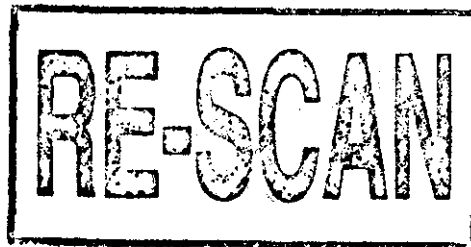


GUINNESS OVERSEAS LIMITED

FINANCIAL STATEMENTS

30 June 2003

Registered Number:778398



4-8-4

171

## **Directors' report**

The directors have pleasure in submitting their annual report, together with the audited financial statements, for the year ended 30 June 2003.

### **Review of the business and principal 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.

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

#### **Guinness Nigeria PLC**

Marketing and distribution in Nigeria. Brewing and packaging operations at Benin, Ogba 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.

#### **Guinness Ghana Limited**

Operates a brewery at Kumasi and sells and distributes Guinness Foreign Extra Stout and Malta Guinness in Ghana.

The company's interest in Guinness Ghana Limited was sold on 15 December 2003.

### **Future developments**

The company expects to continue to develop and expand its overseas contract and licence brewing operations.

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 receive dividends from its overseas investments.

### **Financial**

The results for the year ended 30 June 2003 are shown on page 7. The directors do not recommend the payment of a dividend for the year (2002: £16,910,000), resulting in a transfer to reserves of £19,097,000 (2002: £11,488,000).

**Directors' report (continued)**

**Directors**

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

S R Fletcher  
D H C Hampshire  
R J Joy

**Directors' emoluments**

None of the directors received any remuneration during the year in respect of their services as directors of the company (2002 - £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 <sup>101/</sup><sub>108</sub> 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	44,490	62,616	193,535	61,656	(21,089)	(2,524)	231,578
D H C Hampshire	52,019	100,465	28,743	8,646	(6,505)	(2,063)	28,821
R J Joy	36,672	40,878	25,868	8,093	(5,811)	(1,843)	26,307

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.

**Directors' report (continued)**

**Directors' interests (continued)**

**(ii) Options**

	Options over ordinary shares				
	At beginning of year	Granted during the year	Exercised in year	Lapsed in year	At end of year
S R Fletcher	379,306	110,144	(11,421)	-	478,029
D H C Hampshire	113,817	30,098	(792)	-	143,123
R J Joy	228,988	27,733	-	-	256,721
	(34,281 ADS and 91,864 ord shares)				(34,281 ADS and 119,597 ord shares)

The directors held the above options under Diageo plc share option schemes at prices between 447p and 759p per ordinary share exercisable between 2003 and 2012. 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 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 to date 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 during the year 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 582p and 851p during the year. The mid-market share price on 30 June 2003 was 647p.

At 30 June 2003, R J Joy had an interest in 160,626 shares and 949,940 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans and all the directors had an interest in 26,921,725 shares and 6,605,055 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes.

**Directors' report** *(continued)*

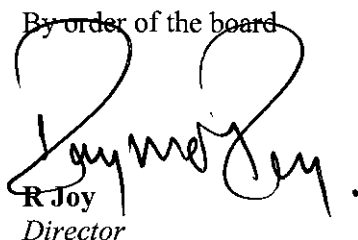
**Supplier payment policy**

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.

**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



**R Joy**  
*Director*

8 Henrietta Place, London W1G 0NB

Date: *29 July 2004*

**Directors' responsibilities in respect of the preparation of financial statements**

The following statement, which should be read in conjunction with the independent auditor's report set out on page 6, 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 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 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  
8 Salisbury Square  
London  
EC4Y 8BB

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

We have audited the financial statements on pages 7 to 18.

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 auditor*

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 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 the 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 2003 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

London

Date:

*20 July 2004*

**Year ended 30 June 2003**

**Profit and loss account**

	<i>Notes</i>	<b>Year ended 30 June 2003 £000</b>	<b>Year ended 30 June 2002 £000</b>
<b>Turnover</b>	<i>2</i>	16,200	16,527
Operating costs	<i>3-4</i>	(5,363)	(3,955)
<b>Operating profit</b>	<i>2-4</i>	10,837	12,572
Disposal of fixed asset investments	<i>8</i>	20	1,356
Income from shares in group undertakings		9,837	11,420
Income from shares in associated undertakings		5,165	5,490
Amounts provided against investments	<i>8</i>	(2,366)	-
Net interest (payable)/receivable	<i>5</i>	(57)	23
<b>Profit on ordinary activities before taxation</b>		23,436	30,861
Taxation on profit on ordinary activities	<i>6</i>	(4,339)	(2,463)
<b>Profit on ordinary activities after taxation</b>		19,097	28,398
Dividends		-	(16,910)
<b>Amounts transferred to reserves</b>	<i>14</i>	19,097	11,488

The notes on pages 10 to 18 form part of these financial statements.

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 shown in the profit and loss account and the profit for the relevant years restated on an historical cost basis.



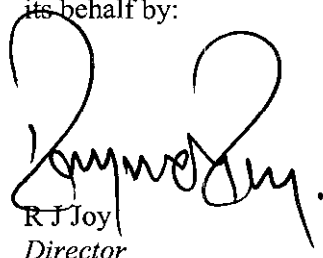
Year ended 30 June 2003

## Balance sheet

	Notes	30 June 2003		30 June 2002	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	7		2,765		-
Investments	8		28,748		28,874
			<hr/>		<hr/>
			31,513		28,874
<b>Current assets</b>					
Debtors: due within one year	9	112,075		73,840	
Debtors: due after one year	9	-		902	
Investments	10	286		304	
Cash at bank and in hand	11	2,640		1,137	
		<hr/>		<hr/>	
		115,001		76,183	
<b>Creditors: due within one year</b>	12	(78,763)		(56,403)	
		<hr/>		<hr/>	
<b>Net current assets</b>			36,238		19,780
			<hr/>		<hr/>
<b>Net assets</b>			67,751		48,654
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	13	-		-	
Profit and loss account	14	67,751		48,654	
		<hr/>		<hr/>	
<b>Equity shareholders' funds</b>			67,751		48,654
			<hr/>		<hr/>

The notes on pages 10 to 18 form part of these financial statements.

These financial statements were approved by the Board of Directors on 29 July 2004 and were signed on its behalf by:

  
R J Joy  
Director

**Year ended 30 June 2003**

**Reconciliation of movements in shareholders' funds**

	<b>Year ended 30 June 2003 £000</b>	<b>Year ended 30 June 2002 £000</b>
<b>Profit on ordinary activities after taxation</b>	19,097	28,398
Dividends	-	(16,910)
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	19,097	11,488
Shareholders' funds at beginning of year	48,654	37,166
	<hr/>	<hr/>
<b>Shareholders' funds at end of year</b>	67,751	48,654
	<hr/>	<hr/>

**Year ended 30 June 2003****Notes to 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 of the company have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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.

Under Financial Reporting Standard No 1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of Diageo plc and is included in the published consolidated financial statements of Diageo plc.

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 consolidated financial statements of Diageo plc.

**Tangible fixed assets**

Land and buildings are stated at cost. Freehold land is not depreciated. Leaseholds are depreciated over the unexpired period of the lease.

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

**Turnover**

Turnover represents the net invoice value of goods and services including 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.

**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 denominated 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.

**Year ended 30 June 2003**

**Notes (continued)**

**1 Accounting policies (continued)**

**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.

**Deferred Taxation**

Full provision for deferred tax is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation, 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.

**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 diminution in value where such diminution is expected by the directors to be permanent.

**2 Analysis of turnover and profit on ordinary activities before taxation**

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.

**Geographical analysis of turnover:**

	<b>Year ended 30 June 2003 £000</b>	<b>Year ended 30 June 2002 £000</b>
Africa	7,951	7,913
Asia Pacific	4,797	5,854
Americas	3,041	2,760
Europe	411	-
	<hr/>	<hr/>
	16,200	16,527
	<hr/>	<hr/>

**Year ended 30 June 2003**

**Notes (continued)**

**3 Operating costs**

	<b>Year ended 30 June 2003 £000</b>	<b>Year ended 30 June 2002 £000</b>
Management charge	3,489	4,131
Other operating charges/(income)	1,252	(90)
Exchange movements	622	(86)
	<hr/>	<hr/>
	5,363	3,955
	<hr/>	<hr/>

Included within other operating charges is an exceptional write down of £1,754,000 in respect of tangible fixed assets.

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 (2002 - £nil).

**4. Directors and employees**

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

None of the directors received any remuneration during financial year in respect of their services as directors of the company (2002: £nil).

Details of directors' share interests and any share options exercised during the year are included within the directors' report on pages 1 to 4.

**5. Net interest (payable)/receivable**

	<b>Year ended 30 June 2003 £000</b>	<b>Year ended 30 June 2002 £000</b>
Other interest receivable	21	23
Interest payable to group undertakings	(78)	-
	<hr/>	<hr/>
	(57)	23
	<hr/>	<hr/>

**Year ended 30 June 2003**

**Notes (continued)**

**6. Taxation**

	<b>Year ended 30 June 2003 £000</b>	<b>Year ended 30 June 2002 £000</b>
<b>(i) Analysis of taxation charge in the year</b>		
<b>UK corporation tax</b>		
Current year	7,060	8,199
Double taxation relief	(7,060)	(8,199)
Adjustment in respect of prior year	-	(38)
<b>Total UK corporation tax</b>	-	(38)
<b>Overseas taxation</b>		
Current year	2,957	2,194
Adjustment in respect of prior year	1,382	307
<b>Total overseas taxation</b>	4,339	2,501
<b>Taxation on profit on ordinary activities</b>	4,339	2,463
<b>(ii) Factors affecting current tax charge for the year</b>		
Profit on ordinary activities before taxation	23,436	30,861
Tax on profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2002: 30%)	7,031	9,258
Group relief received for nil consideration	(2,532)	(2,935)
Underlying tax/double tax relief	(5,762)	(5,916)
Overseas withholding taxes	2,957	2,194
Items not allowable/(chargeable) for tax purposes	1,263	(407)
Adjustment in respect of prior year	1,382	269
<b>Current tax charge for the year</b>	4,339	2,463

**Year ended 30 June 2003**

**Notes (continued)**

**7. Tangible fixed assets**

	<b>Freehold Land &amp; Buildings £000</b>
<b>Cost</b>	
At 30 June 2002	-
Additions from group undertakings	4,555
	<hr/>
At 30 June 2003	4,555
	<hr/>
<b>Depreciation</b>	
At 30 June 2002	-
Provided during the year	(36)
Exceptional write down	(1,754)
	<hr/>
At 30 June 2003	(1,790)
	<hr/>
<b>Net Book Value</b>	
At 30 June 2003	2,765
	<hr/>
At 30 June 2002	-
	<hr/>

Included within the total net book value of freehold properties acquired during the year was £3.6 million (2002 - £nil) in respect of land on which no depreciation is charged.

Year ended 30 June 2003

Notes (continued)

## 8. Investments

	Shares in group undertakings £000	Shares in associated undertakings £000	Other investments £000	Total £000
<b>Cost</b>				
At 30 June 2002	26,004	3,174	117	29,295
Additions	2,246	-	-	2,246
Disposals	-	(165)	-	(165)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	28,250	3,009	117	31,376
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Provisions</b>				
At 30 June 2002	262	159	-	421
Provided during year	2,366	-	-	2,366
Disposals	-	(159)	-	(159)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	2,628	-	-	2,628
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 June 2003	25,622	3,009	117	28,748
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2002	25,742	3,015	117	28,874
	<hr/>	<hr/>	<hr/>	<hr/>

Included in investments are listed investments amounting to £15.6 million (2002 - £15.6 million). At 30 June 2003 the market value of these investments was £122.8 million (2002: £92.9 million).

During the year the company disposed of its investment in Guinness Italia S.r.L. for consideration of £26,000. The investment was held at a net book value of £6,000 and consequently the disposal generated a profit on disposal of £20,000.

The investments in subsidiary and associated undertakings are held at cost, less provisions for diminutions in value.



**Year ended 30 June 2003**

**Notes (continued)**

**8 Investments (continued)**

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

	<b>Country of Incorporation</b>	<b>Percentage of shares held %</b>
Atalantaf Limited	Bermuda	100.00
East African Breweries Limited	Kenya	2.63
GAPL Limited	Singapore	49.99
Guinness (Caribbean) Limited	Trinidad & Tobago	100.00
Guinness Anchor Berhad	Malaysia	25.49
Guinness Cameroun SA	Cameroon	70.00
Guinness Canada Limited	Canada	51.00
Guinness Deutschland GmbH	Germany	100.00
Guinness France S.A.R.L.	France	100.00
Guinness Ghana Limited (sold 15 December 2003)	Ghana	60.37
Guinness Liberia Inc	Liberia	100.00
Guinness Nigeria PLC	Nigeria	53.37
Guinness South Africa (Pty) Limited	South Africa	100.00
Monrovia Breweries Inc	Liberia	7.50
Phenix C.I. S.A.R.L.	Ivory Coast	100.00
Phenix Gabon S.A.R.L.	Gabon	100.00
Seychelles Breweries Limited	Seychelles	26.00
Sierra Leone Brewery Limited	Sierra Leone	40.41

All subsidiary and associated undertakings are engaged in brewing and/or marketing of beer and related products.

All percentage holdings are of ordinary share capital or its equivalent.

In the opinion of the directors, the value of 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.

**Year ended 30 June 2003**

**Notes (continued)**

**9. Debtors**

	<b>30 June 2003</b>		<b>30 June 2002</b>	
	<b>Due within one year</b>	<b>Due after one year</b>	<b>Due within one year</b>	<b>Due after one year</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade debtors	1,833	-	1,621	-
Amounts owed by Diageo Finance plc	101,538	-	-	-
Amounts owed by fellow group undertakings	6,498	-	67,058	-
Other debtors	2,206	-	5,161	902
	<hr/>	<hr/>	<hr/>	<hr/>
	112,075	-	73,840	902
	<hr/>	<hr/>	<hr/>	<hr/>

**10. Current asset investments**

	<b>30 June 2003</b>	<b>30 June 2002</b>
	<b>£000</b>	<b>£000</b>
Loans	286	304
	<hr/>	<hr/>

**11. 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 has been made to recognise the estimated realisable value of this cash. This resulted in an exchange loss of £75,000 which was charged to the profit and loss account.

**12. Creditors**

	<b>30 June 2003</b>	<b>30 June 2002</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to Guinness Overseas Holdings Limited	39,260	39,260
Amounts owed to Diageo Great Britain Limited	19,813	-
Amounts owed to Diageo plc	140	-
Withholding tax payable	2,189	-
Ordinary dividends payable	16,910	16,910
Accruals	451	233
	<hr/>	<hr/>
	78,763	56,403
	<hr/>	<hr/>

**Year ended 30 June 2003**

**Notes (continued)**

**13. Called up share capital**

	<b>30 June 2003</b>	<b>30 June 2002</b>
	<b>£</b>	<b>£</b>
<i>Authorised, allotted, called up and fully paid</i>		
Equity: 100 ordinary shares of £1 each	100	100

**14. Reserves**

	<b>Profit and loss account £000</b>
At 1 July 2002	48,654
Retained profit for the year	19,097
At 30 June 2003	67,751

**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.

**16. Post balance sheet events**

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 receive dividends from its overseas investments.

On 1 July 2003 the company sold its 100% interest in Guinness Deutschland GmbH to Diageo (Europe) GmbH. There was no profit or loss to the company as a result of this disposal.

The company's interest in Guinness Ghana Limited was sold on 15 December 2003, resulting in a profit of £15.6 million.