

GUINNESS PUBLISHING LIMITED
DIRECTORS' REPORT AND ACCOUNTS
31 DECEMBER 1994

Company registered in England, No. 541295



GUINNESS PUBLISHING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994

| | |
|------------------|-----------------------------|
| Mr F I Chapman | (Chairman) |
| Mr B F Baldock | |
| Mr F Buxton | |
| Mr M J Cohen | (Resigned 11 February 1994) |
| Mr S C Dowling | (Resigned 3 November 1994) |
| Mr C C Irwin | (Appointed 1 December 1994) |
| Mr P J Matthews | |
| Mr N D McWhirter | |
| Mr A R Morris | |

The Directors submit herewith their report and the audited financial statements of the Company for the year ended 31 December 1994

1 PRINCIPAL ACTIVITIES OF THE COMPANY, REVIEW OF OPERATIONS AND FUTURE DEVELOPMENT

The Company publishes and receives royalties from The Guinness Book of Records and other publications, and receives other licensed income worldwide and fees from the operations of the Guinness World of Records permanent exhibition in London.

The financial results for the year are satisfactory. The Company has no immediate plans for significantly extending or reducing its existing book publishing activities.

In February 1995 a licensing agreement was completed with a third party in the United States of America to develop the Company's franchised exhibitions and to purchase the owned exhibition assets at the Trocadero.

2 RESULTS

The profit after taxation for the year was £690,000 (1993 - £245,000).

3 DIVIDENDS

An interim dividend of £346,000 was paid on 21 December 1994 (1993 - £1,000,000). The Directors do not recommend a further payment for the year.

4 FIXED ASSETS

Movements in fixed assets are shown in Note 8 to the accounts.

GUINNESS PUBLISHING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

5 DIRECTORATE

The Directors of the Company who held office during the year are shown on page 1.

In respect of those Directors at 31 December 1994 no Director had a beneficial shareholding in the Company. The interests of the Directors in the share capital of the Company's parent undertaking, Guinness PLC, are shown below:

| | At 31 December 1994 | | At 31 December 1993 | |
|------------------|---------------------|------------------------------|---------------------|------------------------------|
| | Ordinary Shares | Options over Ordinary Shares | Ordinary Shares | Options over Ordinary Shares |
| Mr F I Chapman | 5,000 | - | 10,350 | - |
| Mr B F Baldock | 56,083 | 411,951 | 52,830 | 271,762 |
| Mr F Buxton | 11,987 | 4,773 | 9,934 | 4,860 |
| Mr C C Irwin | - | - | * | * |
| Mr P J Matthews | 2,467 | - | 1,850 | - |
| Mr N D McWhirter | 26 | - | 26 | - |
| Mr A R Morris | 3,440 | - | 5,351 | - |

* At date of appointment

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

| | Options granted during 1994 | |
|----------------|-----------------------------|---------|
| | Number | Price |
| Mr B F Baldock | 14,433 | 476.00p |
| | 961 | 359.00p |
| | 126,323 | 476.00p |
| Mr F Buxton | 1,441 | 359.00p |

GUINNESS PUBLISHING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1994 (Continued)

| | <u>Options exercised during 1994</u> | |
|----------------|--------------------------------------|--------------|
| | <u>Number</u> <u>Exercised</u> | <u>Price</u> |
| Mr B F Baldock | 1,528 | 235.5p |
| Mr F Buxton | 1,528 | 235.5p |

The options outstanding at 31 December 1994 have been granted under Group employee share participation schemes (including the Executive Share Option Schemes and the Savings Related Share Option Scheme) and are exercisable at varying dates between 1995 and 2003 at varying prices between 127p and 548.5p.

6 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 and of the profit or loss of the Company for that period. They consider that in preparing the financial statements on pages 5 to 12 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 applicable have been followed.

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. They 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.

7 DIRECTORS' AND OFFICERS' LIABILITY

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

8 AUDITORS

An elective resolution has been passed previously in accordance with Section 386 of the Companies Act 1985 to dispense with the annual re-appointment of auditors. Price Waterhouse will continue in office until this election is revoked.

By Order of the Board

GW King
Secretary

16 June 1995

GUINNESS PUBLISHING LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF GUINNESS PUBLISHING LIMITED

We have audited the financial statements on pages 5 to 12 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 3 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 those 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 were 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICE WATERHOUSE
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans
Hertfordshire AL1 3JX

16 June 1995

GUINNESS PUBLISHING LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

| | <u>Notes</u> | <u>1994</u> £000s | <u>1993</u> £000s |
|--|--------------|----------------------|----------------------|
| TURNOVER | 2 | 6,883 | 7,310 |
| Net operating costs: | | | |
| Raw materials and consumables | | (1,856) | (2,062) |
| Changes in stocks | | (291) | (193) |
| Staff costs | 4 | (1,321) | (1,242) |
| Depreciation | | (162) | (259) |
| Other operating costs | | (2,204) | (2,219) |
| | | (5,834) | (5,975) |
| Provision to fully write down exhibition assets | | - | (601) |
| | | (5,834) | (6,576) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,049 | 734 |
| Taxation | 6 | (359) | (489) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 15 | 690 | 245 |
| Dividends | 7 | (346) | (1,000) |
| Amount set aside/(withdrawn) to/(from) reserves | | 344 | (755) |

The profit for the financial year includes all recognised gains and losses in the year.

All activities are continuing.

The notes on pages 7 to 12 form part of these accounts.

GUINNESS PUBLISHING LIMITED

BALANCE SHEET AT 31 DECEMBER 1994

| | <u>Notes</u> | <u>1994</u> £'000s | <u>1993</u> £'000s |
|---|--------------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 227 | 335 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 515 | 806 |
| Debtors | 10 | 2,715 | 2,497 |
| Cash at bank and in hand | | 446 | 746 |
| | | <hr/> | <hr/> |
| | | 3,676 | 4,049 |
| CREDITORS (amounts falling due within one year) | 11 | 2,237 | 2,072 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 1,439 | 1,977 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,666 | 2,312 |
| CREDITORS (amounts falling due after more than one year) | 12 | 968 | 1,939 |
| DEFERRED TAXATION | 13 | 8 | 27 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS LIABILITIES | | 690 | 346 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | - | - |
| Profit and loss account | 15 | 690 | 346 |
| | | <hr/> | <hr/> |
| | | 690 | 346 |
| | | <hr/> | <hr/> |

DIRECTOR

A.R. Morris

A R Morris

APPROVED BY THE BOARD
ON 16 June 1995

The notes on pages 7 to 12 form part of these accounts.

GUINNESS PUBLISHING LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1 ACCOUNTING POLICIES

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

(1) Consolidated Accounts

The Company is a wholly-owned subsidiary of Guinness PLC. As permitted by section 229(2) of the Companies Act 1985, no consolidated accounts have been prepared.

(2) Cash Flow Statement

As the Company is a wholly-owned subsidiary of an EC parent company which produces a group cash flow statement, no such statement has been prepared separately for the Company.

(3) Revenue Recognition

Revenue from the sale of publications is recognised as goods are shipped to customers.

Royalties from licences granting publication and other rights and net fees from exhibitions are recognised on a receivables basis.

(4) Depreciation

Fixed assets are depreciated on a straight-line basis at annual rates estimated to write off their book value over the term of their useful lives. Details of the depreciation rates used are as follows:

| | |
|---------------------|---------------|
| Plant and machinery | - 5% and 12½% |
| Computer equipment | - 25% |
| Motor vehicles | - 16% to 41% |

(5) Taxation

Deferred taxation in respect of capital allowances and other timing differences is provided only to the extent that it is probable that the liability will become payable within the foreseeable future.

(6) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date except that where hedging arrangements are in place the relevant agreed rate is applied. Exchange gains and losses are charged to the profit and loss account.

(7) Pensions

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

(8) Pre-Publication Expenditure

Expenditure on books not yet published is included as work-in-progress and treated as cost of finished goods on publication.

(9) Stocks

Stocks are stated at the lower of cost and net realisable value and valued on a first in, first out basis.

GUINNESS PUBLISHING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (Continued)

2 ANALYSIS OF TURNOVER

Turnover represents the net sales of publications, net royalties receivable from licences granting publication rights to overseas publishers and fees receivable from the Guinness World of Records.

Profit on ordinary activities before taxation, and turnover, are as follows:

| | Profit/(Loss) | | Turnover | |
|-------------------------|---------------|---------------|---------------|---------------|
| | 1994 £000s | 1993 £000s | 1994 £000s | 1993 £000s |
| Publishing and Licences | 1,129 | 1,532 | 6,843 | 7,308 |
| Exhibition | (80) | (798) | 40 | 2 |
| | — | — | — | — |
| | 1,049 | 734 | 6,883 | 7,310 |
| | == | == | == | == |

The geographical analysis of turnover is as follows:

| | | |
|-------------------|--------------|--------------|
| United Kingdom | 3,404 | 3,591 |
| Rest of Europe | 1,483 | 1,527 |
| North America | 562 | 740 |
| Asia/Pacific | 1,025 | 1,247 |
| Rest of the World | 409 | 205 |
| Total turnover | <u>6,883</u> | <u>7,310</u> |

3 NET OPERATING COSTS

| | 1994 £000s | 1993 £000s |
|--|---------------|---------------|
| Net operating costs are after taking account of: | | |
| Emoluments of Directors (Note 5) | 179 | 211 |
| Auditors' remuneration | 20 | 20 |

4 STAFF COSTS AND EMPLOYEES

The staff costs for the year including Directors' emoluments were as follows:

| | 1994 £'000s | 1993 £'000s |
|-----------------------|----------------|----------------|
| Salaries and wages | 1,109 | 1,158 |
| Social security costs | 83 | 84 |
| Pension costs | 129 | — |
| | <u>1,321</u> | <u>1,242</u> |

The average number of employees, including Directors, was 50 (1993 - 52).

GUINNESS PUBLISHING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (Continued)

5 EMOLUMENTS OF DIRECTORS

The total emoluments paid by the Company to the Directors are as follows:

| | <u>1994</u> £000s | <u>1993</u> £000s |
|-------------------------------|----------------------|----------------------|
| Fees | 3 | 3 |
| Salaries and other emoluments | 165 | 208 |
| Pension benefits | <u>16</u> | <u>-</u> |
| | <u>184</u> | <u>211</u> |

The emoluments, paid by the Company, excluding pension scheme contributions, of the Chairman were £Nil (1993 £Nil) and those of the highest paid Director were £51,993 (1993 £71,285).

The numbers of Directors who received emoluments from the Company, excluding pension scheme contributions, within the following ranges were:

| | <u>Number of directors</u> <u>1994</u> | <u>1993</u> |
|-------------------|---|-------------|
| Nil - £5,000 | 4 | 5 |
| £5,001 - £10,000 | 1 | 1 |
| £15,001 - £20,000 | 1 | - |
| £35,001 - £40,000 | 1 | 1 |
| £40,001 - £45,000 | - | 1 |
| £45,001 - £50,000 | - | 1 |
| £50,001 - £55,000 | 2 | - |
| £70,001 - £75,000 | - | 1 |

In addition, another Group company paid compensation for loss of office to a Director of £40,924 and paid two Directors a total of £23,914 and the Company made payments of £73,172 (1993 - £71,617) to McWhirter Twins Ltd, a company controlled by a Director, for editorial and promotional services. Payments were made to the Chairman by another Group company of £93,336 (1993 £93,336). Payments were made by the Company, to Chapmans Publishers Ltd, a company of which the Chairman was a director, of £68,750.)

6 TAXATION

| | <u>1994</u> £000s | <u>1993</u> £000s |
|--|----------------------|----------------------|
| UK Corporation tax at 33% | 391 | 489 |
| Less relief for overseas taxation | <u>(58)</u> | <u>(96)</u> |
| | 333 | 393 |
| Adjustment to prior year corporation tax | (13) | (7) |
| Overseas taxation | 58 | 96 |
| Deferred taxation (Note 13) | <u>(19)</u> | <u>7</u> |
| | <u>359</u> | <u>489</u> |

GUINNESS PUBLISHING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (Continued)

7 DIVIDEND PAID

| | <u>1994</u> £000s | <u>1993</u> £000s |
|--|----------------------|----------------------|
| Dividend paid on 21 December 1994 (29 November 1993) | <u>346</u> | <u>1,000</u> |

8 TANGIBLE ASSETS

| | Exhibition structure & exhibits, fixtures & fittings | Plant & machinery, computer equipment | Motor vehicles | Total |
|------------------------|--|--|-------------------|--------------|
| | £000s | £000s | £000s | £000s |
| <u>Cost</u> | | | | |
| At 31 December 1993 | 1,521 | 1,020 | 111 | 2,652 |
| Additions | - | 51 | 14 | 65 |
| Disposals | - | (482) | (19) | (501) |
| | <u>1,521</u> | <u>589</u> | <u>106</u> | <u>2,216</u> |
| At 31 December 1994 | <u>1,521</u> | <u>589</u> | <u>106</u> | <u>2,216</u> |
| <u>Depreciation</u> | | | | |
| At 31 December 1993 | 1,521 | 760 | 36 | 2,317 |
| Charge for year | - | 136 | 26 | 162 |
| Disposals | - | (478) | (12) | (490) |
| | <u>1,521</u> | <u>418</u> | <u>50</u> | <u>1,989</u> |
| At 31 December 1994 | <u>1,521</u> | <u>418</u> | <u>50</u> | <u>1,989</u> |
| <u>Net book amount</u> | | | | |
| At 31 December 1994 | <u>-</u> | <u>171</u> | <u>56</u> | <u>227</u> |
| At 31 December 1993 | <u>-</u> | <u>260</u> | <u>75</u> | <u>335</u> |

9 STOCKS

| | <u>1994</u> £000s | <u>1993</u> £000s |
|-----------------------------------|----------------------|----------------------|
| Work in progress | 62 | 121 |
| Finished goods (books for resale) | <u>453</u> | <u>685</u> |
| | <u>515</u> | <u>806</u> |

GUINNESS PUBLISHING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (Continued)

10 DEBTORS

| | <u>1994</u> £000s | <u>1993</u> £000s |
|------------------------------------|----------------------|----------------------|
| Trade debtors | 1,879 | 2,092 |
| Amounts owed by group undertakings | 244 | 8 |
| Other debtors | 352 | 200 |
| Prepayments and accrued income | <u>240</u> | <u>197</u> |
| | <u>2,715</u> | <u>2,497</u> |

11 CREDITORS (amounts falling due within one year)

| | <u>1994</u> £000s | <u>1993</u> £000s |
|------------------------------------|----------------------|----------------------|
| Trade creditors | 595 | 558 |
| Amounts owed to group undertakings | 993 | 222 |
| Accruals and deferred income | 471 | 413 |
| Corporation tax | <u>178</u> | <u>879</u> |
| | <u>2,237</u> | <u>2,072</u> |

12 CREDITORS (amounts falling due after more than one year)

| | <u>1994</u> £000s | <u>1993</u> £000s |
|------------------------------------|----------------------|----------------------|
| Amounts owed to group undertakings | <u>968</u> | <u>1,939</u> |

13 DEFERRED TAXATION

The deferred tax liability at 31 December 1994 relates principally to accelerated capital allowances. Movements during the year are as follows:

| | <u>Provided For</u> £000s | <u>Not Provided For</u> £000s |
|------------------------------|----------------------------------|--|
| At 31 December 1993 | 27 | 14 |
| Charge/(credit) for the year | <u>(19)</u> | <u>(14)</u> |
| At 31 December 1994 | <u>8</u> | <u>-</u> |

GUINNESS PUBLISHING LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (Continued)

14 SHARE CAPITAL

The Company has 100 authorised, allotted and fully paid ordinary shares of £1 each.

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1994 £000s | 1993 £000s |
|---|---------------|---------------|
| Shareholders' funds at 31 December 1993 | 346 | 1,101 |
| Net addition/(reduction) to shareholders' funds | 344 | (755) |
| | <hr/> | <hr/> |
| Shareholders' funds at 31 December 1994 | 690 | 346 |
| | <hr/> | <hr/> |

16 PENSIONS

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

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 1992 by the actuary and particulars of the valuation are included in the accounts of Guinness PLC. Following the valuation, it was not expected that there would be a requirement to make contributions to the scheme before the date of the next valuation of the scheme in 1995. However, following an interim review of the funding position of the scheme, the Group recommenced contributions in 1994 and those attributable to the Company amounted to £129,000 (1993 £Nil).

17 FUTURE CAPITAL EXPENDITURE

At year end 1994 no capital expenditure was contracted for but not provided for in the accounts (1993 £15,000). At year end 1994 and 1993 no capital expenditure was authorised to be incurred but not contracted for.

18 PARENT COMPANY

The immediate and ultimate parent company and parent for the smallest group of undertakings of which the Company is a member and for which group accounts are prepared is Guinness PLC, a company incorporated in England. The accounts for this company, including Guinness Group consolidated accounts, may be obtained from the Company Secretary, Guinness PLC, 39 Portman Square, London, W1H 9HB.