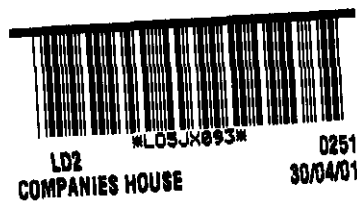


Guinness Limited

**Directors' report and financial
statements**

Registered number 510607

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

Throughout the year the Company continued to brew and market Guinness Stout and Kaliber in Great Britain, as well as being responsible for the supply of raw materials, plant and spares to overseas breweries and for the marketing of Guinness Stout, Harp Lager and other products in overseas markets. Wolverhampton and Dudley Brewery has been licensed to brew, market and distribute Harp Irish Lager in Britain. A more extensive review of the business operations during the period is contained in the Annual Report and Accounts of Diageo plc, the ultimate parent undertaking.

Results and transfer to reserves

The profit before taxation amounted to £ 10.3 million (1999: loss £38.1 million). After taxation the loss for the period was £14.2 million (1999: loss £36.9 million) which after dividends of £nil (1999: £nil) resulted in a transfer from reserves of £14.2 million (1999: £36.9 million).

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 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.

Research and development

Expenditure on research and development activities amounted to £2.0 million (1999: £1.7 million).

Proposed dividend

The Directors do not recommend the payment of a final dividend (1999: £nil)

Statement on Supplier Payments

The Company does not operate a standard code in respect of payments to suppliers. The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including terms of payment. It is Company policy that payments to suppliers are made in accordance with these terms.

At the year end, there were 30 days (1999: 32 days) purchases in trade creditors.

Directors' report *(continued)*

Directors and directors' interests

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

NT Fell	
S R Fletcher	Acting Chief Executive
RJ Joy	
J P McClean	(resigned 31 January 2000)
JB McGrath	Chairman
A F Peeters	(appointed 31 January 2000)
CA Storm	
A Wilson	(resigned 31 March 2000)

Subsequent to year end, on 1 July 2000, Mr S Dando was appointed to the board and Mr J B McGrath resigned as a director on 18 December 2000 on 12 April 2001, Mr C.A. Storm retired as a director.

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:

Mr JB McGrath and Mr CA Storm are directors of Diageo plc and their interests in the shares of Diageo plc are set out in that company's annual report and accounts.

Directors and directors' interests

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 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	At end Of year
N T Fell	3,979	13,754	47,677	5,397	0	0	53,074
S R Fletcher	16,431	23,689	60,586	46,372	0	0	106,958
R J Joy	16,160	23,280	50,074	5,102	(9,688)	(7,612)	37,876
A F Peeters	71,931	78,603	50,430	0	0	0	50,430

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
N T Fell	73,046	27,365	12,190	88,221	321 pence	437.75 pence
S R Fletcher	116,587	37,611	1,101	153,097	318 pence	584.50 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
A F Peeters	92,424	0	0	92,424		

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.

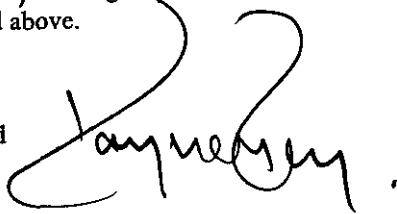
At 30 June 2000, J B McGrath and C A Storm had an interest in 159,475 shares and 8,551,299 shares subject to call options held by trust to satisfy grants made under ex-Grandmet incentive plans; and the directors had an interest in 22,060,050 shares and 2,296,087 shares subject to call options held by 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 N T Fell, S R Fletcher, R J Joy, A F Peeters 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

RJ Joy
Secretary



Date: 27 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

Auditors' report to the members of Guinness Limited

We have audited the financial statements on pages 6 to 19.

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 loss 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

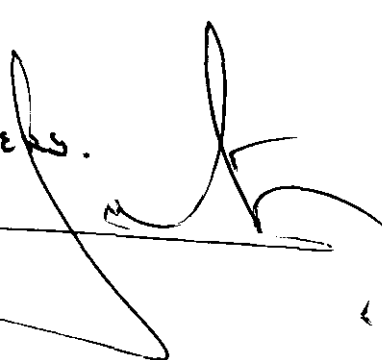
	<i>Notes</i>	2000 £m	1999 £m
Turnover			
Continuing operations	2	560.7	518.4
Net Operating Charges	3	(549.8)	(547.9)
Operating profit			
Continuing operations		10.9	(29.5)
Exceptional loss on disposal of shares in Cruz Campo		(14.5)	-
Loss on disposal of fixed assets		(0.3)	(12.5)
Profit on disposal of fixed assets		0.4	-
Income from shares in group undertakings		1.3	-
Net interest receivable	7	12.5	3.9
Profit on ordinary activities before taxation	2-7	10.3	(38.1)
Tax on loss on ordinary activities	8	(24.5)	1.2
Amount transferred from reserves	17	(14.2)	(36.9)

Balance sheet
at 30 June 2000

	Note	2000		1999	
		£m	£m	£m	£m
Fixed assets					
Tangible assets	9		216.1		198.1
Investments	10		0.2		0.1
			216.3		198.2
Current assets					
Stocks	12	16.5		20.0	
Debtors	13	1,669.2		1,420.3	
Cash at bank and in hand		24.4		32.2	
		1,710.1		1,472.5	
Creditors: amounts falling due within one year	14	(779.3)		(509.4)	
Net current assets			930.8		963.1
Total assets less current liabilities			1,147.1		1,161.3
Net assets			1,147.1		1,161.3
Capital and reserves					
Called up share capital	16	1,156.1		1,156.1	
Revaluation reserve	17	28.6		31.7	
Profit and loss account	17	(37.6)		(26.5)	
Equity shareholders' funds			1,147.1		1,161.3

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

A. PEELES.
Director



Statement of total recognised gains and losses
for the year ended 30 June 2000

	2000 £m	1999 £m
Loss for the financial year	(14.2)	(36.9)
Effect of foreign exchange rate changes	-	(1.3)
Total recognised gains and losses relating to the financial year	(14.2)	(38.2)

Note of historical cost profits and losses
for the year ended 30 June 2000

	2000 £m	1999 £m
Reported profit on ordinary activities before taxation	10.3	(38.1)
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	3.1	0.7
Historical cost profit on ordinary activities before taxation	13.4	(37.4)
Historical cost loss for the year retained after taxation and dividends	(11.1)	(36.2)

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

	2000 £m	1999 £m
Retained loss for the financial year	(14.2)	(36.9)
Effect of foreign exchange rate changes	-	(1.3)
Net reduction in shareholders' funds	(14.2)	(38.2)
Opening shareholders' funds	1,161.3	1,199.5
Closing shareholders' funds	1,147.1	1,161.3

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.

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.

Fixed assets and depreciation

Tangible assets are depreciated in equal annual instalments at rates calculated to write off their cost or valuation over the term of their estimated useful economic lives as follows:

Freehold and long leasehold buildings	2% - 5% per annum
Short leasehold buildings	over term of lease
Plant and machinery	
-brewing and racking plant	5% - 12.5%
-containers	5%
-office machinery	33%
Casks and road vehicles	
-distribution vehicles	12.5%
-motor cars	25%-50%
-casks	6.67%

Depreciation rates for motor cars differ from those of the ultimate parent undertaking as salesmen's vehicles are considered to have shorter useful economic lives.

Notes (continued)

Accounting policies (continued)

Foreign currencies

Monetary 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.

Pensions

The Company is a member of a group pension scheme which is operated by its ultimate holding company, Diageo plc. Contributions to the scheme are assessed by a qualified actuary based on the cost of providing pensions across all participating group undertakings. Costs are not determined for each individual undertaking, and accordingly, contributions are charged to the profit and loss account when they become payable.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Costs includes raw materials, excise duty and the appropriate proportion of labour costs, production and other overheads.

Deferred taxation

Deferred taxation on differences between the treatment of certain items for accounting and taxation purposes is accounted for to the extent that a liability or an asset is expected to be payable or recoverable within the foreseeable future taking account where appropriate of the availability of group relief in the future for which no consideration will be received or paid.

Notes (continued)

2 Analysis of turnover and loss on ordinary activities before taxation

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

The Company carries out principally one class of business, that of brewing and marketing Guinness Stout and other brands of beer and lager. Turnover and loss predominantly arise within the United Kingdom. Further segmental information is provided in the accounts of the parent company, Diageo plc.

3 Net operating charges

	2000 £m	1999 £m
Changes in stocks of finished goods and work in progress	(3.2)	5.1
Raw materials and consumables	99.7	70.4
Excise duties	126.0	126.6
Staff costs (Note 6)	71.8	77.1
Depreciation	23.6	17.6
Advertising, marketing & promotion	70.0	73.0
Other operating charges (Note 4)	161.9	178.1
	549.8	547.9

Total operating costs include £9.5m gain in respect of foreign exchange (1999: £1.3m loss).

4 Loss on ordinary activities before taxation

	2000 £000	1999 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	104.0	109.0
Other services - fees paid to the auditor and its associates	-	-
Research and development expenditure	2,034.0	1,714.0

Notes (continued)

5 Remuneration of directors

	2000 £000	1999 £000
Salaries and pension scheme contributions	942.0	1,256.0
Emoluments (excluding pension scheme contributions) of: Highest paid director	230.6	418.2

Messrs John McGrath and Colin Storm are directors of the ultimate parent undertaking, Diageo plc, and their emoluments were paid by that company and disclosed in its annual report.

Compensation for loss of office of £Nil was paid in the period (1999: £Nil)

The accrued pension of the highest paid director at 30 June 2000 was £110,414 (1999: £63,623). This represents the annual pension to which he is entitled at normal retirement age of 62 based on current salary levels and service.

Retirement benefits are accruing to four directors (1999: four) under the Company's defined benefit scheme.

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-
Defined benefit schemes	4	4
The number of directors who exercised share options was	4	3
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	4	1

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2000	1999
Movement, administration and support	349	396
Production	452	572
Sales and marketing	371	397
	1,172	1,365

The aggregate payroll costs of these persons were as follows:

	2000 £m	1999 £m
Wages and salaries	66.7	69.6
Social security costs	5.0	4.4
Other pension costs (note 19)	0.1	3.1
	71.8	77.1

7 Interest

	2000 £m	1999 £m
External interest receivable	0.2	0.5
Interest receivable from fellow group companies	12.3	3.4
	12.5	3.9

Notes (continued)

8 Taxation

	2000 £m	1999 £m
UK corporation tax	-	(1.7)
Adjustment in respect of prior years	21.4	3.3
Adjustments relating to prior year's deferred tax (note 15)	3.1	(0.4)
Overseas corporation tax	-	(2.4)
Tax charge	24.5	(1.2)

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 a 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.

9 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Casks and Road vehicles £m	Total £m
<i>Cost or valuation</i>				
At 1 July 1999	62.1	224.7	64.6	351.4
Additions	5.1	30.7	-	35.8
Transfers from group undertakings	1.9	17.2	0.6	19.7
Transfers to group undertakings	(1.9)	(3.6)	(0.6)	(6.1)
Disposals	-	(11.4)	(4.1)	(15.5)
At 30 June 2000	67.2	257.6	60.5	385.3
<i>Depreciation</i>				
At 1 July 1999	(13.6)	(108.0)	(31.7)	(153.3)
Charge for year	(1.7)	(17.2)	(4.7)	(23.6)
Exceptional asset write down	-	-	-	-
Transfers from group undertakings	(0.6)	(1.8)	(0.3)	(2.7)
Transfers to group undertakings	0.6	1.9	0.3	2.8
Disposals	-	6.1	1.5	7.6
At 30 June 2000	(15.3)	(119.0)	(34.9)	(169.2)
<i>Net book value</i>				
At 30 June 2000	51.9	138.6	25.6	216.1
At 1 July 1999	48.5	116.7	32.9	198.1

Notes (continued)

9 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2000 £m	1999 £m
Freehold	50.4	46.9
Long leasehold (over 50 years unexpired)	1.5	1.6
	<u>51.9</u>	<u>48.5</u>

The amount of land and buildings shown at cost or valuation is given below:

	2000 £m	1999 £m
At cost	21.4	16.3
At valuation		
- prior to 1992	2.0	2.0
- 1992	43.8	43.8
	<u>67.2</u>	<u>62.1</u>
Historical cost of revalued assets	29.9	29.9
Aggregate depreciation based on historical cost	(13.2)	(10.1)
	<u>16.7</u>	<u>19.8</u>

Included in the cost of fixed assets are the following amounts in respect of assets under construction

	2000 £m	1999 £m
Land and buildings	-	1.9
Plant and machinery	7.0	18.9
	<u>7.0</u>	<u>20.8</u>

Notes (continued)

10 Fixed asset investments

	£m
At 1 July 1999	0.1
Additions	63.6
Disposals	(63.5)
30 June 2000	0.2

All shares are either unclassified or classified as ordinary.

In the opinion of the Directors, the aggregate value of the Company's investments in its subsidiaries is not less than the aggregate amount at which they are stated in the balance sheet.

11 Subsidiary Companies

The Company had the following subsidiary undertakings:

	Country of incorporation	Principal activity	Percentage of shares Held
<i>Brewing</i>			
ES Beaven (Maltings) Limited	England	Maltster	100%
The Interesting Drinks Co. Ltd	England	Dormant	100%
HKS Properties Ltd	England	Property	100%

12 Stocks

	2000 £m	1999 £m
Raw materials and consumables	4.3	10.4
Work in progress	1.7	2.0
Finished goods and goods for resale	10.5	7.6
	16.5	20.0

The replacement cost of stocks is not materially different from their book value.

Notes (continued)

13 Debtors

	2000 £m	1999 £m
Trade debtors	42.0	37.5
Amounts owed by parent undertaking	1,360.5	1,262.6
Amounts owed by subsidiary undertakings	-	-
Amounts owed by fellow subsidiary undertakings	261.9	90.5
Corporation tax	2.4	23.8
Other debtors	2.4	2.8
Prepayments and accrued income	-	-
Deferred tax (note 15)	-	3.1
	1,669.2	1,420.3

The amounts owed by the parent undertaking include a loan of £1,150,000,000 repayable on demand. A market rate of interest was received on the loan during 1996. The loan became non-interest bearing in January 1997. The loan was made to finance the acquisition of the company's own shares as permitted under S155 of the Companies Act.

14 Creditors: amounts falling due within one year

	2000 £m	1999 £m
Bank loans and overdrafts	6.7	2.9
Trade creditors	12.8	22.1
Amounts owed to fellow subsidiary undertakings	1.1	391.3
Amounts owed to subsidiary undertakings	666.0	2.4
Corporation tax	-	-
Other creditors	18.9	12.3
Social security and other taxation	-	7.4
Accruals and deferred income	73.8	71.0
	779.3	509.4

Notes (continued)

15 Deferred taxation

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2000		1999	
	Recognised £m	Unrecognised £m	Recognised £m	Unrecognised £m
Provisions allowable for tax in future years	-	10.5	3.1	-

The deferred tax asset arising is included in debtors note 13.

16 Called up share capital

	2000 £m	1999 £m
Authorised		
Equity: 1,157,500,000 Ordinary shares of £1 each	1,157.5	1,157.5
Alotted, called up and fully paid		
Equity: 1,156,100,000 Ordinary shares of £1 each	1,156.1	1,156.1

17 Reserves

	Revaluation reserve £m	Profit and loss account £m
At 1 July 1999	31.7	(26.5)
Retained loss for the year	-	(14.2)
Transfers	(3.1)	3.1
At 30 June 2000	28.6	(37.6)

Notes (continued)

18 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2000 £m	1999 £m
Contracted	-	-
	<u> </u>	<u> </u>

19 Pension scheme

The Company is a member of a group pension scheme which is operated by its ultimate holding company Diageo plc. The scheme is of the defined benefit type, is administered by a trustee company and is maintained independently of the finances of Diageo plc and its subsidiary undertakings.

Contributions to the scheme are assessed by a qualified actuary based on the costs of providing pensions across all participating Group undertakings. Costs are not determined for each individual undertaking and accordingly, contributions are charged to the profit and loss account when they become payable.

A valuation of the scheme was performed in 1999 by the actuary and particulars of the valuation are included in the 2000 Annual Report and Accounts of Diageo plc.

The charge in the profit and loss account in respect of pensions costs in the year was £61,535 (1999: £3,094,000).

20 Ultimate parent company

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 ONB.