

Guinness Exports Limited

**Directors' report and financial
statements**

Registered number 177433

30 June 2000



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Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2000.

Activities

The company did not trade during the financial year or the preceding financial year. The directors do not expect the Company to trade in the foreseeable future.

Euro

The directors do not anticipate that there will be any significant implications on the activities of the company on the introduction of the euro. There are no significant anticipated costs associated with the introduction of the euro for Guinness Exports Limited. A statement explaining the impact of the introduction of the euro, and the programme put in place to deal with this, for the Diageo group is disclosed in the annual report of the ultimate parent undertaking, Diageo plc.

Proposed dividend

The directors do not recommend the payment of a dividend for the year ended 30 June 2000 (1999: £nil).

Directors

The directors who served during the year were as follows:

NT Fell

RJ Joy

AF Peeters (appointed 31 January 2000)

JP McClean (resigned 31 January 2000)

DIRECTORS' REPORT (continued)

Directors' emoluments

None of the directors received any remuneration during the year in respect of their services as directors of the company (1999 - £nil).

Directors' interests

No directors had any interest in shares of the company with the exception of non-beneficial interests as nominee or had a material interest during the year in any significant contract with the company or any subsidiary.

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary shares of 28 ¹⁰¹/₁₀₈ p each in the ultimate parent company, Diageo plc:

(i) Ordinary shares and conditional rights to ordinary shares

	Ordinary Shares		Conditional rights to ordinary shares				
	At beginning of year (or date of appointment)	At end Of year	At beginning of year (or date of appointment)	Granted in year	Vested in year	Lapsed In year	At end Of year
AF Peeters	71,931	78,603	50,403	0	0	0	50,403
NT Fell	3,979	13,754	47,677	5,397	0	0	53,074
RJ Joy	16,160	23,280	50,074	5,102	(9,688)	(7,612)	37,876

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans (The Grand Metropolitan Restricted Share Plan ('GrandMet RSP'), the Guinness Long Term Incentive Plan ('Guinness LTIP'), the Share Incentive Plan and the Total Shareholder Return Plan ('TSR')). The GrandMet RSP and the Guinness LTIP vested during the year and the directors received 56% and 80% of their conditional rights to ordinary shares respectively. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

	<u>At beginning of year (or date of appointment)</u>	<u>Granted during The Year</u>	<u>Exercised During the year</u>	<u>At end of year</u>	<u>Option Price</u>	<u>Market Price</u>
AK Peeters	92,424	0	0	92,424		
NT Fell	73,046	27,365	12,190	88,221	321p	536.5p
RJ Joy	42,447 ADSs	30,216 ORD	8,166 ADSs	34,281 ADSs 30,216 ORD	\$28.05	\$33.3437

For executive option schemes, UK grants were between 1990 and 1999 at prices between 321 pence and 533.5 pence with 1999 grants being at 518 pence, and US grants were between 1993 and 1999 at prices between US \$25.21 and US \$29.38 per ADS with the 1999 grants being \$28.05. US options were granted over ADSs at dollar price (one ADS is equivalent to four ordinary shares); the option holdings and prices in the table are stated as ordinary share equivalents in pence or as ADSs in dollars.

The mid-market share price of Diageo plc shares fluctuated between 384p and 696.5p during the year. The mid-market share price on 30 June 2000 was 593p.

At 30 June 2000, R J Joy had an interest in 8,551,299 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; N T Fell and A F Peeters had an interest in 701,628 shares held by trusts to satisfy grants made under ex-Guinness incentive plans; and the directors had an interest in 22,929,153 shares and 10,847,386 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

A new Senior Executive Share Option Plan ('SESOP') was introduced with effect from 1 January 2000. The combined benefits provided under the TSR and the SESOP are expected to be the same as those previously provided under the TSR. Options granted under the SESOP may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to the first grant of options under the SESOP is linked to the increase in earnings per share and is initially applied over the three year period commencing on the date the options are granted. Full details of the performance condition are disclosed in the annual report of the parent company, Diageo plc.

Options granted during the year for R J Joy, N T Fell and A F Peeters are principally options granted under the Diageo plc Senior Executive Share Option Plan, which are subject to performance.

Employee involvement

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the company's operations. The directors continue to place a high priority on good communications practices at all levels. Responsibility for ensuring that company employees are informed of and, where appropriate, consulted upon matters of concern affecting their immediate jobs rests with departmental managers with support from the personnel function. On-site group discussions between managers and employees are encouraged.

On a wider basis, the company provides more general information to and for its employees concerning its performance and on economic and other matters affecting it. The methods used to disseminate such information are

bulletins and related publications, including a monthly house journal. In addition, a twice yearly video presentation for employees sets out world-wide developments of the company, its products and its people.

Information is also communicated when employees participate in induction or training courses, or by the circulation of information personally to all employees. The company has continued to maintain these practices during the year.

It is the policy of the parent company to encourage employees to participate in a SAYE share option scheme. It is also parent company policy to enable employees to benefit from the contribution they have made to the generation of improved profits. This is done by way of a profit sharing scheme, paid in ordinary shares of Diageo plc, in which all employees are entitled to participate.

The company continues to support initiatives by employees in fund-raising events to assist registered charitable organisations by matching the value of the support so raised.

Employment Policies

The company's managers are instructed to give sympathetic consideration, when recruiting, to applications from disabled persons and to bear in the mind the special needs of disabled employees in regard to training, structure of company premises and facilities and to ensure that disabled employees are not adversely affected in their career opportunities. Employees who become disabled and unable to continue in their existing jobs are given the opportunity to be retrained for suitable alternative employment.

It is recognised that the company's continuing success depends upon the quality of its employees and its policies are designed to attract, retain and motivate the best staff. This is achieved by offering equal opportunities regardless of sex, race, religion or disability.

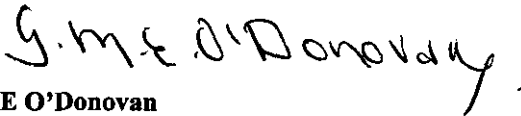
Supplier Payment Policy

The company agrees terms and conditions for its business transactions when orders for goods and services are placed, ensuring that suppliers are aware of the terms of payment and including the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments, subject to the terms and conditions being met by the supplier.

Auditors

The auditors, KPMG Audit Plc, are willing to continue in office and a resolution for their re-appointment as auditors of the company will be submitted to the Annual General Meeting.

By order of the board



SME O'Donovan
Secretary

8 Henrietta Place, London W1G 0NB
20 April 2001

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

The following statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors 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 the financial statements consider that, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that 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 that are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc
PO Box 695
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London
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Auditor's report to the members of Guinness Exports Limited

We have audited the financial statements on pages 7 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for an audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of Audit 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 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

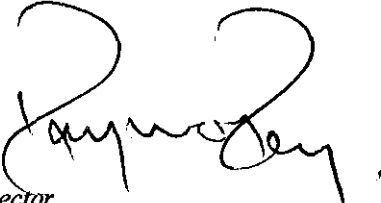
KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 April 2001

Balance sheet
at 30 June 2000

	<i>Note</i>	2000 £000	1999 £000
Current assets			
Debtors	3	17,331	17,331
Creditors: amounts falling due within one year	4	(2,320)	(2,320)
Net assets		<u>15,011</u>	<u>15,011</u>
Capital and reserves			
Called up share capital	5	15,010	15,010
Profit and loss account	6	1	1
Equity shareholders' funds	6	<u>15,011</u>	<u>15,011</u>

These financial statements were approved by the Board of Directors on 20 April 2001 and were signed on its behalf by:


 Director

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.

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.

2 Profit and loss account

During the financial year and the preceding financial period, the company did not trade and received no income and incurred no expenditure. Consequently during these years the company made neither a profit or a loss.

The number of the directors in the period, all of whom received no emoluments in respect of their directorships, of this company were three (1999: three).

3 Debtors

	2000 £000	1999 £000
Amounts owed by parent undertakings	17,331	17,331
	<u>17,331</u>	<u>17,331</u>

Notes (continued)

4 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Amounts owed to group undertakings	2,320	2,320
	<u>2,320</u>	<u>2,320</u>

5 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i> Equity: 15,010,000 ordinary shares of £1 each	15,010	15,010
	<u>15,010</u>	<u>15,010</u>
<i>Allotted, called up and fully paid</i> Equity: 15,010,000 ordinary shares of £1 each	15,010	15,010
	<u>15,010</u>	<u>15,010</u>

6 Shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 30 June 2000 and 1 July 1999	15,010	1	15,011
	<u>15,010</u>	<u>1</u>	<u>15,011</u>

7 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 2000 Annual Report and Accounts of Diageo plc can be obtained from 8 Henrietta Place, London, W1G 0NB.