

Guinness Overseas Limited

**Directors' report and financial
statements**

Registered number 778398

30 June 2001



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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 2001.

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.

Future developments

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

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.

Financial

The profit for the year ended 30 June 2001 was £29,164,000 (2000: £15,966,000) as shown on page 6. The directors recommend the payment of a final dividend for the year of £12,899,000 (2000: £11,133,000) resulting in a transfer to reserves of £16,265,000 (2000: £4,833,000).

Directors

The directors who served during the year were as follows:

S R Fletcher
D H C Hampshire
R J Joy

Directors' emoluments

The emoluments of the directors are detailed in note 5 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:

(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	25,990	37,025	106,958	52,265	(28,146)	(12,440)	118,637
D H C Hampshire	30,229	54,112	39,889	7,317	(9,884)	(6,293)	31,029
R J Joy	23,280	30,661	65,976	6,620	(26,474)	(18,305)	27,817

The directors were granted conditional rights to receive ordinary shares or, exceptionally, a cash sum under certain long term incentive plans, the Share Incentive Plan and the Total Shareholder Return Plan ('TSR'). 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	Granted in year	Exercised in year	At end of year
S R Fletcher	153,097	127,768	(8,468)	272,397
D H C Hampshire	158,566	32,197	(9,446)	181,317
R J Joy	167,340 (34,281 ADS 30,216 ord shares)	35,709	-	203,049 (34,281 ADS 65,925 ord shares)

The directors held the above options under Diageo plc share option schemes at prices between 447p and 587p per ordinary share exercisable by 13 September 2010. 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'), introduced with effect from 1 January 2000, 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 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 560p and 792p during the year. The mid-market share price on 30 June 2001 was 780p.

At 30 June 2001, R J Joy had an interest in 200,580 shares and 4,094,870 shares subject to call options held by trusts to satisfy grants made under ex-Grandmet incentive plans; and the directors had an interest in 20,315,535 shares and 4,074,020 shares subject to call options held by trusts 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 being met by the supplier.

The number of days' purchases included in creditors as at 30 June 2001, in respect of the company, is nil days (2000: 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.

Auditors

The auditors, KPMG Audit Plc, are willing to continue in office and a resolution for their re-appointment as auditors of the company will be submitted to the Annual General Meeting.

By order of the board



J J Nicholls
Secretary

8 Henrietta Place, London W1G 0NB

Date: 6 MARCH 2002

Directors' responsibilities in respect of the preparation of financial statements

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 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 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

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London
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Independent auditors' report to the members of Guinness Overseas Limited

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

Respective responsibilities of directors and auditors

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 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 2001 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

11 March 2002

Profit and loss account
for the year ended 30 June 2001

	<i>Notes</i>	2001 £000	2000 £000
Turnover	2	17,249	14,771
Net operating charges	3	838	(11,231)
		<hr/>	<hr/>
Operating profit		18,087	3,540
Gain on the sale of Fixed Investments	8	1,559	-
Income from shares in group undertakings		10,411	10,608
Income from shares in associated undertakings		2,488	269
Income from other fixed asset investments		-	-
Interest receivable	6	172	215
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-6	32,717	14,632
Tax on profit on ordinary activities	7	(3,553)	1,334
		<hr/>	<hr/>
Profit on ordinary activities after taxation		29,164	15,966
Dividends proposed		(12,899)	(11,133)
		<hr/>	<hr/>
Amount transferred to reserves	14	16,265	4,833
		<hr/> <hr/>	<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.

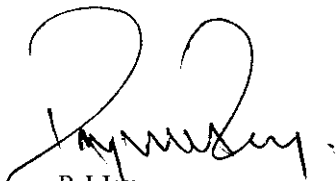
All results arise from continuing operations.

Balance sheet
at 30 June 2001

	<i>Note</i>	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Investments	<i>8,9</i>		28,073		26,822
Current assets					
Debtors	<i>10</i>	86,274		67,182	
Investments	<i>11</i>	397		-	
Cash at bank and in hand		1,170		1,905	
		<hr/>		<hr/>	
		87,841		69,087	
Creditors: amounts falling due within one year	<i>12</i>	(78,748)		(75,008)	
		<hr/>		<hr/>	
Net current assets / (liabilities)			9,093		(5,921)
Net assets			<hr/> 37,166 <hr/>		<hr/> 20,901 <hr/>
Capital and reserves					
Called up share capital	<i>13</i>		-		-
Profit and loss account	<i>14</i>		37,166		20,901
			<hr/>		<hr/>
Equity shareholders' funds			37,166 <hr/> <hr/>		20,901 <hr/> <hr/>

The notes on pages 9 to 15 form part of these financial statements.

These financial statements were approved by the Board of Directors on 6 March 02 and were signed on its behalf by:


 R-J Joy
 Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2001

	2001 £000	2000 £000
Profit on ordinary activities after taxation	29,164	15,966
Dividend paid and proposed	(12,899)	(11,133)
	<hr/>	<hr/>
Net increase in shareholders' funds	16,265	4,833
Opening shareholders' funds	20,901	16,068
	<hr/>	<hr/>
Closing shareholders' funds	37,166	20,901
	<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 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 (2000: £Nil). Turnover includes customs and excise duties where applicable but excludes value added and sales taxes.

The following table analyses turnover by customer location:

	2001	2000
	£000	£000
Africa	7,278	6,713
Asia Pacific	7,476	5,343
Americas	2,495	2,715
	<hr/>	<hr/>
	17,249	14,771
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

3 Net operating charges

	2001	2000
	£000	£000
Management Charge	(2,040)	10,000
Other operating charges	123	404
Exchange movements	1,079	827
	(838)	11,231
	(838)	11,231

4 Profit on ordinary activities before taxation

	2001	2000
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	-	10
	-	10
	-	10

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 (2000: £Nil).

6 Interest

	2001	2000
	£000	£000
Interest receivable from third parties	172	215
Other	-	-
	172	215
	172	215

Notes (continued)

7 Taxation

	2001 £000	2000 £000
UK corporation tax	7140	5,560
Double taxation relief	(7140)	(5,560)
Prior Year Adjustment	1,236	(3,631)
	1,236	(3,631)
Overseas taxation	2,317	2,297
	3,553	(1,334)
Tax charge/(credit)	3,553	(1,334)

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 net current tax charge nor credit for the years ended 30 June 2000 and 2001.

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
Cost:				
Listed	13,883	-	-	13,883
Unlisted	11,723	1,209	7	12,939
	25,606	1,209	7	26,822
At 30 June 2000				
Addition:	-	1,697	-	1,697
Disposal		(446)		(446)
	25,606	2,460	7	28,073
At 30 June 2001	25,606	2,460	7	28,073

The market value of the company's listed investments was £85.2 million (2000: £55.4 million).

Shares in Uganda Breweries were swapped for £446,000 in cash and £1,636,000 of shares in East African Breweries.

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 S.R.L.	Italy	8.00
Guinness Deutschland GmbH	Germany	100.00
Guinness Liberia Incorporated	Liberia	100.00
Guinness Nigeria PLC	Nigeria	53.88
Guinness Anchor Berhad	Malaysia	25.50
Phenix C.I. S.A.R.L.	Ivory Coast	100.00
Seychelles Breweries Limited	Seychelles	26.00
Sierra Leone Brewery Limited	Sierra Leone	65.74
Guinness South Africa (Pty) Ltd	South Africa	100.00
Phenix Gabon S.A.R.L.	Gabon	100.00
Atalantaf Limited	Bermuda	100.00
Monrovia Breweries Inc.	Liberia	7.50
East African Breweries Limited	Kenya	2.63

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

	2001 £000	2000 £000
Trade debtors	1,665	1,422
Amounts owed by fellow group undertakings	78,977	62,321
Corporation Tax	864	2,100
Other debtors	4,768	1,339
	86,274	67,182

Notes *(continued)*

11 Current asset investments

	2001 £000	2000 £000
Loans	397	-
	397	-

12 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Accruals	65	-
Amounts owed to parent undertakings	65,784	63,585
Amounts owed to fellow group undertakings	-	290
Ordinary dividends payable	12,899	11,133
	78,748	75,008

13 Called up share capital

	2001 £	2000 £
<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 2000	20,901
Retained profit for the year	16,265
	37,166
At 30 June 2001	37,166

Notes *(continued)*

15 Immediate and ultimate parent undertaking

The immediate parent undertaking is Guinness Overseas Holdings Limited, and the ultimate parent undertaking is Diageo plc, both of which are incorporated and registered in England. The consolidated financial statements of Diageo plc for the year ended 30 June 2001 can be obtained from the registered office at 8 Henrietta Place, London, W1G 0NB.