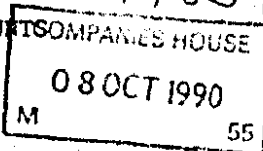


GUINNESS OVERSEAS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 December 1989

778398



GUINNESS OVERSEAS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the year ended 31 December 1989.

DIRECTORS

The directors of the company who have held office during the year are:

Directors:	PTJ Banner	(resigned 27 May 1989)
	JF Carson	
	P Gilham	(appointed 9 October 1989)
	DHC Hampshire	(appointed 9 October 1989)
	JDS Davies	(resigned 9 October 1989)
	AHB Fairlie	(resigned 9 October 1989)
	JR Mainwood	(resigned 9 October 1989)
	NE Salmon OBE	
	AJ Walser	
	M Wych	(appointed 9 October 1989)

Company Secretary: MD Peters

REVIEW OF THE BUSINESS

The company is the holding company for Guinness group companies engaged in brewing and marketing of alcoholic beverages including Guinness Stout and Harp Lager in overseas countries, except Western Europe and the USA, and in production and marketing of soft drinks in certain territories.

As part of its strategy to develop its international business by seeking complimentary partners, the company merged Guinness Malaysia Berhad with Malayan Breweries (Malaya) Sdn Berhad during November 1989 to form Guinness Anchor Berhad. 58.6% of the share capital of Guinness Anchor Berhad is owned by GAPL Pte Limited, a company registered in Singapore, 50% of the ordinary share capital of which is owned by the company and the balance of which is owned by Malayan Breweries Limited.

The company's activity is primarily carried out through related companies, which are principally:

Guinness Nigeria Limited

Operates breweries at Ikeja, Benin and Ogba and sells and distributes Guinness Foreign Extra Stout and Harp Lager in Nigeria.

REVIEW OF THE BUSINESS (CONTINUED)

GAPL Pte Limited

Operates a brewery in Singapore and sells and distributes Guinness Foreign Extra Stout, Anglia Shandy and ABC Stout in Singapore and Brunei.

Guinness Anchor Berhad operates a brewery in Kuala Lumpur and sells and distributes Guinness Foreign Extra Stout, Guinness Malta and Anglia Shandy in Malaysia and Brunei and certain export territories and a range of alcoholic beverages previously produced by Malayan Breweries (Malaya) Sdn Berhad including Tiger, Anchor, Lion Stout and Heineken beers.

Guinness Ghana Limited

Operates a brewery at Kumasi and sells and distributes Guinness Foreign Extra Stout in Ghana.

RESULTS AND TRANSFER FROM RESERVES

Profit for the financial year was £1,893,000 (1988: £4,071,000) which, after dividends, resulted in a transfer from reserves of £1,107,000 (1988 transfer to reserves: £1,071,000).

DIVIDENDS

A dividend of £3,000,000 has been paid (1988: £3,000,000).

FUTURE DEVELOPMENTS

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

DIRECTORS' INTERESTS


No director in office at 31 December 1989 held any shares in the company or any other group companies during the year, with the exception of the beneficial interests in the capital of Guinness PLC set out below:

	At 31 December 1989 Ordinary stock (25p units)	At 31 December 1988 or at date of appointment Ordinary stock (25p units)
JF Carson	2,061	1,290
P Gilham	1,202	1,202
DHC Hampshire	1,133	1,133
NE Salmon	1,291	5,076
AJ Walser	38,010	25,230
M Wych	3,510	3,510
	<u>Options</u>	<u>Options</u>
	Ordinary shares of 25p each	Ordinary shares of 25p each
JF Carson	39,467	38,536
P Gilham	26,615	25,851
DHC Hampshire	30,774	30,010
NE Salmon	14,344	22,604
AJ Walser	103,510	102,409
M Wych	53,203	53,203

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution for their re-appointment, will be submitted at the Annual General Meeting.

By Order of the Board


MD Peters
Secretary

22 March 1990

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
GUINNESS OVERSEAS LIMITED**

We have audited the accounts set out on pages 5 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The accounts do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No.10.

Price Waterhouse

Chartered Accountants

22 March 1990

GUINNESS OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1989

	Notes	1989 £'000	1988 £'000
TURNOVER	2	8,074	5,890
Net operating costs	3	(6,034)	(4,958)
Operating profit	2	2,040	932
Income from shares in group companies		395	3,535
Income from shares in related companies		978	615
Income from other fixed asset investments		<u>38</u>	<u>53</u>
		3,451	5,135
Interest receivable		<u>-</u>	<u>3</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	3,451	5,138
Taxation on profit on ordinary activities	5	(1,088)	(1,229)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,363	3,909
Extraordinary (loss)/income	6	<u>(470)</u>	<u>162</u>
PROFIT FOR THE FINANCIAL YEAR		1,893	4,071
DIVIDENDS PAID		(3,000)	(3,000)
TRANSFER (FROM)/TO RETAINED EARNINGS		<u>(1,107)</u>	<u>1,071</u>

Movements on reserves are shown in note 13 to the accounts.

The notes on pages 7 to 14 form an integral part of these accounts.

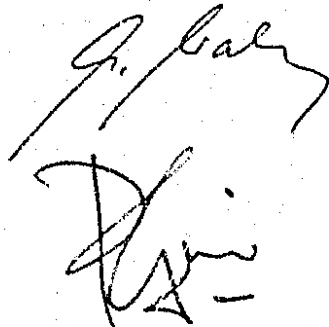
GUINNESS OVERSEAS LIMITED

BALANCE SHEET AT 31 DECEMBER 1989

	Note	1989 £'000	1988 £'000
FIXED ASSETS			
Investments	8	2,189	2,570
CURRENT ASSETS			
Debtors	9	3,828	5,115
Cash at bank and in hand		1,522	169
		5,350	5,284
CREDITORS (amounts falling due within one year)	10	(7,354)	(6,562)
NET CURRENT LIABILITIES		(2,004)	(1,278)
TOTAL ASSETS LESS CURRENT LIABILITIES		185	1,292
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	185	1,292
		185	1,292

Approved by the Board on 22 March 1990 and signed on its behalf by:

Directors:



The notes on pages 7 to 14 form an integral part of these accounts.

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989

1 ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention. Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of another company incorporated in Great Britain.

Investment income

- (1) Dividends receivable from subsidiary companies include the company's share of dividends proposed.
- (2) In respect of related companies and other investments, only those dividends declared payable during the financial year 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 9).

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Assets and liabilities in foreign currencies have been translated into sterling using contracted rates of exchange (where applicable) or the rates of exchange ruling at the balance sheet date. Exchange differences arising from currency conversions in the normal course of trading are dealt with in the profit and loss account.

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. However, no provision is made for taxation deferred by reliefs if such taxation is not expected to crystallise in the foreseeable future.

Investment

Investments in subsidiary, related and other companies are stated at cost less any provisions for diminution in value.

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

2 TURNOVER

Turnover represents amounts receivable after deducting provisions for non-receipt of TSF and royalties in the amount of £408,000 (1988 - £1,880,000). Turnover includes customs and excise duties where applicable but excludes value added and sales taxes.

The following table analyses turnover by customer location:

	<u>1989</u> £'000	<u>1988</u> £'000
United Kingdom	581	580
Republic of Ireland	47	39
Rest of Europe	-	32
Africa	2,430	1,561
Asia	3,950	2,769
Americas	635	493
Australasia	<u>431</u>	<u>416</u>
	<u>8,074</u>	<u>5,890</u>

Turnover and operating profit before taxation by class of business are analysed below:

<u>Class of business</u>	<u>Turnover</u>		<u>Operating profit</u>	
	<u>1989</u> £'000	<u>1988</u> £'000	<u>1989</u> £'000	<u>1988</u> £'000
Technical service fees and royalties	7,439	4,981	1,728	934
Project consultancy fees	175	324	56	(210)
Miscellaneous fees	<u>460</u>	<u>585</u>	<u>256</u>	<u>208</u>
	<u>8,074</u>	<u>5,890</u>	<u>2,040</u>	<u>932</u>

3 NET OPERATING COSTS

	<u>1989</u> £'000	<u>1988</u> £'000
Staff costs (Note 7)	236	271
Other operating charges	<u>5,798</u>	<u>4,687</u>
	<u>6,034</u>	<u>4,958</u>

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1989</u> £'000	<u>1988</u> £'000
Auditors' remuneration	<u>20</u>	<u>15</u>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1989</u> £'000	<u>1988</u> £'000
United Kingdom taxation		
Corporation tax for current year at 35% (1988 - 35%)	2,543	3,020
Double taxation relief	(2,499)	(2,839)
	44	181
Overseas taxation	<u>1,044</u>	<u>1,048</u>
	<u>1,088</u>	<u>1,229</u>

Double taxation relief from UK corporation tax relates to underlying tax on dividends declared by overseas subsidiaries and the related withholding tax, where applicable.

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

5 EXTRAORDINARY INCOME

	<u>1989</u> £'000	<u>1988</u> £'000
Loss on transfer of investment of shares in Guinness Malaysia Berhad to Bodium House Investments Ltd	(470)	-
Receipt of proceeds of sales of shares in Guinness Ghana Limited	-	183
Attributable taxation	-	(21)
	<u>(470)</u>	<u>162</u>

7 STAFF COSTS, EMPLOYEES AND DIRECTORS

	<u>1989</u> £'000	<u>1988</u> £'000
Wages and salaries	232	267
Social security costs	<u>4</u>	<u>4</u>
	<u>236</u>	<u>271</u>

Staff costs relate to costs of employing persons working abroad for other Guinness Group companies. The company has no direct employees.

Directors' emoluments

The directors received no emoluments in respect of their services to the company or its subsidiaries.

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

8 INVESTMENTS

	Shares in group companies £'000	Shares in related companies £'000	Other investments £'000	Total £'000
<u>Cost</u>				
Listed	470	787	-	1,257
Unlisted	<u>299</u>	<u>549</u>	<u>465</u>	<u>1,313</u>
At 31 December 1988	769	1,336	465	2,570
Additions	-	-	89	89
Disposals	<u>(470)</u>	<u>-</u>	<u>-</u>	<u>(470)</u>
	<u>299</u>	<u>1,336</u>	<u>554</u>	<u>2,189</u>
<u>Cost</u>				
At 31 December 1989				
Listed	-	787	-	787
Unlisted	<u>299</u>	<u>549</u>	<u>554</u>	<u>1,402</u>
	<u>299</u>	<u>1,336</u>	<u>554</u>	<u>2,189</u>

The market values of investments listed on a recognised stock exchange are:

Shares in subsidiary companies £Nil (1988 - £103,166,000)
Shares in related companies £10,717,000 (1988 - £7,937,000)

The directors' valuation of unlisted related company shares is £545,000 (1988 - £545,000) and their valuation of other investments is £752,000 (1988 - £572,000).

9 DEBTORS

	1989 £'000	1988 £'000
Trade debtors	1,117	677
Amounts owed by related companies	1,223	845
Amounts owed by subsidiaries	1,488	2,784
Prepayments and accrued income	-	809
	<u>3,828</u>	<u>5,115</u>

Amounts owed by related companies are stated net of provisions of £4,271,000 (1988 - £4,638,000) for non-receipt of TSF and royalties.

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

10 CREDITORS (amounts falling due within one year)

	<u>1989</u> £'000	<u>1988</u> £'000
Trade creditors	502	337
Amounts owed to subsidiaries	-	3
Amounts owed to other group companies	2,702	4,127
Amounts owed to holding company	4,099	1,099
Corporation tax	44	228
Other creditors	7	360
Accruals and deferred income	-	408
	<u>7,354</u>	<u>6,562</u>

11 DEFERRED TAXATION

The notional full deferred tax balance amounts to £648,000 (1988 - £862,000) and relates mainly to provisions which are not deductible for tax purposes until the costs have been incurred.

12 CALLED UP SHARE CAPITAL

	<u>1989</u> £	<u>1988</u> £
Authorised, allotted and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13 PROFIT AND LOSS ACCOUNT

	<u>Total</u> £'000
At 1 January 1989	1,292
Transfer from retained earnings	(1,107)
At 31 December 1989	<u>185</u>

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

14 CONTINGENT LIABILITIES

	<u>1989</u>	<u>1988</u>
	<u>£'000</u>	<u>£'000</u>
In respect of subsidiary companies:		
Guarantees	4,171	3,551
Letters of comfort	-	1,825
	<u>4,171</u>	<u>5,376</u>

15 HOLDING COMPANY

The immediate holding company is Guinness Overseas Holdings Limited and the ultimate holding company is Guinness PLC. Both companies are incorporated in Great Britain.

16 PENSION FUND ARRANGEMENTS AND CONTRIBUTIONS

The Company is a member of a group pension scheme which is operated by its ultimate holding company Guinness PLC. The scheme is of the defined benefit type, is administered by trustees and is maintained independently of the finances of Guinness PLC and its subsidiaries.

A valuation of the scheme was performed in 1989 by the actuary and particulars of the valuation are contained in the accounts of Guinness PLC.

In accordance with the advice of the actuary, the charge to profit and loss for pensions is £Nil (1988 - £Nil) and no contributions are payable. It is not expected that there will be a requirement to make contributions before the date of the next valuation of the scheme in 1992.

GUINNESS OVERSEAS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1989 (CONTINUED)

17 SUBSIDIARY AND RELATED COMPANIES (wholly owned unless shown otherwise)

	Percentage of share capital owned	Country of incorporation
GAPL Pte Limited*	50.00	Singapore
GED Australia Pty Limited	100.00	Australia
Grenada Breweries Limited	17.33	Grenada
Guinness Canada Limited	51.00	Canada
Guinness (Caribbean) Limited	100.00	Trinidad & Tobago
Guinness Ghana Limited	28.69	Ghana
Guinness Italia Srl	98.00	Italy
Guinness GmbH	100.00	Germany
Guinness Liberia Incorporated	100.00	Liberia
Guinness Nigeria Limited	25.50	Nigeria
Guinness Farms Limited	25.50	Nigeria
Guinness (Hong Kong) Limited	100.00	Hong Kong
Harp Marketing Company (Malaysia)		
Sendirian Berhad	100.00	Malaysia
Monrovia Breweries Limited	7.50	Liberia
Phenix CI SARL	100.00	Ivory Coast
Sapporo Guinness Company Limited	49.00	Japan
Seychelles Breweries Limited	26.00	Seychelles
Sierra Leone Brewery Limited	21.64	Sierra Leone

All subsidiary and related companies 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.

* Legal ownership rests in Guinness Overseas Limited whilst beneficial ownership has been transferred to a fellow subsidiary company, Bodiam House Investments Limited during 1989.