



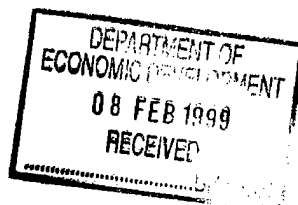
145

GUINNESS NORTHERN IRELAND LIMITED
DIRECTORS' REPORT AND ACCOUNTS
18 Months ended 30 June 1998

CONTENTS

PAGE

General Information	1
Directors' Report	2 - 3
Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Accounts	7 - 14



GENERAL INFORMATION

DIRECTORS

Mr JF Jamet
Mr RV O'Connor
Mr MM St J Ryan
Mr EP Baxter (appointed - 16 June 1997)
Mr KG Morrison (appointed - 16 June 1997)
Mr BC Duffy (resigned - 16 June 1997)

SECRETARY

Mr P Gallagher

REGISTERED OFFICE

Apollo Road
Adelaide Industrial Estate
BELFAST

COMPANY REGISTERED NUMBER

NI 3755

DIRECTORS' REPORT

The directors present their report and the audited accounts of the company for the 18 months ended 30 June 1998.

REVIEW OF THE BUSINESS

The company's activity is the sale and distribution of stout, lager and ales. The company continues to trade profitably and the directors are confident that profitability can be maintained.

RESULTS AND TRANSFER TO RESERVES

After taxation the profit attributable to shareholders amounted to £6,480,000 which after a dividend of £4,015,000 leaves a surplus of £2,465,000 which has been transferred to reserves.

DIVIDENDS

A dividend of £4,015,000 was paid during the period.

The directors do not recommend the payments of a final dividend.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunction and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the development and testing of systems to ensure that they will be Millennium compatible on schedule. The cost of the necessary upgrading is not expected to be significant.

FUTURE DEVELOPMENTS

The company will continue to monitor the market closely and is ready to take advantage of opportunities to maintain and improve its position.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations amounted to £38,909. No political donations were made during the period.

PAYMENT POLICY

It is the policy of the company to pay suppliers at the end of the month following the month of the supply of the goods or services, or on the date stipulated in the relevant contract of supply.

At the year end, the company had an average of 27 days purchases outstanding in trade creditors.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are shown on page 1.

There are no directors' interests requiring disclosure under the Companies (Northern Ireland) Order 1986.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

PricewaterhouseCoopers have consented to act as auditors for the ensuing year and a resolution for their appointment will be proposed at the Annual General meeting.

By Order of the Board


P. GALLAGHER

Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS NORTHERN IRELAND LIMITED

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention modified to include the revaluation of properties and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 June 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors

Belfast

29 September 1998

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 JUNE 1998**

		18 months ended 30 June 1998	Continuing operations Year ended 31 December 1996
	Notes	£'000	£'000
TURNOVER	2	123,341	80,268
Net operating charges	3	(114,912)	(74,731)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		8,429	5,537
Interest	4	<u>1,199</u>	<u>816</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,628	6,353
Taxation on profit on ordinary activities	5	<u>(3,148)</u>	<u>(2,346)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,480	4,007
Dividends	8	<u>(4,015)</u>	<u>(6,251)</u>
RETAINED EARNINGS AT THE END OF THE PERIOD		<u>2,465</u>	<u>(2,244)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	£'000	£'000
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	9,628	6,353
Difference between historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	<u>12</u>	<u>8</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>9,640</u>	<u>6,361</u>
HISTORICAL COST PROFIT/(LOSS) FOR THE PERIOD AFTER TAXATION AND DIVIDENDS	<u>2,477</u>	<u>(2,236)</u>

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

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

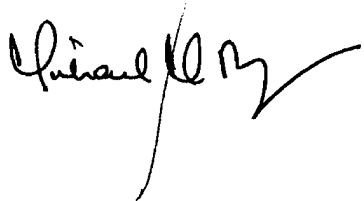
BALANCE SHEET - 30 JUNE 1998

	Notes	30 June 1998	31 December 1996
FIXED ASSETS		£'000	£'000
Tangible assets	9	5,461	4,679
Investments	10	<u>34,378</u>	<u>29,810</u>
		<u>39,839</u>	<u>34,489</u>
CURRENT ASSETS			
Stocks	11	2,530	1,459
Debtors	12	16,365	14,029
Cash at bank and in hand		<u>4,502</u>	<u>20</u>
		23,397	15,508
CREDITORS: amounts falling due within one year	13	<u>(17,405)</u>	<u>(18,868)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>5,992</u>	<u>(3,360)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		45,831	31,129
CREDITORS: amounts falling due after one year	14	(38,743)	(26,506)
PROVISION FOR LIABILITIES AND CHARGES	15	<u>(157)</u>	<u>(157)</u>
		<u>6,931</u>	<u>4,466</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Revaluation reserve	17	439	451
Profit and loss account	17	<u>6,492</u>	<u>4,015</u>
TOTAL SHAREHOLDERS' FUNDS		<u>6,931</u>	<u>4,466</u>

28 M
Approved by the Board on 29 September 1998.

DIRECTOR:

MM St J Ryan



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

NOTES ON THE ACCOUNTS - 30 JUNE 1998

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of properties and are in compliance with Schedule 4 to the Companies (Northern Ireland) Order 1986 and in accordance with applicable accounting standards.

(b) Foreign currencies

Assets and liabilities in foreign currencies have been converted to 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.

(c) Depreciation

Tangible assets (other than land) are depreciated principally on a straight line basis at annual rates estimated to write off their book value over the term of their useful lives. Details of depreciation rates are given in Note 9.

(d) Stocks

Valuation of stocks is at the lower of cost and net realisable value. Cost represents the invoiced cost of goods purchased for resale.

(e) Deferred taxation

Deferred taxation is provided only to the extent that the directors consider that the liability will become payable within the foreseeable future.

(f) Pensions

The company is a member of a group defined benefit 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 companies. Costs are not determined for each individual company and accordingly contributions are charged to the profit and loss account when they become payable.

2 TURNOVER

Sales represent the net amounts receivable including duties where applicable but excluding value added tax.

	18 months ended 30 June 1998	Year ended 31 December 1996
	£'000	£'000
The following table analyses turnover by customer located at each territory:		
United Kingdom	123,341	80,268

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

3 NET OPERATING COSTS

	18 months ended 30 June <u>1998</u>	Year ended 31 December <u>1996</u>
	£'000	£'000
Change in stocks at finished goods	(886)	(516)
Raw materials and consumables	116,093	75,733
Staff costs (Note 6)	7,123	4,638
Depreciation	1,818	1,081
Other operating charges	13,028	7,425
Other operating income	<u>(22,264)</u>	<u>(13,630)</u>
	<u>114,912</u>	<u>74,731</u>
	£'000	£'000
Net operating costs are after taking account of:		
Hire of plant and machinery	66	19
Auditors' remuneration:		
Audit	13	11
Other services	1	1
Increase in provision against trade loans	<u>61</u>	<u>174</u>

4 NET FINANCE CHARGES

	18 months ended 30 June <u>1998</u>	Year ended 31 December <u>1996</u>
	£'000	£'000
Interest on fixed asset investments	<u>1,199</u>	<u>816</u>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	18 months ended 30 June <u>1998</u>	Year ended 31 December <u>1996</u>
	£'000	£'000
At 31% (year ended 31 December 1996 - 33%):		
Corporation tax on profit of the current period	<u>3,148</u>	<u>2,346</u>

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

6 STAFF COSTS AND EMPLOYEES

	18 months ended 30 June 1998	Year ended 31 December 1996
	£'000	£'000
Staff costs:		
Wages and salaries	5,946	3,867
Social security costs	492	299
Pension costs	<u>685</u>	<u>472</u>
	<u>7,123</u>	<u>4,638</u>
	Number	Number
Average number of employees:		
Staff (including directors)	176	167
Employees	<u>39</u>	<u>39</u>
	<u>215</u>	<u>206</u>

7 DIRECTORS' EMOLUMENTS

	18 months ended 30 June 1998	Year ended 31 December 1996
	£	£
Aggregate emoluments	<u>570,138</u>	<u>329,272</u>

Retirement benefits are accruing to six (year ended 31 December 1996 - four) directors under a defined benefit scheme.

Highest paid director:

Total amount of emoluments	<u>182,881</u>	<u>115,477</u>
Accrued pension at end of year under defined benefit pension scheme	<u>23,777</u>	

8 DIVIDENDS

	18 months ended 30 June 1998	Year ended 31 December 1996
	£'000	£'000
Interim dividend paid	<u>4,015</u>	<u>6,251</u>

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

9 TANGIBLE ASSETS

	Long leasehold land and buildings	Plant and machinery	Containers and road vehicles	Total
Cost or valuation	£'000	£'000	£'000	£'000
At 1 January 1997	1,267	8,127	2,098	11,492
Additions	14	2,042	584	2,640
Transfer ex group	-	-	14	14
Disposals	-	(98)	(368)	(466)
At 30 June 1998	<u>1,281</u>	<u>10,071</u>	<u>2,328</u>	<u>13,680</u>
Depreciation				
At 1 January 1997	210	5,598	1,005	6,813
Charge for period	45	1,157	616	1,818
Transfer ex group	-	-	14	14
Disposals	-	(98)	(328)	(426)
At 30 June 1998	<u>255</u>	<u>6,657</u>	<u>1,307</u>	<u>8,219</u>
Net book value				
At 30 June 1998	<u>1,026</u>	<u>3,414</u>	<u>1,021</u>	<u>5,461</u>
At 31 December 1996	<u>1,057</u>	<u>2,529</u>	<u>1,093</u>	<u>4,679</u>

	30 June 1998	31 December 1997
Land and buildings - the amount shown at cost or valuation includes the following:	£'000	£'000
At cost	181	167
At valuation in 1989	<u>1,100</u>	<u>1,100</u>
	<u>1,281</u>	<u>1,267</u>
Land and buildings included at valuation would have been included on an historical cost basis at:	£'000	£'000
Cost	947	933
Depreciation	(361)	(328)
Net book value	<u>586</u>	<u>605</u>

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

9 TANGIBLE ASSETS (CONTINUED)

The following table shows the principal rates of depreciation used in the period:

Property:		
Long leasehold	-	2½%
Road vehicles:		
Distribution vehicles	-	17%
Motor cars	-	25%
Plant and machinery	-	5% to 25%

10 INVESTMENTS

Trade loans

<u>Cost</u>	£'000
At 1 January 1997	31,809
Additions, net of repayments	<u>4,527</u>
At 30 June 1998	<u>36,336</u>
<u>Provision</u>	
Amounts provided at 1 January 1997	1,999
Written off	(102)
Increase in provision	<u>61</u>
At 30 June 1998	<u>1,958</u>
<u>Net book value</u>	
At 30 June 1998	<u>34,378</u>
At 31 December 1996	<u>29,810</u>

11 STOCKS

	30 June 1998	31 December 1996
	£'000	£'000
Raw materials and consumables	606	421
Goods purchased for resale	<u>1,924</u>	<u>1,038</u>
	<u>2,530</u>	<u>1,459</u>

The valuation of stock at replacement cost would not give rise to any material difference to the amount at which they are stated.

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

12 DEBTORS

	30 June 1998	31 December 1996
	£'000	£'000
Trade debtors	7,332	7,343
Amounts owed by group undertakings	7,075	5,953
Other debtors	548	638
Prepayments and accrued income	<u>1,410</u>	<u>95</u>
	<u>16,365</u>	<u>14,029</u>

Included in debtors are prepayments not due within one year amounting to £723,000.

13 CREDITORS: amounts falling due within one year

	30 June 1998	31 December 1996
	£'000	£'000
Bank loans and overdrafts	-	610
Trade creditors	3,968	6,171
Amounts owed to group undertakings	5,818	5,545
Corporation tax	1,272	512
Other taxes and social security	4,222	3,499
Other creditors	349	502
Accruals and deferred income	<u>1,776</u>	<u>2,029</u>
	<u>17,405</u>	<u>18,868</u>

14 CREDITORS: amounts falling due after one year

	30 June 1998	31 December 1996
	£'000	£'000
Amounts owed to group undertakings	<u>38,743</u>	<u>26,506</u>

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

15 PROVISION FOR LIABILITIES AND CHARGES

	Full potential liability 1998	Amounts provided 1998	Full potential liability 1996	Amounts provided 1996
	£'000	£'000	£'000	£'000
Deferred taxation - The amounts provided and the full potential liabilities are as follows:				
Excess of capital allowances over accumulated depreciation	303	157	509	157
Chargeable gains on properties	140	-	200	-
Provisions	(12)	-	(21)	-
	<u>431</u>	<u>157</u>	<u>688</u>	<u>157</u>

16 CALLED UP SHARE CAPITAL

	30 June 1998	31 December 1996
	£	£
Authorised 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid 100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

17 RESERVES

	Revaluation	Profit and loss	Total
	£'000	£'000	£'000
At 1 January 1997	451	4,015	4,466
Retained earnings	-	2,465	2,465
Transfers	(12)	12	-
At 30 June 1998	<u>439</u>	<u>6,492</u>	<u>6,931</u>

18 MOVEMENT ON SHAREHOLDERS' FUNDS

	30 June 1998	31 December 1996
	£'000	£'000
Profit for the period	6,480	4,007
Dividends	(4,015)	(6,251)
Net addition/(reduction in) to shareholders' funds	2,465	(2,244)
Shareholders' funds at 1 January 1997	<u>4,466</u>	<u>6,710</u>
Shareholders' funds at 30 June 1998	<u>6,931</u>	<u>4,466</u>

NOTES ON THE ACCOUNTS - 30 JUNE 1998 (CONTINUED)

19 CAPITAL COMMITMENTS

	30 June 1998	31 December 1996
	£'000	£'000
Contracted for but not provided for in the accounts	—	—

20 CONTINGENT LIABILITIES

Contingent liabilities amount to £Nil (31 December 1996 - £Nil).

21 PENSION SCHEME

Eligible employees are members of the Guinness PLC group defined benefit pension scheme. Particulars of the scheme can be found in the accounts of Diageo plc.

22 HOLDING COMPANY

The holding company is Diageo plc, a company incorporated in England. Diageo plc is the sole company to consolidate the results of the company.

Copies of the accounts of the ultimate holding company can be obtained from 8 Henrietta Place, London W1M 9AG.

23 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS8 not to disclose details of transactions with other group undertakings.

24 CASH FLOW STATEMENT

A cash flow statement has not been prepared as the company, being a wholly owned subsidiary of Diageo plc which prepares consolidated financial statements including the company, is exempted from doing so by FRS.

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