

Guinness Overseas Limited

Financial statements 30 June 2004

Registered number 778398



Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2004.

Activities

The company is the holding company for Guinness group companies engaged in the brewing and marketing of alcoholic beverages, including Guinness Stout and Harp Lager in overseas countries (except Western Europe and the USA) and in the production and marketing of soft drinks in certain territories.

From 1 July 2003, following a simplification of a number of inter-group arrangements, the company is no longer providing services to group companies or receiving compensation for such services. The company will continue to own, and expects to receive dividends from, its overseas investments.

The company's activities are primarily carried out through related companies, which are principally:

Guinness Nigeria PLC

Marketing and distribution activities in Nigeria. Brewing and packaging operations at Benin, Ogbia and Aba.

GAPL Pte Limited

Markets and distributes Foreign Extra Stout, Draught Guinness, Canned Draught Guinness and ABC Stout to the Singapore domestic market and Balam.

Guinness Anchor Berhad

Operates a brewery in Kuala Lumpur and sells and distributes Guinness Foreign Extra Stout, Draught Guinness, Guinness Malta and Anglia Shandy in Malaysia and certain export territories.

Financial

The results for the year ended 30 June 2004 are shown on page 6.

The directors do not recommend the payment of a dividend (2003 - £nil).

The profit for the year transferred to reserves is £33,827,000 (2003 - £19,097,000).

Directors

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

S R Fletcher
D H C Hampshire
R J Joy

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 (2003 - £nil).

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 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	At end of year	At beginning of year	Granted in year	Vested in year	Lapsed in year	At end of year
S R Fletcher	62,616	88,894	231,579	75,449	(50,862)	(40,663)	215,503
D H C Hampshire	100,465	101,643	28,822	-	(5,282)	(5,694)	17,846
R J Joy	40,878	44,481	26,308	9,945	(4,779)	(5,151)	26,323

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans. The conditional rights to ordinary shares are subject to share performance criteria of Diageo plc ordinary shares. The numbers disclosed in the above table represent the maximum number of conditional rights. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options

	Options over ordinary shares				
	At beginning of year	Granted in year	Exercised in year	Lapsed in year	At end of year
S R Fletcher	478,029	132,458	(49,800)	-	560,687
D H C Hampshire	143,123	-	-	-	143,123
R J Joy	256,721	32,674	(48,132)	-	241,263
	(34,281 ADS and 119,597 ord. shares)		(12,033 ADS)		(22,248 ADS and 152,271 ord. shares)

Directors' report (continued)

Directors' interests (continued)

The directors held the above options under Diageo plc share option schemes at prices between 458p and 759p per ordinary share exercisable between 2004 and 2013. US grants were at prices between US\$25.21 and US\$29.38 per ADS. US options were granted over ADSs at dollar prices (one ADS is equivalent to four ordinary shares). The options are granted at market value on the date the option is granted and the option price is payable when the option is exercised.

Options granted under one of the schemes, the Senior Executive Share Option Plan ('SESOP'), may not normally be exercised unless a performance condition is satisfied. The performance condition applicable to grants 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 ultimate holding company, Diageo plc.

Options granted for S R Fletcher, D H C Hampshire and R J Joy are principally options granted under the SESOP, which are subject to performance conditions as detailed above.

The mid-market share price of Diageo plc shares fluctuated between 625p and 780p during the year. The mid-market share price on 30 June 2004 was 744p.

At 30 June 2004, all the directors had an interest in 27,355,138 shares and 7,710,285 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. In addition, R J Joy had an interest in 200,139 shares and 908,428 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans.

Auditor

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

By order of the board



J Nicholls
Secretary
8 Henrietta Place, London W1G 0NB

5 July 2005

Statement of directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the independent auditor's report set out on page 5, 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 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 applicable accounting standards have been followed and that it is appropriate to prepare the financial statements on a 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.

Independent auditor's report to the members of Guinness Overseas Limited

We have audited the financial statements on pages 6 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditor 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 1985. 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 our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG UK PLC

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

5 July 2005

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Turnover	<i>1</i>	-	16,200
Operating costs (including exceptional items of £2,590,000 (2003- £1,754,000))	<i>2</i>	(6,307)	(5,363)
		<hr/>	<hr/>
Operating (loss)/profit		(6,307)	10,837
Disposal of fixed assets		506	20
Profit on disposal of investments	<i>7</i>	15,540	-
Income from shares in group undertakings		14,515	9,837
Income from shares in associated undertakings		6,343	5,165
Income from other fixed asset investments		341	-
Amounts written off investments	<i>7</i>	(242)	(2,366)
Net interest receivable/(payable)	<i>4</i>	4,570	(57)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		35,266	23,436
Taxation on profit on ordinary activities	<i>5</i>	(1,439)	(4,339)
		<hr/>	<hr/>
Amounts transferred to reserves	<i>13</i>	33,827	19,097
		<hr/>	<hr/>

There are no recognised gains and losses other than the result 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 results for the years shown in the profit and loss account and the results for the relevant years restated on an historical cost basis.

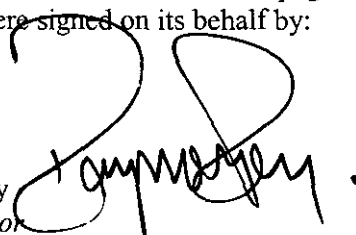
All results arise from continuing operations.

Balance sheet

	Notes	30 June 2004		30 June 2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		4,123		2,765
Investments	7		26,376		28,748
			<hr/>		<hr/>
			30,499		31,513
Current assets					
Debtors: due within one year	8	165,915		112,075	
Investments	9	286		286	
Cash at bank and in hand	10	1,434		2,640	
		<hr/>		<hr/>	
		167,635		115,001	
Creditors: due within one year	11	(96,556)		(78,763)	
		<hr/>		<hr/>	
Net current assets			71,079		36,238
			<hr/>		<hr/>
Net assets			101,578		67,751
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	12	-		-	
Profit and loss account	13	101,578		67,751	
		<hr/>		<hr/>	
Equity shareholders' funds			101,578		67,751
			<hr/>		<hr/>

These financial statements on pages 6 to 19 were approved by the board of directors on 5 July 2005 and were signed on its behalf by:

R J Joy
Director



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 are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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 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 ("group undertakings") or investees of the Diageo plc group.

The company is exempt from the requirement to prepare group accounts under section 228 of the Companies Act 1985 as its results are included in the published consolidated financial statements of Diageo plc.

Tangible fixed assets

Land and buildings are stated at cost less depreciation.

Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease. Other tangible fixed assets are depreciated on a straight-line basis to estimated residual values over their expected useful lives within the following ranges:

Industrial and other buildings	10 to 50 years
Fixtures and fittings	5 to 10 years

Reviews are carried out if there is some indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts.

Profit or loss on the sale of a property is the difference between the disposal proceeds and the net book value.

Fixed asset investments

Income from fixed asset investments is credited to the profit and loss account when it is declared by the paying company. Investments are stated individually at cost less, where appropriate, provision for impairment in value where such impairment is expected by the directors to be permanent.

Leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments and receipts taken to the profit and loss account on a straight-line basis over the life of the lease.

Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related foreign currency contract. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates or, if hedged forward, at the rate of exchange under the related foreign currency contract.

The company has cash balances denominated in Seychelle rupees. Due to currency restrictions preventing the repatriation of these cash balances to the UK currently and for the foreseeable future, a provision has been made to recognise the estimated realisable value of this cash.

All exchange gains and losses are taken to the profit and loss account.

Turnover

Turnover represents the net invoice value of goods and services including excise duties and royalties receivable and technical service fees ("TSF"), but excluding value added tax.

Full provision is made against TSF and royalties until such amounts due are received from countries operating exchange control restrictions.

Royalties are accrued as earned.

Exceptional items

Exceptional items are those that, in management's judgement, need to be disclosed by virtue of their size or incidence. Such items are included within the profit and loss account caption to which they relate and are separately disclosed either in the notes to the financial statements or on the face of the profit and loss account.

Deferred taxation

Full provision is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations using current tax rates. The company does not discount these balances. No deferred tax is provided in respect of any future remittance of earnings of foreign subsidiaries or associates where no commitment has been made to remit such earnings.

Notes to the financial statements

1. Analysis of turnover and profit on ordinary activities before taxation

Geographical analysis of turnover

The turnover and profit on ordinary activities before taxation are attributable to one class of business, that of amounts receivable in respect of TSF and royalties.

From 1 July 2003, following a simplification of a number of inter-group arrangements, the company no longer provided services to group companies and therefore received no compensations for such services.

In the year ended 30 June 2003, turnover originated from the United Kingdom and the geographical analysis of turnover by destination is given below:

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Africa	-	7,951
Asia Pacific	-	4,797
Americas	-	3,041
Europe	-	411
	<hr/>	<hr/>
	-	16,200
	<hr/>	<hr/>

2. Operating costs

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Other external charges	5,030	3,573
Depreciation and other amounts written off fixed assets	1,277	1,790
	<hr/>	<hr/>
	6,307	5,363
	<hr/>	<hr/>

Included within other external charges is an exceptional item of write off of a dividend receivable balance of £1,366,000 (2003 - £nil); and included in depreciation is an exceptional write down in respect of tangible fixed assets of £1,224,000 (2003 - £1,754,000).

The auditor's remuneration was paid on behalf of the company by a fellow group undertaking. There were no fees payable to the auditor in respect of non-audit services to the company (2003 - £nil).

Notes to the financial statements (continued)

3. Directors and employees

The company did not employ any staff during either the current or prior year.

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2003 - £ nil).

Details of the directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 to 3.

4. Net interest receivable/(payable)

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
Loans to/(from) fellow group undertakings	4,557	(78)
Other interest receivable	13	21
	<hr/>	<hr/>
	4,570	(57)
	<hr/>	<hr/>

Notes to the financial statements (continued)

5. Taxation

	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
(i) Analysis of taxation charge for the year		
Current tax		
UK corporation tax at 30% (2003 - 30%)	(7,052)	(7,060)
Double tax relief	7,052	7,060
Overseas corporation tax	(1,439)	(2,957)
Adjustment in respect of prior years	-	(1,382)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	(1,439)	(4,339)
	<hr/>	<hr/>
	Year ended 30 June 2004 £000	Year ended 30 June 2003 £000
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	35,266	23,436
	<hr/>	<hr/>
Taxation on profit on ordinary activities at UK corporation tax rate of 30% (2003 - 30%)	(10,580)	(7,031)
	<hr/>	<hr/>
Items not chargeable/deductible for tax purposes	1,927	(1,263)
Group relief received for nil consideration	1,601	2,532
Underlying tax/double tax relief	7,052	5,762
Overseas withholding taxes	(1,439)	(2,957)
Adjustment in respect of prior years	-	(1,382)
	<hr/>	<hr/>
Current ordinary tax charge for the year	(1,439)	(4,339)
	<hr/>	<hr/>

Notes to the financial statements (continued)

6. Fixed assets – tangible assets

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 30 June 2003	4,555	-	4,555
Additions	3,365	42	3,407
Disposals	(1,271)	-	(1,271)
	<hr/>	<hr/>	<hr/>
At 30 June 2004	6,649	42	6,691
	<hr/>	<hr/>	<hr/>
Depreciation			
At 30 June 2003	(1,790)	-	(1,790)
Exceptional write downs	(1,224)	-	(1,224)
Provided during the year	(48)	(5)	(53)
Disposals	499	-	499
	<hr/>	<hr/>	<hr/>
At 30 June 2004	(2,563)	(5)	(2,568)
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2004	4,086	37	4,123
	<hr/>	<hr/>	<hr/>
At 30 June 2003	2,765	-	2,765
	<hr/>	<hr/>	<hr/>

	30 June 2004 £000	30 June 2003 £000
Freehold	4,086	2,765
	<hr/>	<hr/>

Included within the net book value of freehold properties is £3.2million (2003 – £3.6 million) in respect of land on which no depreciation is charged.

Notes to the financial statements (continued)

7. Fixed assets – investments

	Subsidiary undertakings £000	Associated undertakings £000	Other investments £000	Total £000
Cost				
At 30 June 2003	28,250	3,009	117	31,376
Additions	-	465	-	465
Disposals	(5,223)	-	-	(5,223)
At 30 June 2004	23,027	3,474	117	26,618
Provisions				
At 30 June 2003	(2,628)	-	-	(2,628)
Impairment charge	(242)	-	-	(242)
Disposals	2,628	-	-	2,628
At 30 June 2004	(242)	-	-	(242)
Net book value				
At 30 June 2004	22,785	3,474	117	26,376
At 30 June 2003	25,622	3,009	117	28,748

During the year the company disposed of its investment in Guinness Ghana Limited for consideration of £18,136,000, resulting in a profit of £15,665,000. The company also disposed of its investment in Guinness Deutschland GmbH for consideration of £125,000. This generated a loss on disposal of £125,000.

Notes to the financial statements (continued)

7. Fixed assets – investments (continued)

The principal subsidiary and associated undertakings and the percentage of equity owned are as follows:

	Country of incorporation	Principal activity	Percentage of shares held
Direct holdings:			
Subsidiary undertakings			
Atalantaf Limited	Bermuda	Investment company	100.00
Diageo South Africa (Pty) Limited (Formerly Guinness South Africa (Pty) Limited)	South Africa	Dormant	100.00
Guinness (Caribbean) Limited	Trinidad & Tobago	Sales and marketing	100.00
Guinness Cameroun SA	Cameroon	Brewing, marketing and distribution	74.80
Guinness Canada Limited	Canada	Sales and marketing	51.00
Guinness France S.A.R.L.	France	Marketing advisers	100.00
Guinness Liberia Inc	Liberia	Marketing	100.00
Guinness Nigeria PLC	Nigeria	Marketing and distribution	46.03
Phenix C.I. S.A.R.L.	Ivory Coast	Marketing	100.00
Phenix Gabon S.A.R.L.	Gabon	Marketing	100.00
Associated undertakings			
East African Breweries Limited	Kenya	Brewing, marketing and distribution	2.63
GAPL Pte Limited	Singapore	Marketing and distribution	49.99
Monrovia Breweries Inc	Liberia	Investment company	7.50
Seychelles Breweries Limited	Seychelles	Brewing, marketing & distribution	26.00
Sierra Leone Brewery Limited	Sierra Leone	Brewing, marketing & distribution	36.52
Indirect holdings:			
Subsidiary undertakings			
Guinness Nigeria PLC	Nigeria	Marketing and distribution	7.77
Associated undertakings			
Guinness Anchor Berhad	Malaysia	Sales and distribution	25.49

Notes to the financial statements (continued)

7. Fixed assets – investments (continued)

All holdings are of ordinary share capital or its equivalent.

The investments in subsidiary and associated undertakings are held at cost less, where appropriate, provision for impairment in value.

In the opinion of the directors, the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the financial statements.

Included in associated undertakings and other investments are listed investments amounting to £13.1 million (2003 - £15.6 million). At 30 June 2004 the market value of these investments was £362.3 million (2003 - £122.8 million).

8. Debtors

	30 June 2004 £000	30 June 2003 £000
Trade debtors	2,517	1,833
Amounts owed by Diageo Finance plc	159,149	101,538
Amounts owed by other fellow group undertakings	3,373	6,498
Amounts owed by associated undertakings	231	-
Other debtors	645	2,206
	<hr/>	<hr/>
	165,915	112,075
	<hr/>	<hr/>

All amounts fall due within one year.

Notes to the financial statements (continued)

9. Current asset investments

	30 June 2004 £000	30 June 2003 £000
Loans	286	286

10. Cash

The company has entered into a joint and several guarantee with certain other Diageo plc UK group undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool. The company has cash balances denominated in Seychelle rupees. Due to currency restrictions preventing the repatriation of these cash balances to the UK currently and for the foreseeable future, a provision is made to recognise the estimated realisable value of this cash.

11. Creditors due within one year

	30 June 2004 £000	30 June 2003 £000
Amounts owed to Guinness Overseas Holdings Limited	39,260	39,260
Amounts owed to Diageo Great Britain Limited	21,790	19,813
Amounts owed to Diageo plc	-	140
Amounts owed to Diageo Ireland	15,691	-
Amounts owed to fellow group undertakings	383	-
Other creditors	13	-
Withholding tax	2,308	2,189
Ordinary dividend payable	16,910	16,910
Accruals and deferred income	201	451
	<u>96,556</u>	<u>78,763</u>

Notes to the financial statements (continued)

12. Share capital

	30 June 2004 £	30 June 2003 £
<i>Authorised, allotted, called up and fully paid</i>		
Equity - 100 ordinary shares of £1 each	100	100

13. Reserves

	Profit and loss account £000
At 30 June 2003	67,751
Retained profit for year	33,827
At 30 June 2004	101,578

14. Reconciliation of movement in shareholders' funds

	30 June 2004 £000	30 June 2003 £000
Profit on ordinary activities after taxation	33,827	19,097
Net addition to shareholders' funds	33,827	19,097
Shareholders' funds at beginning of year	67,751	48,654
Shareholders' funds at end of year	101,578	67,751

Notes to the financial statements (continued)

15. Immediate and ultimate parent undertaking

The immediate parent undertaking of the company is Guinness Overseas Holdings Limited, a company incorporated and registered in England.

The ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England. The consolidated financial statements of Diageo plc can be obtained from the registered office at 8 Henrietta Place, London W1G 0NB.