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GUINNESS OVERSEAS LIMITED

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31st DECEMBER 1987



11/11/88

GUINNESS OVERSEAS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER 1987

Directors

Managing Director: J.D.S. Davies

Directors: P.T.J. Banner
J.F. Carson
A.H.B. Fairlie
J.R. Mainwood
N.E. Salmon O.B.E.

Company Secretary: M.D. Peters

The names of the Directors of the Company at 31st December 1987 are shown above. Mr. H.A. Nowell O.B.E. resigned on 31st March 1987. 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 Accounts of the Company for the year ended 31st December 1987.

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 Ltd.

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

Guinness Malaysia Berhad

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

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. and Equatorial Guinea and Guinness Shandy in the Republic of Cameroun only.

Guinness Ghana Limited

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

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Results and Transfer from Reserves

After Taxation and Extraordinary Items, the Profit attributable to Shareholders amounted to £4,434,000 which after dividends of £9,451,000 resulted in a transfer from reserves of £5,017,000.

Dividends

The Directors recommend the payment of a dividend of £9,451,000.

Research and Development

Research is carried out on the Company's behalf by fellow subsidiary companies into brewing and related technology.

Future Developments

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

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 set out below:-

	<u>As at 31st December 1987</u>	<u>As at 1st January 1987 or date of appointment</u>
	<u>Beneficial Interests</u>	<u>Beneficial Interests</u>
	<u>Stockholdings</u>	<u>Stockholdings</u>
	Ordinary Stock (25p Units)	Ordinary Stock (25p Units)
P.T.J. Banner	20,132	19,937
J.F. Carson	287	-
A.H.B. Fairlie	2,319	2,749
J.R. Mainwood	1,344	545
N.E. Salmon	191	-
	<u>Options</u>	<u>Options</u>
	Ordinary Shares (25p Units)	Ordinary Shares (25p Units)
P.T.J. Banner	17,562	17,562
J.F. Carson	31,530	31,530
J.D.S. Davies	66,117	37,897
A.H.B. Fairlie	23,330	23,330
J.R. Mainwood	11,942	5,677
N.E. Salmon	20,003	18,922

Political and Charitable Contributions

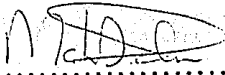
The Company made no charitable donations in the year.

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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



M.D. Peters
Secretary

23 March 1988

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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 the Company's affairs at 31 December 1987 and of the profit for the year 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
Southwark Towers
32 London Bridge Street
LONDON SE1 9SY

23 March 1988

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GUINNESS OVERSEAS LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 1987

	Notes	<u>12 Months</u> <u>to 31 Dec.</u> <u>1987</u> <u>£'000</u>	<u>15 Months</u> <u>to 31 Dec.</u> <u>1986</u> <u>£'000</u>
Turnover	2	6,210	9,562
Net Operating Costs	3	3,657	5,412
Operating Profit	2	2,553	4,150
Income from shares in group companies		2,569	3,077
Income from shares in related companies		108	51
Income from other fixed asset investments		54	23
Net Interest Receivable/(Payable)	4	5,284 16	7,301 (48)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,300	7,253
Taxation on profit on ordinary activities	5	1,012	2,377
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,288	4,876
Extraordinary income	6	146	-
PROFIT FOR THE PERIOD		4,434	4,876
DIVIDENDS PROPOSED		9,451	9,000
TRANSFER FROM RETAINED EARNINGS AT THE END OF THE YEAR	14	(5,017) =====	(4,124) =====

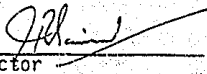
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GUINNESS OVERSEAS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1987

	Notes	<u>£'000</u>	<u>31 Dec.</u> <u>1987</u> <u>£'000</u>	<u>£'000</u>	<u>31 Dec.</u> <u>1986</u> <u>£'000</u>
<u>FIXED ASSETS</u>					
Investments	9		4,217		4,177
			<u>4,217</u>		<u>4,177</u>
<u>CURRENT ASSETS</u>					
Debtors	10	6,404		10,674	
Cash at bank and in hand		24		1	
		<u>6,428</u>		<u>10,675</u>	
CREDITORS (amounts falling due within one year)	11	10,124		9,614	
		<u>10,124</u>		<u>9,614</u>	
<u>NET CURRENT ASSETS</u>			(3,996)		1,061
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			<u>221</u>		<u>5,238</u>
			<u>221</u>		<u>5,238</u>
			=====		=====
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	13	-		-	
Profit and loss account	14	221		5,238	
		<u>221</u>		<u>5,238</u>	
			<u>221</u>		<u>5,238</u>
			=====		=====

Approved by the Board of Directors on 23rd March 1988 and signed on its behalf by:


 Director


 Director

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GUINNESS OVERSEAS LIMITED
NOTES TO THE ACCOUNTS
31 DECEMBER 1987

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

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

1.2 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 both contracted rates of exchange (where applicable) and 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 (TSF) 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 they are received. See Note 10.

1.5 Taxation

The charge for taxation is based on the profit for the year and takes into account the 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 relief if such taxation is not expected to be payable in the 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 £615,000 (1986 after crediting £2,684,000) (see Note 1.4) 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:

	1987 £000	1986 £000
United Kingdom	834	660
Republic of Ireland	98	600
Rest of Europe	93	304
Africa	1,600	4,092
Asia	2,254	3,108
Americas	936	796
Australasia	395	2
	<u>6,210</u>	<u>9,562</u>
	=====	=====

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

Class of Business	Operating Profit		Turnover	
	1987 £000	1986 £000	1987 £000	1986 £000
Technical Service Fees/ Royalties	1,764	2,952	4,745	7,260
Project Consultancy Fees	(33)	11	72	522
Miscellaneous Fees	822	1,187	1,393	1,780
	<u>2,553</u>	<u>4,150</u>	<u>6,210</u>	<u>9,562</u>
	=====	=====	=====	=====

3. NET OPERATING COSTS

	1987 £'000	1986 £'000
Staff costs (Note 7)	257	144
Other operating charges	3,579	5,419
Other operating income	(179)	(151)
	<u>3,657</u>	<u>5,412</u>
	=====	=====

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3. NET OPERATING COSTS (Continued)

Net operating costs are after taking account of:

	1987 £'000	1986 £'000
Research and development	-	-
Directors' emoluments (Note 8)	-	-
Auditors' remuneration	(2)	6
	(2)	6
	=====	=====

4. INTEREST

	1987 £'000	1986 £'000
- Receivable	16	4
- Payable	-	(52)
	16	(48)
	==	==

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1987 £'000	1986 £'000
United Kingdom		
Corporation tax for current year at 35% (1986 37.5%/35%)	2,652	4,269
Deduct double taxation relief	2,652	4,269
	-----	-----
Overseas tax	-	-
Deferred Taxation - United Kingdom	1,012	2,389
	-	(12)
	1,012	2,377
	=====	=====

Taxation on profit on ordinary activities is after taking into account the surrender of losses from other Group companies, in the amount of NIL (1986 £670,000) for which no payment will be required by the company.

Double taxation relief includes £2.7m (1986 £2.1m) relief from UK corporation tax suffered on the profits of overseas investments from which dividend income is derived.

6. EXTRAORDINARY ITEMS

	1987 £'000	1986 £'000
Receipt of proceeds of sale of shares in Guinness Ghana Ltd	146	-
	====	==

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STAFF COSTS AND EMPLOYEES7. Staff Costs

	1987 £'000	1986 £'000
Wages and salaries	265	135
Social security costs	5	9
Pension costs	(13)	-
	<u>257</u>	<u>143</u>
	=====	=====

8. DIRECTORS' EMOLUMENTS

The Directors received no emoluments from the Company or its subsidiaries.

9. INVESTMENTS

	Shares in Group Companies £'000	Shares in Related Companies £'000	Other Investments £'000	Total £'000
Net book value				
Listed	470	787	-	1,257
Unlisted	1,911	549	460	2,900
	<u>2,381</u>	<u>1,336</u>	<u>460</u>	<u>4,177</u>
At 31 December 1986				
Additions	35	-	7	42
Disposals	-	-	(2)	(2)
Net book value at 31 December 1987				
Listed	470	787	-	1,257
Unlisted	1,946	549	465	2,960
	<u>2,416</u>	<u>1,336</u>	<u>465</u>	<u>4,217</u>
	=====	=====	=====	=====

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

Shares in Group companies £64,851,000 (1986 £68,464,000)
 Shares in related Companies £6,885,000 (1986 £13,056,000)

Directors' valuation of unlisted related company shares £545,000
 (1986 £667,000)
 Directors' valuation of other investments £573,000
 (1986 £483,000)

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10. DEBTORS

	1987 £'000	1986 £'000
Trade debtors	706	440
Amounts owed by related companies	853	1,453
Amounts owed by subsidiaries	2,840	3,303
Amounts owed by Parent Company	1,923	5,394
Amounts owed by other Group Companies	-	11
Other debtors	18	68
Prepayments and accrued income	64	5
	<u>6,404</u>	<u>10,674</u>
	=====	=====

Amounts owed by related companies are net of provisions against non-remittance of £2,873,000 (1986 £2,669,000).

11. CREDITORS (amounts falling due within one year)

	1987 £'000	1986 £'000
Trade creditors	434	380
Amounts owed to subsidiaries	102	-
Amounts owed to other group companies	-	3
Dividends	9,451	9,000
Corporation taxation	62	28
Other creditors	221	203
Accruals and deferred income	154	-
	<u>10,424</u>	<u>9,614</u>
	=====	=====

12. DEFERRED TAXATION

No provision for deferred taxation is required at 31 December 1987. The notional full deferred tax balance calculated on the liability method amounts to £556,000 (1986 - Nil).

13. CALLED UP SHARE CAPITAL

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

14. RESERVES

Profit & Loss Account:	1987 £'000
At 1 January 1987	5,238
Transfers (from)/to retained earnings	(5,017)
	<u>221</u>
At 31 December 1987	=====

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15. CONTINGENT LIABILITIES

	1987 £'000	1986 £'000
Re Subsidiary Companies:		
Guarantees	3,879	4,119
Letters of Comfort	1,993	2,116
	<u>5,872</u>	<u>6,235</u>
	=====	=====

16. 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

17. 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
G.E.D. Australia Pty Ltd		Australia
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		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	(21.04%)	Sierra Leone

All subsidiary and related companies are engaged in brewing and/or marketing of beer and related products.

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