | 18 months ended 30.06.98 £000 |
|---|---|---|
| Wages and salaries | 1,815 | 2,717 |
| Employer's social security costs | 153 | 220 |
| Employer's pension costs | 119 | 221 |
| | 2,087 | 3,158 |

**Directors' emoluments**

| | 12 months ended 30.06.99 £000 | 18 months ended 30.06.98 £000 |
|---|---|---|
| Emoluments (excluding pension contributions) | 381 | 628 |
| Amounts receivable under longer-term incentive schemes | 94 | - |
| Compensation for loss of office | 46 | 67 |
| | 521 | 695 |

The emoluments and amounts receivable under the longer-term incentive schemes of the highest paid Director amounted to £179,000 (1998 - £229,000). The highest paid Director is a member of a defined benefit scheme under which his accrued annual pension at the year end was £13,000 (1998 - £10,000).

All of the Directors are members of the Diageo plc UK group pension fund which is a defined benefit scheme. The fund has a substantial surplus and, during the year, no company contributions were made to it.

Details of the Directors' share interests are included in the Directors' Report on pages 2 and 3.

**Interest receivable**

| | 12 months ended 30.06.99 £000 | 18 months ended 30.06.98 £000 |
|---|---|---|
| On loans to group undertakings | 64 | - |

## -. Tax on profit on ordinary activities

| | 12 months ended 30.06.99 £000 | 18 months ended 30.06.98 £000 |
|---|---|---|
| UK corporation tax payable at 30.25% (1998 – 31.5%) | 460 | 105 |
| Group relief surrendered | | (160) |
| Relief for overseas taxation | (39) | (79) |
| | 421 | (134) |
| Overseas taxation | 39 | 79 |
| Group relief adjustment for prior year's tax | 132 | - |
| Adjustment to prior year's corporation tax | - | 30 |
| | 592 | (25) |

The charge/(credit) for UK corporation tax includes amounts which may be paid to (received from) other companies in the Diageo plc group in return for the surrender of tax losses.

## -. Fixed assets – tangible and intangible assets

| | Intangible assets £000 | Tangible assets Plant & machinery £000 | Tangible assets Fixtures and fittings £000 | Tangible assets Total £000 |
|---|---|---|---|---|
| **Cost or valuation:** | | | | |
| At 30.06.98 | 300 | 673 | 204 | 877 |
| Additions | - | 29 | 14 | 43 |
| At 30.06.99 | 300 | 702 | 218 | 920 |
| **Depreciation:** | | | | |
| At 30.06.98 | 90 | 287 | 54 | 341 |
| Provided during the period | 60 | 146 | 39 | 185 |
| At 30.06.99 | 150 | 433 | 93 | 526 |
| **Net book value:** | | | | |
| At 30.06.99 | 150 | 269 | 125 | 394 |
| At 30.06.98 | 210 | 386 | 150 | 536 |

## Stock

| | 30.06.99 £000 | 30.06.98 £000 |
|---|---|---|
| Raw materials | 14 | - |
| Work in progress | 468 | 1,238 |
| Finished goods and goods for resale | 356 | 376 |
| | 838 | 1,614 |

The replacement cost of the above stocks would not be materially different to the above figures.

## Debtors

| | 30.06.99 Due within one year £000 | 30.06.98 Due within one year £000 |
|---|---|---|
| Trade debtors | 1,530 | 210 |
| Amounts owed by group undertakings | 8,253 | 5.934 |
| Other debtors | 676 | 73 |
| Other prepayments and accrued income | 39 | 422 |
| | 10,498 | 6,639 |

## D. Other creditors

| | 30.06.99 Due within one year £000 | 30.06.98 Due within one year £000 |
|---|---|---|
| Overdraft | 232 | 37 |
| Trade creditors | 295 | 814 |
| Amounts owed to group undertakings | 8,874 | 6,976 |
| Corporate taxation | 287 | - |
| Accruals and deferred income | 627 | 498 |
| | 10,315 | 8,325 |

## . Deferred taxation

There is no deferred tax liability at 30 June 1999. (No liability at 30 June 1998.)

## 2. Equity share capital

The Company has 100 authorised, allotted and fully paid ordinary shares of £1 each.

## 3. Reconciliation of movements in shareholders' funds

| | 1998-99 £000 | 1997-98 £000 |
|---|---|---|
| Shareholders' funds at 01.07.98 | 676 | 1,151 |
| Profit/(loss) for the financial period | 895 | (475) |
| Shareholders' funds at 30.06.99 | 1,571 | 676 |

## 4. Commitments

Annual commitments under non-cancellable operating leases are as follows:

| | 1998-99 Land and buildings £000 | 1997-98 Land and buildings £000 |
|---|---|---|
| Operating leases which expire: | | |
| Within one year | - | - |
| In the second to fifth years inclusive | - | - |
| Over five years | 171 | 171 |
| | 171 | 171 |

In addition to the above, at the end of the financial year the Company had entered into a commitment to purchase paper amounting to a value of £1.4 million (1998 – Nil).

## 5. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Diageo plc, a company incorporated and registered in England. Its accounting period end is 30 June. The consolidated accounts of Diageo plc for the year ended 30 June 1999 can be obtained from the Registered Office at 8 Henrietta Place, London W1M 9AG.