

Guinness Exports Limited
(Registered Number 177433)

Directors' Report And Financial Statements

30 June 1998



Guinness Exports 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 has not traded during the period and the Directors do not expect the Company to trade in the foreseeable future.

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.

The profit before tax for the period was £nil (1996 - £ nil). Loss after taxation amounted to £nil (1996 : £30,000 loss) which after dividends of £nil (1996 - £ nil) resulted in a transfer from reserves of £nil (1996 - £30,000).

Board Of Directors

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

NE Salmon	(resigned 8 September 1997)
ML Voss	
RJ Joy	(appointed 6 October 1997)
NT Fell	(appointed 8 September 1997)

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

The Directors do not recommend payment of a dividend for the period (1996: £nil).

Guinness Exports 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 of 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 company, Diageo plc as set out below.

	Ordinary shares	At 30 June 1998 Options over ordinary shares	Ordinary shares	At 1 January 1997 Options over ordinary shares
Ordinary shares of 25p each				
ML Voss	15,592	36,205	15,611	32,481
RJ Joy	28,224	267,088	0	295,088
NT Fell	4,163	90,556	4,246	59,383

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		Market price at date of exercise £
	Number	Price £	Number	Price £	
ML Voss	1,837 1,887	*0.001 *4.94	-	-	-
RJ Joy	-	-	28,000	**3.80	6.84
NT Fell	17,510 13,663	*0.001 *4.94	-	-	-

* 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 1998 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.

Guinness Exports Limited

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

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 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.

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 Exports Limited

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

G.M.E. O'Donovan

SME O'Donovan
Secretary

27 January 1999

Price Waterhouse



Auditors' Report To The Members Of Guinness Exports 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 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 result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors
London

27 January 1999

Guinness Exports Limited

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

	<i>Note</i>	18 months ended 30 June 1998 £'000	12 months ended 31 December 1996 £'000
Profit On Ordinary Activities Before Taxation		-	-
Tax on profit on ordinary activities	4	-	(30)
Profit/ (Loss) For The Period After Taxation		-	(30)
Dividend paid		-	-
Amount Transferred From Reserves	8	-	(30)

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 8 to the financial statements.

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

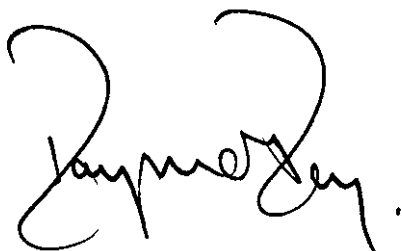
Guinness Exports Limited

Balance Sheet At 30 June 1998

	Note	30 June 1998 £'000	31 December 1996 £'000
Current Assets			
Debtors	5	17,331	17,331
Creditors (amounts falling due within one year)	6	(2,320)	(2,320)
Net Current Assets		15,011	15,011
Total Assets Less Current Liabilities		15,011	15,011
Capital And Reserves			
Called up share capital	7	15,010	15,010
Profit and loss account	8	1	1
Equity Shareholders' Funds	9	15,011	15,011

Approved By The Board
On 27 January 1999

Director



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

Guinness Exports 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.

(2) 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.

2 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.

3 Profit On Ordinary Activities

Auditor's remuneration is borne by Guinness Limited.

4 Taxation On Profit On Ordinary Activities

	18 months ended 30 June 1998 £'000	12 months ended 31 December 1996 £'000
United Kingdom corporation tax on profit at 31.3% (1996 - 33%)		
current year	-	-
prior year	-	30
Deferred taxation	-	-
	-	30

Guinness Exports Limited

Notes To The Financial Statements - 30 June 1998

5 Debtors

	30 June 1998 £'000	31 December 1996 £'000
Amounts owed by parent company	17,331	17,331

6 Creditors - Amounts Falling Due Within One Year

	30 June 1998 £'000	31 December 1996 £'000
Amounts owed to group undertakings	2,320	2,320

7 Called Up Share Capital

	30 June 1998 £'000	31 December 1996 £'000
Authorised, issued, allotted, called up and fully paid ordinary shares of £1 each	15,010	15,010

8 Profit And Loss Account

	£'000
At 1 January 1997	1
Transfer from retained earnings	-
At 30 June 1998	1

Guinness Exports Limited

Notes To The Financial Statements - 30 June 1998

9 Reconciliation Of Movement In Equity Shareholders' Funds

	18 months ended 30 June 1998 £'000	12 months ended 31 December 1996 £'000
(Loss) for the Period	-	(30)
Net (decrease) in shareholders' funds	-	(30)
Opening shareholders' funds	15,011	15,041
Closing shareholders' funds	15,011	15,011

10 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
W1M 9AG

11 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.