

**Guinness Overseas Limited**

**Directors' report and financial  
statements**

**Registered number 778398**

**30 June 2000**



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## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2000.

### 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 £15,966,000 (1999: £15,019,000) which, after dividends of £11,133,000 (1999: £15,228,000), resulted in a transfer to reserves of £4,833,000 (1999: £209,000).

### The 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 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.

### 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).

### Future developments

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

**Directors and directors' interests**

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

S R Fletcher (appointed 30 July 1999)  
 DHC Hampshire  
 NT Fell (resigned 30 July 1999)  
 RJ Joy  
 Secretary: SME O'Donovan

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:

(i) **Ordinary shares and conditional rights to ordinary shares**

	Ordinary Shares		Conditional rights to ordinary shares				At end Of year
	At beginning Of year (or date of appointment)	At end Of year	At beginning of year (or date of appointment)	Granted in year	Vested in year	Lapsed In year	
S R Fletcher	16,431	23,689	60,586	46,372	0	0	106,958
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 (or date of appointment)	Granted during The Year	Exercised During The year	At end of year	Option Price	Market Price
S R Fletcher	116,587	37,611	1,101	153,097	318 pence	584.5 pence
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 318 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.

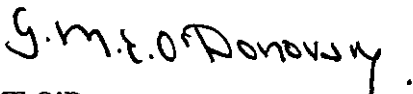
The mid-market share price of Diageo plc shares fluctuated between 384p and 696.5p during the year. The mid-market share price on 30 June 2000 was 593p.

At 30 June 2000, S R Fletcher, D H C Hampshire and R J Joy 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 S R Fletcher and R J Joy 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

17 April 2001

## **Statement of Directors' responsibilities**

The following statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statement 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 statement consider that, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that accounting standards they consider to be applicable 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 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

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

We have audited the financial statements on pages 6 to 15.

### *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 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
<b>Turnover</b>			
Continuing operations		14,771	13,374
Net operating charges	3	(11,231)	(10,483)
<hr/>			
<b>Operating profit</b>			
Continuing operations		3,540	2,891
Income from shares in group undertakings		10,608	14,722
Income from shares in associated undertakings		269	243
Income from other fixed asset investments		-	-
Interest receivable	6	215	263
<hr/>			
<b>Profit on ordinary activities before taxation</b>	2-6	14,632	18,119
Tax on profit on ordinary activities	7	1,334	(3,100)
<hr/>			
<b>Profit on ordinary activities after taxation</b>		15,966	15,019
Dividends proposed		(11,133)	(15,228)
<hr/>			
<b>Amount transferred to / (from) reserves</b>	14	4,833	(209)
<hr/> <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 9 to 15 form part of these financial statements.



**Balance sheet**  
*at 30 June 2000*

	<i>Note</i>	<b>2000</b>		1999	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	8,9		26,822		26,364
<b>Current assets</b>					
Debtors	10	67,182		43,053	
Investments	11	-		79	
Cash at bank and in hand		1,905		1,790	
		<u>69,087</u>		<u>44,922</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(7,5008)</u>		<u>(55,218)</u>	
<b>Net current assets / (liabilities)</b>			<u>(5,921)</u>		<u>(10,296)</u>
<b>Net assets</b>			<u>20,901</u>		<u>16,068</u>
<b>Capital and reserves</b>					
Called up share capital	13		-		-
Profit and loss account	14		20,901		16,068
<b>Equity shareholders' funds</b>			<u>20,901</u>		<u>16,068</u>

These financial statements were approved by the Board of Directors on ~~27.04.01~~ and were signed on its behalf by:

Raymond Joy

Director  
RAYMOND JOY.

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

	<b>2000</b>	1999
	<b>£000</b>	£000
<b>Retained profit for the financial year</b>	<b>15,966</b>	15,019
Dividend paid and proposed	<b>(11,133)</b>	(15,228)
	<hr/>	<hr/>
<b>Net reduction in shareholders' funds</b>	<b>4,833</b>	(209)
Opening shareholders' funds	<b>16,068</b>	16,277
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>20,901</b>	16,068
	<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.

The financial statements comply with the following Financial Reporting Standards issued by the Accounting Standards Board.

FRS 15 – Tangible Fixed Assets. This standard addresses the measurement, valuation and depreciation of tangible fixed assets. The company has adopted the transitional arrangements of the standard and has retained the book amounts of certain tangible assets which were previously revalued. It is expected that no further valuations will be carried out.

FRS 16 – Current Tax. This standard was issued in December 1999. It specifies how current tax, in particular withholding tax and tax credits, should be reflected in financial statements.

Compliance with the above new standards has not given rise to any restatement of figures reported for prior periods.

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 £ Nil (1999: £179,000). Turnover includes customs and excise duties where applicable but excludes value added and sales taxes.

The following table analyses turnover by customer location:

	2000 £000	1999 £000
Africa	6,713	6,002
Asia Pacific	5,343	4,802
Americas	2,715	2,570
	<hr/>	<hr/>
	14,771	13,374
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**3 Net operating charges**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Management Charge	10,000	10,380
Other operating charges	404	100
Exchange movements	827	3
	<b>11,231</b>	<b>10,483</b>
	<b>11,231</b>	<b>10,483</b>

**4 Profit on ordinary activities before taxation**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	10	10
	<b>10</b>	<b>10</b>
	<b>10</b>	<b>10</b>

**5 Staff costs, employees and directors**

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

**6 Interest**

	<b>2000</b>	<b>1999</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from third parties	215	257
Other	-	6
	<b>215</b>	<b>263</b>
	<b>215</b>	<b>263</b>

**Notes (continued)**

**7 Taxation**

	2000 £000	1999 £000
UK corporation tax	5,560	7,600
Double taxation relief	(5,560)	(6,200)
Prior Year Adjustment	(3,631)	
	(3,631)	1,400
Overseas taxation	2,297	1,700
	(1,334)	3,100
	(1,334)	3,100

From 1 July 1999 the company has agreed to effect group relief with other companies in the Diageo plc group for nil consideration. As a consequence the company has neither net tax charge nor credit for the year ended 30 June 2000.

The prior year adjustments principally result from a reassessment of group relief in respect of earlier periods.

**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
	25,148	1,209	7	26,364
At 30 June 1999				
Additions:	458	-	-	458
	25,606	1,209	7	26,822
At 30 June 2000	25,606	1,209	7	26,822

The market value of the company's listed investments was £55.4 million (1999: £55.5 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	53.88
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

	2000 £000	1999 £000
Trade debtors	1,422	2,209
Amount owed by parent undertaking	-	4,543
Amounts owed by subsidiary undertakings in which the company has participating interest	-	1,529
Amounts owed by fellow group undertakings	62,321	34,702
Corporation Tax	2,100	-
Other debtors	1,339	70
	<u>67,182</u>	<u>43,053</u>

**Notes (continued)**

**11 Current asset investments**

	2000 £000	1999 £000
Shares in Seychelles Brewery Limited	-	79
	-	79

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

	2000 £000	1999 £000
Accruals	-	102
Amounts owed to parent undertakings	63,585	38,357
Amounts owed to fellow group undertakings	290	
Corporation tax	-	1,531
Ordinary dividends payable	11,133	15,228
	75,008	55,218

**13 Called up share capital**

	2000 £	1999 £
<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	16,068
Retained profit/(loss) for the year	4,833
	20,901
At 30 June	20,901



## 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 2000 Annual Report and Accounts of Diageo plc can be obtained from 8 Henrietta Place, London, W1G 0NB.