

**GUINNESS OVERSEAS LIMITED**  
(Registered Number 778398)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1996**



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COMPANIES HOUSE 19/07/97

## **GUINNESS OVERSEAS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996**

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

#### **BOARD OF DIRECTORS**

The Directors of the Company who have held office during the year are:

D H C Hampshire  
N E Salmon  
M Wych

#### **SECRETARY**

M D Peters

On 1 June 1997 Mr MD Peters resigned as secretary and Mr P M Forster was appointed in his stead.

#### **REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES**

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

The Company's activities are primarily carried out through related companies, which are principally:

##### **Guinness Nigeria PLC**

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

##### **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 Special Light, 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 OVERSEAS LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

#### REVIEW OF THE BUSINESS (CONTINUED)

##### Guinness Ghana Limited

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

##### Guinness Cameroon SA

Operates a brewery in Douala and sells and distributes Guinness Foreign Extra Stout, Satzenbrau, Gold Harp, Guinness Shandy and Malta Guinness.

#### RESULTS AND TRANSFER FROM RESERVES

Profit for the financial year was £19,339,000 (1995 - £14,679,000) which, after dividends, resulted in a transfer to reserves of £13,947,000 (1995 : £4,884,000).

#### DIVIDENDS

An interim dividend of £5,392,000 has been paid during the year (1995 - £9,795,000). The directors do not recommend the payment of a final dividend.

#### FUTURE DEVELOPMENTS

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

#### DIRECTORS' INTERESTS

No Director had any interest in the shares of the Company or of any other group company with the exception of non-beneficial interests as nominee and the interests in the ordinary shares of Guinness PLC as set out below:

	At 31 December 1996		At 1 January 1996	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
<u>Ordinary shares of 25p each</u>				
D H C Hampshire	28,745	145,678	31,870	116,679
N E Salmon	10,131	86,876	12,674	74,608
M Wych	15,724	91,340	12,116	74,988

# GUINNESS OVERSEAS LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

### DIRECTORS' INTERESTS

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

	<u>Options granted during 1996</u>		<u>Options exercised during 1996</u>		
	<u>Number</u>	<u>Price, £</u>	<u>Number</u>	<u>Price, £</u>	<u>Market price at date of exercise £</u>
D H C Hampshire	19,783 ***9,216	£4.60 £4.72	Nil		
N E Salmon	12,268	£4.60	Nil		
M Wych	5,169 **13,007	£4.60 £4.76	*1,824	£4.11	4.545

\* 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.

\*\* These options were granted under the terms of the Employees Incentive Trust 1994.

\*\*\* These options were granted under the terms of the Long Term Incentive Plan 1996.

The options outstanding at 31 December 1996 are exercisable at varying dates between 1997 and 2006 at varying prices between 149.5p and 548.5p. The market price of shares as at 31 December 1996 was £4.57½ and the range during 1996 was £4.30 to £4.91.

Directors of subsidiaries of Guinness PLC are deemed to be interested as employees in shares held by an employee share trust, details of which are disclosed in the annual accounts of Guinness PLC.

The ultimate parent company purchases liability insurance covering the directors and officers of Guinness PLC and its subsidiaries.

## **GUINNESS OVERSEAS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors 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 and loss of the Company for that period. In preparing those financial statements 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 financial statements; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **STATEMENT ON SUPPLIER PAYMENTS**

The Company does not operate a standard code in respect of payments to suppliers. The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including terms of payment. It is Company policy that payments to suppliers are made in accordance with these terms.

#### **AUDITORS**

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

By Order of the Board



PM Forster  
Secretary

5 JUNE 1997

*Price Waterhouse*



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

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### Respective responsibilities of directors and auditors

As described on page 4 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 judgments 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 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  
London

*Price Waterhouse*

4 July 1997

# GUINNESS OVERSEAS LIMITED

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

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
<b>TURNOVER - CONTINUING OPERATIONS</b>	2	16,389	16,136
Net operating charges	3	<u>(12,261)</u>	<u>(7,728)</u>
<b>OPERATING PROFIT - CONTINUING OPERATIONS</b>		4,128	8,408
Income from shares in group undertakings		15,847	10,081
Income from shares in associated undertakings		1,326	(213)
Income from other fixed asset investments		24	60
Other interest receivable		<u>1,107</u>	<u>335</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	22,432	18,671
Taxation on profit on ordinary activities	5	<u>(3,093)</u>	<u>(3,992)</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		19,339	14,679
Dividends paid		<u>(5,392)</u>	<u>(9,795)</u>
<b>AMOUNT TRANSFERRED TO RESERVES</b>	11	<u>13,947</u>	<u>4,884</u>

Amounts transferred to reserves stated on a historical cost basis are not different from those shown above.

There have been no recognised gains or losses other than those in the profit and loss account.

Movements on reserves are shown in note 11 to the financial statements.

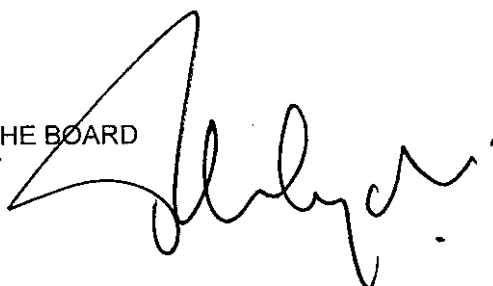
The notes on pages 8 to 14 form part of these financial statements.

# GUINNESS OVERSEAS LIMITED

## BALANCE SHEET AT 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £'000	<u>1995</u> £'000
<b>FIXED ASSETS</b>			
Investments	7	<u>25,001</u>	<u>17,539</u>
<b>CURRENT ASSETS</b>			
Debtors	8	22,082	21,967
Cash at bank and in hand		<u>6,675</u>	<u>615</u>
		<u>28,757</u>	<u>22,582</u>
<b>CREDITORS (amounts falling due within one year)</b>	9	<u>(34,419)</u>	<u>(34,729)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(5,662)</u>	<u>(12,147)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		19,339	5,392
		<u>=====</u>	<u>=====</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	-	-
Profit and loss account	11	<u>19,339</u>	<u>5,392</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	12	<u>19,339</u>	<u>5,392</u>
		<u>=====</u>	<u>=====</u>

APPROVED BY THE BOARD  
ON 5 JUNE 1997



DIRECTOR

The notes on pages 8 to 14 form part of these financial statements.



## **GUINNESS OVERSEAS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996**

#### **1 ACCOUNTING POLICIES**

##### **(1) Basis of accounting**

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

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary of Guinness Plc, which is incorporated in Great Britain, nor has a statement of cash flows been provided because the Guinness PLC 1996 annual report and accounts include such a statement.

##### **(2) Investment income**

In respect of subsidiary and associated undertakings, and other investments, only dividends declared payable during the financial year have been credited to the profit and loss account.

##### **(3) 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 8).

##### **(4) Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated 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 transactions in the normal course of trading are dealt with in the profit and loss account.

##### **(5) 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. Deferred taxation, on differences between the treatment of certain items for accounting and taxation purposes, is accounted for to the extent that a liability or an asset is expected to crystallise within the foreseeable future.

# GUINNESS OVERSEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 1 ACCOUNTING POLICIES (CONTINUED)

#### (6) Investments

Investments in subsidiary, associated and other undertakings are stated at cost less provision for diminution in value.

### 2 TURNOVER

Turnover represents amounts receivable in respect of TSF and royalties after writing back provisions for non-receipt of TSF and royalties in the amount of £146,000 (1995: £2,240,000 ). Turnover includes customs and excise duties where applicable but excludes value added and sales taxes.

The following table analyses turnover by customer location:

	<u>1996</u> £'000	<u>1995</u> £'000
Africa	4,725	6,122
Asia Pacific	9,787	8,479
Americas	<u>1,877</u>	<u>1,535</u>
	16,389	16,136

### 3 NET OPERATING CHARGES

	<u>1996</u> £'000	<u>1995</u> £'000
Other operating charges	12,159	6,888
Exchange movements	<u>102</u>	<u>840</u>
	12,261	7,728

Exchange movements in 1996 and 1995 principally represent the reduction of the company's investment in Nigeria following the devaluation of the Nigerian Naira.

# GUINNESS OVERSEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1996</u> £'000	<u>1995</u> £'000
Auditors' remuneration	<u>21</u>	<u>21</u>

### 5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> £'000	<u>1995</u> £'000
United Kingdom taxation		
Corporation tax for current year at 33% (1995 - 33%)	10,028	7,564
Double taxation relief	<u>(8,535)</u>	<u>(5,987)</u>
	1,493	1,577
Prior year adjustments	(141)	425
Overseas taxation	<u>1,741</u>	<u>1,990</u>
	3,093	3,992

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

### 6 STAFF COSTS, EMPLOYEES AND DIRECTORS

The Company has no direct employees. Staff costs are covered by a management charge from Guinness Brewing Worldwide Limited, a fellow subsidiary of Guinness PLC.

The directors received no emoluments in respect of their services to the Company.

# GUINNESS OVERSEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 7 INVESTMENTS

	Shares in group undertakings £'000	Shares in associated undertakings £'000	Other investments £'000	Total £'000
<b>Cost</b>				
Listed	-	7,601	-	7,601
Unlisted	<u>5,848</u>	<u>649</u>	<u>3,441</u>	<u>9,938</u>
At 31 December 1995	5,848	8,250	3,441	17,539
Additions:	5,830	1,740	-	7,570
Revaluation	-	-	(191)	(191)
Reclassification	2,427	(2,427)	-	-
Exchange adjustment	<u>-</u>	<u>-</u>	<u>83</u>	<u>83</u>
At 31 December 1996	<u>14,105</u>	<u>7,563</u>	<u>3,333</u>	<u>25,001</u>
	=====	=====	=====	=====
<b>Cost</b>	£'000	£'000	£'000	£'000
At 31 December 1996				
Listed	2,427	6,800	-	9,227
Unlisted	<u>11,678</u>	<u>763</u>	<u>3,333</u>	<u>15,774</u>
	14,105	7,563	3,333	25,001
	=====	=====	=====	=====

Additions to shares in group undertakings during the year are largely due to investment in Guinness Cameroon of £5,824,000.

During the year group ownership in Guinness Ghana Limited was increased from 38.69% to 60.02% and accordingly was reclassified from shares in associated undertakings to shares in group undertakings.

The market value of shares in associated undertakings listed on recognised stock exchanges outside Great Britain is £1,678,000 (1995 - £5,580,000).

The directors' valuation of shares in unlisted associated undertakings is £4,355,000 (1995 - £5,175,000) and the valuation of other investments is £3,328,000 (1995 - £3,439,000).

## GUINNESS OVERSEAS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

#### 7 INVESTMENTS (Continued)

The subsidiary and associated undertakings of the Company comprise the following:

	Percentage of share capital owned at 31 December 1996	Country of incorporation and principal country of operation
GAPL Pte Limited	49.99	Singapore
Guinness Australasia Pty Limited	100.00	Australia
Grenada Breweries Limited	55.54	Grenada
Guinness Canada Limited	51.00	Canada
Guinness (Caribbean) Limited	100.00	Trinidad & Tobago
Guinness Ghana Limited	60.02	Ghana
Guinness Italia Srl	98.00	Italy
Guinness GmbH	100.00	Germany
Guinness Liberia Incorporated	100.00	Liberia
Guinness Nigeria PLC *	30.30	Nigeria
Harp Marketing Company (Malaysia)		
Sendirian Berhad	100.00	Malaysia
Phoenix CI SARL	100.00	Ivory Coast
Seychelles Breweries Limited	30.00	Seychelles
Sierra Leone Brewery Limited	28.13	Sierra Leone
Guinness South Africa (Pty) Ltd	100.00	South Africa
Phoenix Gabon SARL	100.00	Gabon
Atalantaf Limited	100.00	Bermuda
Creative Support Services S.A.R.L.	100.00	Cameroon
Monrovia Breweries Ltd	7.50	Liberia
Guinness Cameroon	70.05	Cameroon

\* On 2 January 1997, 139,039,441 ordinary shares of 50 kobo were allotted to Guinness Overseas Limited in respect of a N426,871,000 irredeemable convertible loan stock converted into shares by Guinness Nigeria PLC. This transaction increased Guinness Overseas Limited's investment in Guinness Nigeria PLC to 52.7%. The carrying value of the irredeemable convertible loan stock at 31 December 1996 of £3,326,000 was included in other investments above.

All subsidiary and associated undertakings 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.

# GUINNESS OVERSEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 8 DEBTORS

	<u>1996</u> £'000	<u>1995</u> £'000
Trade debtors	1,715	1,403
Amounts owed by group undertakings	3,738	3,674
Amounts owed by group undertakings in which the company has a participating interest	365	320
Amounts owed by other group undertakings	15,940	16,448
Other debtors	<u>324</u>	<u>122</u>
	22,082	21,967
	=====	=====

Amounts owed by subsidiary and associated undertakings are stated net of provisions of £1,076,514 (1995 - £1,173,721) for non-receipt of TSF, royalties and dividends.

### 9 CREDITORS (amounts falling due within one year)

	<u>1996</u> £'000	<u>1995</u> £'000
Trade creditors	83	70
Amounts owed to parent undertaking	32,719	32,719
Corporation tax	-	1,940
Accruals and deferred income	<u>1,617</u>	<u>-</u>
	34,419	34,729
	=====	=====

### 10 CALLED UP SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

# GUINNESS OVERSEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (CONTINUED)

### 11 PROFIT AND LOSS ACCOUNT

	<u>Total</u> £'000
At 1 January 1996	5,392
Retained profit for the year	<u>13,947</u>
At 31 December 1996	19,339

### 12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £'000	<u>1995</u> £'000
Profit for the financial year	19,339	14,679
Dividends paid	<u>(5,392)</u>	<u>(9,795)</u>
Net increase/reduction in shareholders' funds	13,947	4,884
Opening shareholders' funds	<u>5,392</u>	<u>508</u>
Closing shareholders' funds	<u>19,339</u>	<u>5,392</u>

### 13 PARENT UNDERTAKING

The immediate parent undertaking is Guinness Overseas Holdings Limited and the ultimate parent undertaking is Guinness PLC. Guinness PLC is the parent undertaking of the smallest and largest group for which group accounts incorporating those of the Company are prepared. Copies of the 1996 annual report and accounts of Guinness PLC can be obtained from:

Guinness PLC  
39 Portman Square  
London  
W1H 0EE