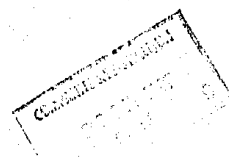


GUINNESS OVERSEAS LIMITED

ANNUAL REPORT AND ACCOUNTS

15 MONTH PERIOD ENDED 31ST DECEMBER 1986

778398



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GUINNESS OVERSEAS LIMITED
REPORT OF THE DIRECTORS FOR THE PERIOD ENDED
31st DECEMBER 1986

DIRECTORS

Managing Director	J. D. S. Davies P. T. J. Banner J. F. Carson A. H. B. Fairlie J. R. Mainwood H. A. Nowell O.B.E. N. E. Salmon O.B.E.
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Secretary	S.J. Griffiths
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The names of the Directors of the Company at 31st December 1986 are shown above. Messrs. D.S. Fawcus, D.F. Burditt, D. Rocker and H.A. Nowell resigned on 28th July 1986, 31st March 1986, 30th May 1986 and 31st March 1987 respectively. Dr. J.F. Carson and Mr. J.D.S. Davies were appointed Directors on 18th November 1985 and 1st April 1986. In accordance with the provisions of the Articles of Association, the Directors are not required to retire by rotation.

REGISTERED OFFICE

Park Royal Brewery, London NW10 7RR

The Directors present their Report and the Audited Financial Statements of the Company for the 15 month period ended 31st December 1986. The accounting period has been changed to the period ending 31st December from the period ending 30th September.

REVIEW OF THE BUSINESS

The Company is the Parent Company for Guinness group companies engaged in brewing and marketing of Guinness Stout and Harp Lager in overseas countries, except those of Western Europe and USA, and in production and marketing of soft drinks in certain territories.

The principal subsidiary and related companies are:-

Guinness Nigeria Limited

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

Guinness Malaysia Berhad

Operates a brewery at Kuala Lumpur and sells and distributes Guinness Foreign Extra Stout, Guinness Malta and Furstenbourg in Malaysia and Singapore.

REVIEW OF THE BUSINESS (continued)

Guinness Cameroun S.A.

Operates brewery at Douala and sells and distributes Guinness Foreign Extra Stout, Malta Guinness and Gold Harp Lager in the Republic of Cameroun, Gabon, Congo, C.A.R.

Guinness Ghana Limited

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

During the year foreign exchange restraints limited the importation of essential raw materials, plant and spares into Nigeria, Ghana and Sierra Leone. Production in Nigeria was maintained at a reduced scale for part of the year and brewing was temporarily suspended for short periods in Sierra Leone.

RESULTS AND TRANSFER FROM RESERVES

After Taxation and Extraordinary Items, the Profit attributable to Shareholders amounted to £4,876,000 which after dividends of £9,000,000 resulted in a transfer from reserves of £4,124,000.

DIVIDENDS

The Directors recommend the payment of a Gross Dividend of £9,000,000.

RESEARCH AND DEVELOPMENT

Research is carried out on the Company's behalf, by fellow subsidiary companies, in the field of brewing processing and technology.

FUTURE DEVELOPMENTS

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

EVENTS SINCE THE END OF YEAR

Subsequent to 31/12/86 the Company's shareholding in its subsidiary Guinness (Hong Kong) Limited increased from 60% to 100%.

DIRECTORS INTERESTS

No Director held any shares in the Company or any other Group Companies during the year, with the exception of the interests in the capital of Guinness PLC and Guinness Malaysia Berhad set out below:

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GUINNESS PLC

As at 31st December 1986

As at 1st October 1985
or date of appointment

Beneficial
Interests

Beneficial
Interests

Stockholdings

Stockholdings

Ordinary Stock (25p Units)

Ordinary Stock (25p Units)

J.R. Mainwood
A.H.B. Fairlie
P.T.J. Banner
H.A. Nowell

545
2749
19937
84

545
2749
2920
84

Options

Options

Ordinary Shares (25p Units)

Ordinary Shares (25p Units)

J.D.S. Davies
J.F. Carson
A.H.B. Fairlie
H.A. Nowell
N.E. Salmon
J.R. Mainwood
P.T.J. Banner

37897
21530
23330
5677
18922
5677
17562

-
15380
11020
5677
30477
5677
27355

GUINNESS MALAYSIA BERHAD

50 Sen Stock Units

50 Sen Stock Units

H.A. Nowell

2000

24000

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made a charitable donation of £91 in the year.

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution for their re-appointment, authorising the Directors to fix their remuneration, will be submitted at the next General Meeting at which accounts are laid before the Members.

By Order of the Board

S.J. Griffiths
.....
S.J. Griffiths
Secretary

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AUDITORS' REPORT TO THE MEMBERS OF
GUINNESS OVERSEAS LIMITED

We have audited the financial statements on Pages 6 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 1986, and of the profit for the period then ended and comply with the Companies Act 1985.

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

Price Waterhouse

Price Waterhouse,

Chartered Accountants.

13 April 1987

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GUINNESS OVERSEAS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE 15 MONTH PERIOD ENDED
31 DECEMBER 1986

	<u>Notes</u>	<u>15 Months to 31 Dec. 1986 £'000</u>	<u>12 Months to 30 Sept. 1985 £'000</u>
Turnover	2	9,562	8,089
Net Operating Costs	3	5,412	3,475
Operating Profit/(Loss)		4,150	4,614
Income from shares in group companies		3,077	2,809
Income from shares in related companies		51	2,836
Income from other fixed asset investments		23	9
Net Interest Receivable (Payable)	4	7,301 (48)	10,268 9
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,253	10,277
Taxation on profit on ordinary activities	5	2,377	1,400
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,876	8,877
Extraordinary items	6	-	568
PROFIT FOR THE PERIOD		4,876	8,309
DIVIDENDS PROPOSED		9,000	11,700
TRANSFER (FROM)/TO RETAINED EARNINGS AT THE END OF THE YEAR	14	(4,124) =====	(3,391) =====

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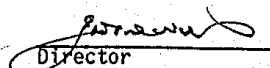
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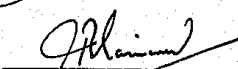
GUINNESS OVERSEAS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1986

	Notes	£'000	31 Dec. 1986 £'000	£'000	30 Sept. 1985 £'000
<u>FIXED ASSETS</u>					
Investments	9		4,177		3,965
			4,177		3,965
<u>CURRENT ASSETS</u>					
Debtors	10	5,280		9,486	
Cash at bank and in hand		1		15	
		5,281		9,501	
CREDITORS (amounts falling due within one year)	11	4,220		4,092	
			1,061		5,409
<u>NET CURRENT ASSETS</u>					
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>					
			5,238		9,374
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>					
	12	-		12	
					12
			5,238		9,362
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	13	-		-	
Profit and loss account	14	5,238		9,362	
			5,238		9,362
			5,238		9,362

Approved by the Board of Directors on 15th April 1987 and signed on its behalf by:


Director


Director

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GUINNESS OVERSEAS LIMITED
NOTES TO THE ACCOUNTS
31 DECEMBER 1986

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention.

The accounting period has been changed to the period ending 31 December from the period ending 30 September. The current period is, therefore, a 15 month period.

1.2 Foreign Currencies

Assets and liabilities in foreign currencies have been translated into sterling using 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.

1.3 Investment Income

Investment income has been dealt with in the following manner:

- i) Dividends receivable from subsidiary companies include the Company's share of dividends proposed.
- ii) In respect of related companies and other investments, only those dividends declared payable during the period have been credited in arriving at the profit.

1.4 TSF/Royalties

Technical service fees and royalties are included in turnover as earned. Full provision is made against turnover for TSF and Royalties due from countries with exchange control restrictions until such date as they are received. See Note 10.

1.5 Engineering Consultancy Fees

Profit is taken on the completed portion of consultancy work. Full provision is made against turnover for engineering consultancy fees due from countries with exchange control restrictions until such date as they are received.

1.6 Deferred Taxation

Deferred taxation is provided only to the extent that a liability is expected to become payable within the foreseeable future. Details of the potential charge for the period are given in Note 12.

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2. TURNOVER

Turnover represents amounts receivable after crediting movements on provisions for non-remittance of TSF and Royalties in the amount of £2,684,000 (1985 after crediting £495,000 (see Notes 1.4 and 1.5)) and including customs and excise duties where applicable but excluding value added tax/sales tax.

The following table analyses turnover by customer located in each territory:

	1986 £000	1985 £000
United Kingdom	660	1,042
Republic of Ireland	600	259
Rest of Europe	304	207
Africa	4,092	2,225
Asia	3,108	2,981
Americas	796	1,265
Australasia	2	110
	<u>9,562</u>	<u>8,089</u>
	=====	=====

Company turnover and operating profit before taxation by class of business are analysed below:-

Class of Business	Operating Profit		Turnover	
	1986 £000	1985 £000	1986 £000	1985 £000
Technical Service Fees/				
Royalties	2,952	3,216	7,260	5,768
Project Consultancy Fees	11	325	522	542
Miscellaneous Fees	1,187	1,073	1,780	1,779
	<u>4,150</u>	<u>4,614</u>	<u>9,562</u>	<u>8,089</u>
	=====	=====	=====	=====

3. NET OPERATING COSTS

	1986 £'000	1985 £'000
Staff costs (Note 7)	144	922
Other operating charges	5,419	2,618
Other operating income	(151)	(65)
	<u>5,412</u>	<u>3,475</u>
	=====	=====

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3. NET OPERATING COSTS (Continued)

Net operating costs are after taking account of:

	1986 £'000	1985 £'000
Research and development	-	269
Directors' emoluments (Note 8)	-	-
Auditors' remuneration	6	14
	<u>6</u>	<u>283</u>
	=====	=====

4. INTEREST

	1986 £'000	1985 £'000
- Receivable	4	9
- Payable	(52)	-
	<u>(48)</u>	<u>9</u>
	==	==

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1986 £'000	1985 £'000
United Kingdom		
Corporation tax for current year at 37.5%/35% (1985 42.5%)	4,269	5,575
Deduct over provision in prior years	-	(10)
	<u>4,269</u>	<u>5,565</u>
Deduct double taxation relief	4,269	5,575
	<u>-</u>	<u>(10)</u>
Overseas Tax	2,389	1,411
Deferred Taxation - Overseas	-	(1)
- United Kingdom	(12)	-
	<u>2,377</u>	<u>1,400</u>
	=====	=====

Taxation on profit on ordinary activities is after taking into account the surrender of losses from other Group companies, in the amount of approximately £670,000 (1985 £18,000) for which no payment will be required by the company.

Double Taxation relief includes £2.1m (1985 £4.2m) relief from UK Corporation Tax suffered on the profits of overseas investments from which dividend income is derived.

6. EXTRAORDINARY ITEMS

	1986 £'000	1985 £'000
Write-down of shares in Subsidiary Company	-	568
	====	===

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7. STAFF COSTS AND EMPLOYEESStaff Costs

	1986 £'000	1985 £'000
Wages and salaries	135	720
Social security costs	9	31
Pension costs	-	171
	<u>144</u>	<u>922</u>
	=====	=====

8. DIRECTORS' EMOLUMENTS

The Directors received no emoluments during the year from the Company or its subsidiaries since all were paid by another Group Company.

9. INVESTMENTS

	Shares in Group Companies £'000	Shares in Related Companies £'000	Other Investments £'000	Total £'000
Net book value				
Listed	670	787	-	1,457
Unlisted	1,911	549	48	2,508
	<u>2,581</u>	<u>1,336</u>	<u>48</u>	<u>3,965</u>
	=====	=====	=====	=====
At 30 September 1985				
Additions	-	-	412	412
Disposals	(200)	-	-	(200)
Net book value at 31 December 1986				
Listed	470	787	-	1,257
Unlisted	1,911	549	460	2,920
	<u>2,381</u>	<u>1,336</u>	<u>460</u>	<u>4,177</u>
	=====	=====	=====	=====

Market value of investments listed on a recognised stock exchange are:

Shares in Group Companies	£68,464,000	(1985 £62,637,000)
Related Companies	£13,056,000	(1985 £34,521,000)

Directors' valuation of unlisted related company shares	£667,000
	(1985 £589,000)
Directors' valuation of other investments	£483,000
	(1985 £ 75,000)

During the year the Company acquired and disposed of an interest in the share capital of British Petroleum Plc. The transaction gave rise to a profit of £14,710 which has been included within the Profit and Loss Account.

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10. DEBTORS

	1986 £'000	1985 £'000
Trade debtors	440	533
Amounts owed by related companies	1,453	4,773
Amounts owed by subsidiaries	3,303	3,929
Amounts owed by other group companies	11	51
Other debtors	68	200
Prepayments and accrued income	5	-
	<u>5,280</u>	<u>9,486</u>
	=====	=====

Amounts due from related companies are net of provisions against non-remittance of £2,669,000 (1985 £9,780,000)

11. CREDITORS (amounts falling due within one year)

	1986 £'000	1985 £'000
Trade creditors	380	165
Amounts owed to subsidiaries	-	-
Amounts owed to Parent and other group companies	3,609	3,522
Corporation taxation	28	-
Other creditors	203	384
Accruals and deferred income	-	21
	<u>4,220</u>	<u>4,092</u>
	=====	=====

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Amount provided 1986 £'000	Full potential liability 1986 £'000	Amount provided 1985 £'000	Full potential liability 1985 £'000
DEFERRED TAXATION				
Short-term timing differences	-	-	12	12
	=====	=====	=====	=====

13. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid;
100 Ordinary Shares of £1 each

14. RESERVES

Profit & Loss Account:

	1986 £'000
At 1 October 1985	9,362
Transfers (from)/to retained earnings	(4,124)
	<u>5,238</u>
	=====
At 31 December 1986	

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15. CONTINGENT LIABILITIES

	1986 £'000	1985 £'000
Re Subsidiary Companies:		
Guarantees	4,119	4,299
Letters of Comfort	2,116	1,739
	<hr/>	<hr/>
	6,235	6,038
	=====	=====

16. SUBSEQUENT EVENT

Subsequent to 31 December 1986 the Company's shareholding in its subsidiary Guinness (Hong Kong) Ltd. increased from 60% to 100%.

17. HOLDING COMPANY

The immediate holding company is Guinness Overseas Holdings Limited and the ultimate holding company is Guinness PLC.

Both the holding companies are incorporated in the United Kingdom

18. SUBSIDIARY AND RELATED COMPANIES
(wholly owned unless shown otherwise)

		Country of Incorporation
Grenada Breweries Limited	(10.43%)	Grenada
Guinness Cameroun S.A.		Cameroon
Guinness Canada Limited	(51%)	Canada
Guinness (Caribbean) Limited		Trinidad & Tobago
Guinness Ghana Limited	(28.69%)	Ghana
Guinness Liberia Inc.		Liberia
Guinness Malaysia Berhad	(50.01%)	Malaysia
Guinness Marketing Sendirian Berhad	(50.01%)	Malaysia
Guinness Sabah Sendirian Berhad	(50.01%)	Malaysia
Guinness Sarawak Sendirian Berhad	(50.01%)	Malaysia
Guinness Singapore Pte. Limited	(50.01%)	Singapore
Guinness Brunei Ptd. Limited	(50.01%)	Brunei
Guinness Nigeria Limited	(25.5%)	Nigeria
Guinness Farms Limited	(25.5%)	Nigeria
Guinness (Hong Kong) Limited	(60%)	Hong Kong
Harp Marketing Company (Malaysia) Sendirian Berhad		
Monrovia Breweries Ltd.	(7.5%)	Liberia
Sapporo Guinness Company Limited	(49%)	Japan
Seychelles Breweries Limited	(26%)	Seychelles
Sierra Leone Brewery Limited	(21.64%)	Sierra Leone

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