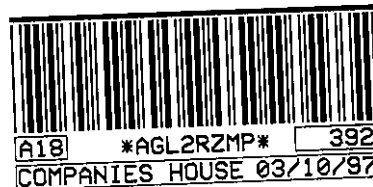


**THE GUINNESS GROUP LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 1996**



# THE GUINNESS GROUP LIMITED

## REPORT OF THE DIRECTORS

### DIRECTORS

N M Coyle (resigned 16 February 1996)  
G W King  
M D Peters (appointed 16 February 1996)

### SECRETARY

B K O'Connor

### REGISTERED OFFICE

39 Portman Square  
London  
W1H 0EE

The Directors submit their report and the audited financial statements of the Company for the year ended 31 December 1996.

### RESULTS

The loss for the year amounted to £16,000 (1995 loss - £2,662,000) which has been transferred from reserves. (1995 - transferred from reserves £2,662,000).

### DIVIDENDS

The Directors do not recommend the payment of a dividend. (1995 - £nil)

### REVIEW OF THE BUSINESS

The Company is an investment holding company.

### DIRECTORS

The Directors of the Company who held office during the year are shown above.

### DIRECTORS' INTERESTS

No Director has a beneficial interest in the shares of the Company, any subsidiary undertaking or any subsidiary of the parent undertaking. The Directors' interests in the Ordinary shares of the Company's parent undertaking, Guinness PLC, were as follows:

	<u>At 31 December 1996</u>		<u>At 1 January 1996</u> <u>or date of appointment</u>	
	Options over		Options over	
	Ordinary	Ordinary	Ordinary	Ordinary
	shares	shares	shares	shares
M D Peters	5,470	26,906	4,637*	23,421*
G W King	8,297	77,544	7,232	61,443

\* At date of appointment

# THE GUINNESS GROUP LIMITED

## REPORT OF THE DIRECTORS

### DIRECTORS' INTERESTS (continued)

During the year, the following movements in options over the Ordinary shares of Guinness PLC took place:

	<b>Options granted during 1996 or since date of appointment</b>		<b>Options exercised during 1996 or since date of appointment</b>	
	Number	Price £	Number	Price £
M D Peters	2,935	4.60	-	-
	550*	3.54	-	-
G W King	15,000	4.60	-	-
	1,101*	3.54	-	-

\* These options were granted/exercised under the terms of the Savings Related Share Option Scheme, the remaining options were granted/exercised under the terms of the Executive Share Option Scheme.

The options outstanding at 31 December 1996 have been granted under Group employee share participation schemes (including the Executive Share Option Scheme and the Savings Related Share Option Scheme) and are exercisable at varying dates between 1997 and 2006 at varying prices between 149.5p and 548.5p.

No contract or arrangement entered into by the Company in which any Director is interested has existed during the year.

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors consider that in preparing the financial statements on pages 5 to 9, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The Directors are also responsible for preparing financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 the Companies Act 1985.

The Directors 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.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The parent company, Guinness PLC, purchases liability insurance covering the Directors and officers of the Company and its subsidiaries.

**THE GUINNESS GROUP LIMITED**

**REPORT OF THE DIRECTORS**

**DIRECTORS' INTERESTS (continued)**

**AUDITORS**

An Elective Resolution was previously passed in accordance with Section 386 of the Companies Act 1985 to dispense with the annual appointment of auditors. Price Waterhouse will continue in office until this election is revoked.

By Order of the Board



**B K O'Connor**  
Secretary

**7 April 1997**

# **THE GUINNESS GROUP LIMITED**

## **AUDITORS' REPORT TO THE MEMBERS OF THE GUINNESS GROUP LIMITED**

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2 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 these statements and to report our opinion to you.

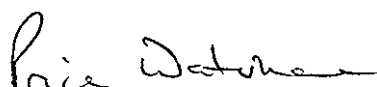
### **BASIS OF OPINION**

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 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Price Waterhouse  
Chartered Accountants  
and Registered Auditors**

**Southwark Towers  
32 London Bridge Street  
London SE1 9SY**

**7 April 1997**

# THE GUINNESS GROUP LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	Continuing Operations 1996 £'000	Continuing Operations 1995 £'000
Operating costs	3	(16)	(2,662)
<b>RETAINED LOSS FOR THE YEAR</b>	8	<u>(16)</u>	<u>(2,662)</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than those reflected in the above profit and loss account.

## NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between the reported loss for 1996 and 1995 and the loss for those years on an historical cost basis.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<i>For the year ended 31 December 1996</i>	<b>1996 £'000</b>	<b>1995 £'000</b>
Loss for the year attributable to shareholders	(16)	(2,662)
Net decrease in shareholders' funds	(16)	(2,662)
Shareholders' funds at start of year	(32,372)	(29,710)
<b>Shareholders' funds at end of year</b>	<u><b>(32,388)</b></u>	<u><b>(32,372)</b></u>

The notes on pages 7 to 9 form part of these accounts.

**THE GUINNESS GROUP LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 1996**

	Notes	1996 £'000	1995 £'000
<b>FIXED ASSETS</b>			
Investments	4	515	515
<b>CURRENT ASSETS</b>			
Debtors	5	1,721	1,647
<b>CREDITORS</b> (amounts falling due within one year)	6	(34,624)	(34,534)
<b>NET CURRENT LIABILITIES</b>		<u>(32,903)</u>	<u>(32,887)</u>
<b>TOTAL NET LIABILITIES</b>		<u>(32,388)</u>	<u>(32,372)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	20	20
Profit and loss account	8	(32,408)	(32,392)
<b>TOTAL EQUITY</b>		<u>(32,388)</u>	<u>(32,372)</u>

The notes on pages 7 to 9 form part of these accounts.

  
G W King  
Director

Approved by the Board on 7 April 1997

# THE GUINNESS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

#### 1.2 Investments

The investment in subsidiary undertakings is shown at historic cost less provision for permanent diminution in value.

### 2. DIRECTORS AND EMPLOYEES

None of the Directors received any emoluments in respect of their services to the Company (1995 - £nil). There are no employees of the Company.

3.	OPERATING COSTS		1996 £'000	1995 £'000
	Provision charged in the year		-	3,623
	Release of provisions		-	(961)
	Amortisation of debenture premium		16	-
			<u>16</u>	<u>2,662</u>
4.	INVESTMENTS	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
	Cost			
	At 1 January 1996	4,745	16,863	21,608
	Additions	-	-	-
	Disposals	(1,510)	-	(1,510)
	Repayment of loan	-	(995)	(995)
	At 31 December 1996	<u>3,235</u>	<u>15,868</u>	<u>19,103</u>
	Provisions			
	At 1 January 1996	4,230	16,863	21,093
	Charges in the year	-	-	-
	Disposals	(1,510)	-	(1,510)
	Release of provisions	-	(995)	(995)
	At 31 December 1996	<u>2,720</u>	<u>15,868</u>	<u>18,588</u>
	Net Book Value			
	At 31 December 1996	<u>515</u>	-	<u>515</u>
	At 31 December 1995	515	-	515



# THE GUINNESS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. INVESTMENTS (continued)

All the Company's investments are unlisted.

In the opinion of the Directors, the value in aggregate of the investments in subsidiary undertakings exceeds the amounts at which they are stated in the financial statements.

The principal direct subsidiary undertakings at 31 December 1996 were as follows:

Subsidiary undertaking	Activity	Country of incorporation	Class of share	Percentage held
Albemarle Developments Limited	Dormant	England	Ordinary	100
Guinness Morison International Limited	Investment Holding Company	England	Ordinary	100
Harp Limited	Non - Trading	England	Ordinary	100
MSJ Light Engineering (International) Limited	Dormant	England	Ordinary	100
Park Royal Development Limited	Dormant	England	Ordinary	100
Werneth Mould Engineering Limited	Non - Trading	England	Ordinary	100

### 5. DEBTORS

	1996 £'000	1995 £'000
Amounts recoverable within one year:		
Trade debtors	6	6
Due from fellow subsidiary undertakings	1,641	1,641
	<u>1,647</u>	<u>1,647</u>
Amounts recoverable after one year:		
Third Party Debenture	74	-
	<u>1,721</u>	<u>1,647</u>

### 6. CREDITORS (amounts falling due within one year)

	1996 £'000	1995 £'000
Amount due to ultimate parent undertaking	29,089	28,995
Amount due to subsidiary undertakings	5,535	5,535
	<u>34,624</u>	<u>34,534</u>

# THE GUINNESS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

7.	SHARE CAPITAL	1996 £'000	1995 £'000
	Authorised:		
	31,024 Ordinary shares of £1 each	31	31
	Issued and fully paid:		
	20,034 Ordinary shares of £1 each	20	20

8.	RESERVES	Profit and loss account £'000
	At 1 January 1996	(32,392)
	Retained loss for the year	(16)
	At 31 December 1996	(32,408)

## 9. PARENT UNDERTAKING

The immediate and ultimate parent undertaking is Guinness PLC, which is registered in England.

The Company is exempt from the obligation to prepare and deliver group accounts. Financial information is presented about the Company as an individual company and not about its group.

The ultimate parent undertaking is the only company in the Group preparing consolidated accounts and copies can be obtained from The Company Secretary, 39 Portman Square, London W1H 0EE.

Audit fees of this company were paid by the parent company.

## 10. FINANCIAL SUPPORT

The Company's parent company has indicated its willingness to continue to support the Company financially.