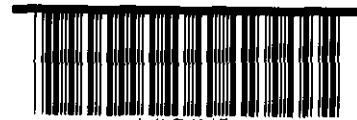


**Guinness Overseas Limited**

**Directors' report and financial  
statements**

**Registered number 778398**

**30 June 1999**



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## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 30 June 1999.

### **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**

Operates breweries at Benin and Ogba, a bottling plant at Ikeja and sells and distributes Guinness Foreign Extra Stout, Harp Lager, Satzenbrau Lager and Malta Guinness in Nigeria.

#### **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.

### **Results and transfer to reserves**

The profit for the period was £15,019,000 (1998: £23,222,000) which, after dividends of £15,228,000 (1998: £26,284,000), resulted in a transfer from reserves of £209,000 (1998: £3,062,000).

## Directors' report *(continued)*

### Year 2000

Most companies face a major challenge in making their business and other systems Year 2000 ready. The problem is caused by the inability of some systems to handle four-digit years. For example, without correction the two digit year '00', meaning 2000, could be recognised as 1900, causing systems to generate inaccurate information and potentially to fail.

The Diageo group recognises this challenge and has established a compliance programme to address the issue in all of its business units and subsidiaries. The implications for Guinness Overseas Limited are being addressed as part of the Guinness programme to allow it to operate successfully and safely into the new millennium. This includes potential risks to:

- Information systems used to support Guinness Overseas Limited's activities;
- Building services and computerised equipment in all premises from which the Company operates;
- Suppliers of critical business and other support services to the Company.

Each programme involved the identification and assessment of items at risk in these areas, followed by the implementation of an appropriate strategy to avoid or minimise the impact of year 2000 related problems. Testing was performed as necessary, taking into account professional advice and a full assessment of risk.

All major stages of the programme were completed on target by 30 September 1999 and Guinness Overseas Limited is now Year 2000 ready. Procedures are in place to maintain a clean environment where risks have been addressed. Some outstanding work remains but is not business critical.

Even the best run projects are likely to face some year 2000 compliance failures. There can be no certainty that the Year 2000 programmes will be successful or that the date change from 1999 to 2000 will not materially and adversely affect a Company's operations and financial results. Based on the work already completed, we do not believe that the Year 2000 will give rise to significant operational problems for Guinness Overseas Limited. However, it may still be adversely affected by the general uncertainty inherent in the Year 2000. Business Continuity Plans are therefore in place, along with pro-active mitigation strategies (millennium operating procedures) for the key impact period. Both continue to be refined to reflect the best available risk information.

The full cost of managing the year 2000 problem for Guinness Overseas Limited has not been identified separately, but is included within the overall programme cost shown in the annual report of the ultimate parent Company, Diageo plc.

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

### **The Euro**

In accordance with the Treaty on European Union, signed at Maastricht on 7 February 1992, the third stage of Economic and Monetary Union (EMU) commenced on 1 January 1999. The Company's euro-readiness is being managed as a discrete business project. The Company expects to have systems and procedures in place which will enable it to conduct euro transactions appropriate to local market requirements.

The Company is also working actively with key business suppliers, joint distribution arrangement partners and customers. In addition, monetary union may have a significant impact on macroeconomic factors, including interest and foreign exchange rates.

Key commercial risks, such as pricing transparency, have been analysed, with a view to reducing any impact through active management over the transition period and beyond. However, there can be no assurance that the euro will not have a negative impact. The impact of future entry to EMU of other European countries (particularly the United Kingdom) is being similarly analysed.

The cost associated with the euro-readiness project for Guinness Overseas Limited has not been identified separately but is included within the overall project cost in the annual report of the ultimate parent company, Diageo plc.

### **Dividends**

An interim dividend of £nil has been paid during the period (1998: £26,284,000). The Directors recommend the payment of a final dividend of £15,228,000 (1998: £nil).

### **Future developments**

The Company will continue to develop and expand its overseas contract and licence brewing operations.

### **Statement on Supplier Payments**

Given the international nature of the Diageo Group's operations, there is no standard code in respect of payments to suppliers. Companies are responsible for agreeing terms and conditions for their 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.

The number of days' purchases included in creditors as at 30 June 1999 in respect of the company is Nil days. Some of the Company's invoices for goods and services are settled by a subsidiary acting as an agent for the company.

### **Directors and directors' interests**

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

DHC Hampshire  
NT Fell  
RJ Joy

SR Fletcher was appointed a director on 30 July 1999 and NT Fell resigned on that date.

Secretary: SME O'Donovan

## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

No Director had any interest in the 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:

	Ordinary shares at 30 June 1999	Options over ordinary shares as at 30 June 1999	Ordinary shares at 1 July 1998	Options over ordinary shares as at 1 July 1998
DHC Hampshire	24,628	176,027	24,262	148,313
NT Fell	3,979	120,723	4,163	90,556
RJ Joy	27,109	275,852	28,224	267,078

During the year, the following movements in options over the ordinary shares of Diageo plc took place:

	Note	Granted	Exercised	Exercise price £/p	Market price at date of exercise £/p	Date from which exercisable	Expiry date
DHC Hampshire	1	1,300		4.470		01.12.01	31.05.02
	3	16,177		Nil		01.01.01	01.01.01
	3	18,000		Nil		01.01.02	01.01.02
	1		3,155	3.280	6.540	01.12.98	01.12.99
	+			4,608			
NT Fell	3	14,820		Nil		01.01.01	01.01.01
	3	15,347		Nil		01.01.02	01.01.02
RJ Joy	3	16,679		Nil		01.01.01	01.01.01
	3	16,095		Nil		01.01.02	01.01.02
	2		24,000	4.710	7.100	24.06.95	24.06.02

Notes:

- 1 These options were granted and exercised under the terms of the Save As You Earn scheme.
- 2 These options were granted and exercised under the terms of the Executive Share Options scheme.
- 3 These LTIPs were granted and exercised under the terms of the Diageo LTIP.
- + These options have lapsed.

## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

The options outstanding at 30 June 1999 have been granted under Group employee share participation schemes and are exercisable at varying dates between 1991 and 2007 at varying prices between 359.0 pence and 494.0 pence. The mid-market price of the shares at 30 June 1999 was 662.5 pence. The highest mid-market price during the period was 778.5 pence and the lowest mid-market price was 480.5 pence.

Directors of subsidiaries of Diageo plc are deemed to be interested as employees in shares held by an employee share trust, details of which are disclosed in the 1999 Annual Report and Accounts of Diageo plc. The ultimate parent Company purchases liability insurance covering the Directors and officers of Diageo plc and its subsidiaries.

By Order of the Board



SME O'Donovan  
*Secretary*

27 April 2000

## 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 then 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  
PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Auditor's report to the members of Guinness Overseas Limited

We have audited the financial statements on pages 8 to 17.

### *Respective responsibilities of directors and auditor*

As described on page 6 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *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 1999 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

28 April 2000

**Profit and loss account**  
*for the year ended 30 June 1999*

	<i>Notes</i>	<b>12 months ending 30 June 1999 £000</b>	<b>18 months ending 30 June 1998 £000</b>
<b>Turnover</b>			
Continuing operations		13,374	22,915
Net operating charges	3	(10,483)	(9,064)
<hr/>			
<b>Operating profit</b>			
Continuing operations		2,891	13,851
Income from shares in group undertakings		14,722	13,394
Income from shares in associated undertakings		243	468
Income from other fixed asset investments		-	57
Interest receivable	6	263	1,052
<hr/>			
<b>Profit on ordinary activities before taxation</b>	2-4	18,119	28,822
Tax on profit on ordinary activities	7	(3,100)	(5,600)
<hr/>			
<b>Profit on ordinary activities after taxation</b>		15,019	23,222
Dividends proposed		(15,228)	-
Dividends paid		-	(26,284)
<hr/>			
<b>Amount transferred from reserves</b>	14	(209)	(3,062)
<hr/>			

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 14 to the financial statements.

The notes on pages 11 to 17 form part of these financial statements.


**Balance sheet**  
*at 30 June 1999*

	<i>Note</i>	1999		1998	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	8,9		26,364		26,364
<b>Current assets</b>					
Debtors	10	43,053		26,770	
Investments	11	79		339	
Cash at bank and in hand		1,790		1,755	
		<u>44,922</u>		<u>28,864</u>	
<b>Creditors: amounts falling due within one year</b>					
	12	<u>(55,218)</u>		<u>(38,951)</u>	
<b>Net current liabilities</b>			<u>(10,296)</u>		<u>(10,087)</u>
<b>Net assets</b>			<u>16,068</u>		<u>16,277</u>
<b>Capital and reserves</b>					
Called up share capital	13		-		-
Profit and loss account	14		16,068		16,277
<b>Equity shareholders' funds</b>			<u>16,068</u>		<u>16,277</u>

These financial statements were approved by the Board of Directors on

*27 April 2000*

and were signed on its behalf by:

  
 Director

**Reconciliation of movements in shareholders' funds**  
*for the year 30 June 1999*

	1999 £000	1998 £000
Retained profit for the financial year	15,019	23,222
Dividend paid and proposed	(15,228)	(26,284)
	<hr/>	<hr/>
Net reduction in shareholders' funds	(209)	(3,062)
Opening shareholders' funds	16,277	19,339
	<hr/>	<hr/>
Closing shareholders' funds	16,068	16,277
	<hr/> <hr/>	<hr/> <hr/>

## 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.

During the previous financial period, the financial accounting date was changed to 30 June. Accordingly the comparative accounting period runs from 1 January to 30 June 1998.

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.

#### *Investment income*

In respect of subsidiary and associated undertakings, and other investments, only dividends declared payable during the period have been credited to the profit and loss account.

#### *TSF and royalties*

Technical service fees ("TSF") and royalties are included in turnover when due. Full provision is made against TSF and royalties until such amounts due are received from countries operating exchange control restrictions (see note 2).

#### *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated into sterling using contract rates of exchange or exchange rates prevailing at the balance sheet date, as appropriate.

Exchange differences arising from foreign currency transactions in the normal course of trading are dealt with in the profit and loss account

#### *Leases*

Assets acquired under finance leases, comprising of vehicles, casks and computer equipment, are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

#### *Investments*

Investments in subsidiary, associated and other undertakings are stated at cost less provision for diminution in value.

### 2 Turnover

Turnover represents the amounts receivable in respect of TSF and royalties after writing back provisions for non-receipt of TSF and royalties in the amount of £179,000 (1998: £401,000). Turnover includes customs and excise duties where applicable but excludes value added and sales taxes.

The following table analyses turnover by customer location:

	1999 £000	1998 £000
Africa	6,002	7,443
Asia Pacific	4,802	11,954
Americas	2,570	3,518
	<hr/>	<hr/>
	13,374	22,915
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**3 Net operating charges**

	1999 £000	1998 £000
Other operating charges	10,480	9,090
Exchange movements	3	(26)
	10,483	9,064
	10,483	9,064

**4 Profit on ordinary activities before taxation**

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	10	20
	10	20
	10	20

**5 Staff costs, employees and directors**

The Company has no direct employees. Staff costs are covered by a management charge from Guinness Limited a fellow subsidiary of Diageo Plc.

The Directors received no emoluments in respect of their services to the Company.

**6 Interest**

	1999 £000	1998 £000
Interest receivable from third parties	257	1,045
Other	6	7
	263	1,052
	263	1,052

**Notes (continued)**

**7 Taxation**

	1999 £000	1998 £000
UK corporation tax	7,600	10,300
Double taxation relief	(6,200)	(7,200)
	<hr/>	<hr/>
Overseas taxation	1,400	3,100
	1,700	2,500
	<hr/>	<hr/>
Tax charge	<u>3,100</u>	<u>5,600</u>

**8 Investments**

	Shares in group undertakings £000	Shares in associated undertakings £000	Other investments £000	Total £000
Costs:				
Listed	13,425	-	-	13,425
Unlisted	11,723	1,209	7	12,939
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999 and 30 June 1998	<u>25,148</u>	<u>1,209</u>	<u>7</u>	<u>26,364</u>

The market value of the company's listed investments was £55.5 million (1998: £38.7 million).



**Notes (continued)**

**9 Investments**

The subsidiary and associated undertakings of the company comprise the following:

	Country of incorporation	Percentage of shares held %
GAPL Pte Limited	Singapore	49.99
Guinness Australasia Pty Limited	Australia	100.00
Grenada Breweries Limited	Grenada	55.54
Guinness Canada Limited	Canada	51.00
Guinness (Caribbean) Limited	Trinidad and Tobago	100.00
Guinness Ghana Limited	Ghana	60.37
Guinness Italia Sri	Italy	100.00
Guinness GmbH	Germany	100.00
Guinness Liberia Incorporated	Liberia	100.00
Guinness Nigeria PLC	Nigeria	52.98
Guinness Anchor Berhad	Malaysia	25.50
Phoenix CI SARL	Ivory Coast	100.00
Seychelles Breweries Limited	Seychelles	30.00
Sierra Leone Brewery Limited	Sierra Leone	28.13
Guinness South Africa (Pty) Ltd	South Africa	100.00
Phoenix Gabon SARL	Gabon	100.00
Atalantaf Limited	Bermuda	100.00
Creative Support Services SARL	Cameroon	100.00
Monrovia Breweries Ltd	Liberia	7.50
Uganda Breweries Ltd	Uganda	14.85

All subsidiary and associated undertakings are engaged in brewing and/or marketing of beer and related products. All holdings are of ordinary share capital or its equivalent.

In the opinion of the Directors, the value of the company's investments in its subsidiaries and the amounts owed by its subsidiaries is not less than the aggregate amount at which they are shown in the Company's balance sheet.

**10 Debtors**

	1999 £000	1998 £000
Trade debtors	2,209	1,213
Amount owed by parent undertaking	4,543	3,323
Amounts owed by subsidiary undertakings in which the company has participating interest	1,529	476
Amounts owed by fellow group undertakings	34,702	21,690
Other debtors	70	68
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	43,053	26,770
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

**Notes (continued)**

**11 Current asset investments**

	1999 £000	1998 £000
Shares in Seychelles Brewery Limited	79	339
	79	339

**12 Creditors: amounts falling due within one year**

	1999 £000	1998 £000
Accruals	102	71
Amounts owed to parent undertakings	38,357	38,337
Corporation tax	1,531	543
Ordinary dividends payable	15,228	-
	55,218	38,951

**13 Called up share capital**

	1999 £	1998 £
<i>Authorised</i>		
Equity: 100 ordinary shares of £1 each	100	100
	100	100
<i>Allotted, called up and fully paid</i>		
Equity: 100 ordinary shares of £1 each	100	100
	100	100

**14 Reserves**

	Profit and loss account £000
At 1 July 1998	16,277
Retained loss for the year	(209)
	16,068
At 30 June 1999	16,068
	16,068

**Notes** *(continued)*

**15 Parent undertaking**

The immediate parent undertaking is Guinness Overseas Holdings Limited and the ultimate parent undertaking is 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 1999 Annual Report and Accounts of Diageo plc can be obtained from 8 Henrietta Place, London, W1 9AG.