

Guinness Overseas Holdings Limited

**Directors' report and financial
statements**

Registered number 1488969

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.

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.

Results and transfer to reserves

The profit for the period was £11,133,000 (1999: £15,228,000) which, after dividends of £11,133,000 (1999: £15,228,000), resulted in a transfer to reserves of £NIL (1999: £Nil).

Euro

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

Future developments

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

Dividends

An interim dividend of nil has been paid during the period (1999: £Nil). The Directors recommend the payment of a final dividend of £11,133,000 (1999: £15,228,000)

Directors and directors' interests

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

CA Storm
RJ Joy
DHC Hampshire

Secretary: SME O'Donovan

Subsequent to year end, on 12 April 2001, Mr C.A. Storm retired as a director of the Company.

No Director had any interest in shares or debentures of the Company, of any subsidiary undertaking or of any subsidiary of the parent undertaking 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:

Directors' report (continued)

Directors and directors' interests (continued)

Mr CA Storm is a director of Diageo plc and his interest in the shares of Diageo plc are set out in that company's annual report and accounts.

(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
D H C Hampshire	20,721	26,232	48,188	5,712	0	0	53,900
R J 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 Share Incentive Plan and the Total Shareholder Return Plan ('TSR')). The GrandMet RSP vested during the year and the directors received 56% of their conditional rights to ordinary shares.

(ii) Options

	At beginning of Year	Granted during The Year	Exercised During The year	At end of year	Option Price	Market Price
D H C Hampshire	127,839	32,649	1,922	158,566	359 pence	565 pence
R J Joy	169,788 (42,447 ADS)	30,216	32,664 (8,166 ADS)	167,340 (34,281 ADS) (30,216 Ord Shares)	\$28.05	\$33.34

For executive option schemes, UK grants were between 1991 and 1999 at prices between 359 pence and 518 pence with the 1999 grants being at 518 pence and US grants were between 1994 and 1996 at prices between US \$25.21 and US \$29.38 per ADS. 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.

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, D H C Hampshire, R J Joy and C A Storm had an interest in 22,770,678 shares and 2,296,087 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 and C A Storm are principally options granted under the Diageo plc Senior Executive Share Option Plan, which are subject to performance conditions, as detailed above.

By Order of the Board



SME O'Donovan
Secretary

8 Henrietta Place, London W1G 0NB

20 April 2001

Statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and 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.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

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London
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Auditor's report to the members of Guinness Overseas Holdings Limited

We have audited the financial statements on pages 8 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 6, 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 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

30 April 2001

Profit and loss account
for the year ended 30 June 2000

	<i>Notes</i>	2000 £000	1999 £000
Income from shares in group undertakings			
Continuing operations		11,133	15,228
Operating profit	2	11,133	15,228
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		11,133	15,228
Dividends		(11,133)	(15,228)
Amount transferred to reserves	9	-	-

Results stated on an historical cost basis are no different from those shown above.

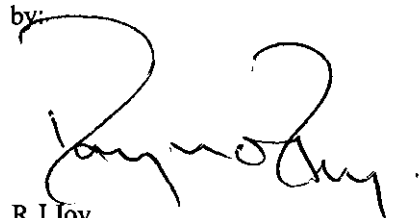
There have been no recognised gains or losses other than those in the profit and loss account.

Movements on reserves are shown in note 10 to the financial statements.

Balance sheet
at 30 June 2000

	Note	2000 £000	1999 £000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors	6	61,115	49,982
Creditors: amounts falling due within one year	7	(61,115)	(49,982)
Net current assets		-	-
Net assets		-	-
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	-	-
Equity shareholders' funds		-	-

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



R J Joy
 Director

Reconciliation of movements in shareholders' funds
for the year 30 June 2000

	2000 £000	1999 £000
Retained profit for the financial year	11,133	15,228
Ordinary dividends	(11,133)	(15,228)
	<hr/>	<hr/>
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.

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 taxation and accounting purposes, is accounted for to the extent that a liability or an asset is expected to crystallise within the foreseeable future.

Investments

Investments in subsidiaries are stated at cost less provision for permanent diminution in value, where applicable.

Notes (continued)

2 Operating profit

Auditors remuneration is borne by Guinness 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.

4 Taxation

No taxable profit has been made during the period, therefore no corporation tax has been provided for (1999: £Nil).

5 Subsidiary Companies

The Company had the following subsidiary undertakings:

	Country of incorporation	Principal activity	Percentage of shares held
Guinness Overseas Limited	Great Britain	Holding company	100%
Guinness (Thailand) Limited (in liquidation)	Thailand	None	100%
Guinness Cameroun SA	Cameroon	Sales and distribution	100%

Notes (continued)

6 Debtors

	2000 £000	1999 £000
Amounts owed by subsidiary undertakings	59,080	47,947
Amounts owed by other group undertakings	2,035	2,035
	<u>61,115</u>	<u>49,982</u>

7 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Amounts owed to fellow parent undertakings	28,626	13,398
Amounts owed to other group undertakings	21,351	21,351
Other creditors	5	5
Ordinary dividend payable	11,133	15,228
	<u>61,115</u>	<u>49,982</u>

8 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

Notes *(continued)*

9 Reserves	Profit and loss account £000
At 1 July 1999 and 30 June 2000	<hr/> <hr/>

10 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.