

Guinness Overseas Holdings Limited

Directors' report and financial statements

Registered number 1488969

30 June 2002



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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 2002.

Review of the business and principal activities

The company is the holding company of a group of companies engaged in exports and overseas brewing and related operations.

The principal subsidiary company is Guinness Overseas Limited which is the holding company of a sub-group of companies engaged in the brewing and marketing of alcoholic beverages, including Guinness Stout and Harp Lager and in the production and marketing of soft drinks abroad.

Future developments

The company will continue to act as an intermediate holding company.

Financial

The profit for the year ended 30 June 2002 was £16,910,000 (2001: £12,899,000) as shown on page 6. The directors recommend the payment of a final dividend for the year of £16,910,000 (2001: £12,899,000), resulting in a transfer to reserves of £Nil (2001: £Nil).

Directors

The directors who served during the year were as follows:

D H C Hampshire
R J Joy
A Williams (appointed 13 June 2002)

Directors' emoluments

The emoluments of the directors are detailed in note 3 of these financial statements.

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:

Directors' report (continued)

Directors' interests (continued)

(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 appointm't)	Granted in year	Vested in year	Lapsed in year	At end of year
D H C Hampshire	54,112	52,019	31,029	6,133	(9,000)	(9,000)	19,162
RJ Joy	41,510	36,672	27,817	5,523	(8,047)	(8,048)	17,245
A Williams	3,258	3,258	-	-	-	-	-

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. Full details of the performance criteria are disclosed in the annual report of the ultimate holding company, Diageo plc.

(ii) Options over ordinary shares

	At beginning of year (or date of appointment)	Granted in year	Exercised in year	At end of year
D H C Hampshire	181,317	29,893	(97,393)	113,817
RJ Joy	203,049 (34,281 ADS 65,925 ord shares)	25,939	-	228,988 (34,281 ADS 91,864 ord shares)
A Williams	19,243	-	-	19,243

The directors held the above options under Diageo plc share option schemes at prices between 489p and 687p per ordinary share exercisable between 2002 and 2011. 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.

Directors' report *(continued)*

Directors' interests *(continued)*

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 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 644p and 940.5p during the year. The mid-market share price on 30 June 2002 was 852p.

At 30 June 2002, R J Joy had an interest in 172,626 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 16,259,763 shares and 6,124,020 shares subject to call options held by trusts to satisfy grants made under Diageo incentive plans and savings related share option schemes. Also at that date, D H C Hampshire and R J Joy each had an additional interest in 3,763,799 shares held by a trust to satisfy grants made under Diageo incentive plans and savings related share option schemes.

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 met by the supplier.

The number of days' purchases included in creditors as at 30 June 2002, in respect of the company, is nil days (2001: nil days).

Secretary

On 31 October 2001 S M E O'Donovan resigned as secretary of the company and J J Nicholls was appointed in her place.

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

Date: 18 February 2003

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the report of the independent auditor 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 of the company for the financial year.

The directors, in preparing the financial statements on pages 6 to 10, 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 Holdings Limited

We have audited the financial statements on pages 6 to 10.

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 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 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 2002 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

Date: 19 February 2003

Profit and loss account
for the year ended 30 June 2002

	<i>Notes</i>	2002 £000	2001 £000
Income from shares in group undertakings			
Continuing operations		16,910	12,899
Operating profit	2	16,910	12,899
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		16,910	12,899
Dividends		(16,910)	(12,899)
Amount transferred to reserves	9	-	-

The notes on pages 9 and 10 form part of these financial statements.

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.

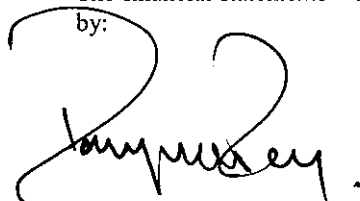
Movements on reserves are shown in note 9 to the financial statements.

Balance sheet
at 30 June 2002

	Note	2002 £000	2001 £000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors	6	69,572	79,837
Creditors: amounts falling due within one year	7	(69,572)	(79,837)
Net current assets		-	-
Net assets		-	-
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	-	-
Equity shareholders' funds		-	-

The notes on pages 9 and 10 form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 February '03 and were signed on its behalf by:


 R J Joy
 Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2002

	2002 £000	2001 £000
Profit on ordinary activities after taxation	16,910	12,899
Dividends paid and proposed	(16,910)	(12,899)
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Net movement in shareholders' funds	-	-
Opening shareholders' funds	-	-
	<hr/>	<hr/>
Closing shareholders' funds	-	-
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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 modified to include the revaluation of land and buildings 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 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.

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 Operating profit

Auditor's remuneration is borne by Diageo Great Britain Limited (formerly Guinness United Distillers & Vintners Limited).

3 Directors and employees

The company has no employees. The directors received no emoluments for their services to the company or its subsidiaries during the year (2001: £Nil).

4 Taxation

Companies in the Diageo plc group generally apply group relief in administering their taxation positions. Group relief is effected for nil consideration. As a consequence the company has neither a current tax charge nor credit for the years ended 30 June 2002 and 2001.

5 Subsidiary companies

The company had the following subsidiary undertakings:

	Country of incorporation	Principal activity	Percentage of shares held
Guinness Overseas Limited	England	Holding company	100%
Creative Support Services S.A.R.L.	Cameroon	Sales and distribution	100%

All shares are either unclassified or classified as ordinary.

Notes (continued)

6 Debtors

	2002 £000	2001 £000
Amounts owed by subsidiary undertakings	56,170	77,802
Amounts owed by other group undertakings	13,402	2,035
	<u>69,572</u>	<u>79,837</u>

7 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Amounts owed to parent undertaking	52,658	39,758
Amounts owed to other group undertakings	-	27,175
Other creditors	4	5
Ordinary dividend payable	16,910	12,899
	<u>69,572</u>	<u>79,837</u>

8 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid</i>		
Equity: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9 Reserves

	Profit and loss account £000
At 1 July 2001 and 30 June 2002	<u>-</u>

10 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Diageo plc, which is incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2002 can be obtained from the registered office at 8 Henrietta Place, London, W1G 0NB.