

**GUINNESS FINANCE PLC**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 1996**



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# GUINNESS FINANCE PLC

## REPORT OF THE DIRECTORS

### DIRECTORS

B H Donaghey (appointed 21 February 1997)  
N M Coyle (resigned 16 February 1996)  
S Galpert (appointed 19 May 1997)  
G W King  
M D Peters (appointed 16 February 1996)  
K J Plummer (resigned 21 February 1997)  
I Scott (resigned 19 May 1997)

### SECRETARY

A P McCarthy

### REGISTERED OFFICE

Distillers House  
33 Ellersly Road  
Edinburgh EH12 6JW

The Directors present their report and the audited financial statements for the thirteen months ended 31 December 1996.

### CHANGE OF ACCOUNTING REFERENCE DATE

The accounting reference date of the Company was changed from 30 November to 31 December in 1996. The current accounting period is therefore a thirteen month period.

### REVIEW OF THE BUSINESS

The Company acts as an investment company.

### RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 4. The profit for the period after tax was £2,053,000 (1995 - £2,006,000). A dividend of £2,006,000 was paid on 17th December 1996 (1995 -£2,321,000).

### DIRECTORS

The Directors of the Company who held office during the year are shown above.

### DIRECTORS' INTERESTS

No Director had a beneficial interest in the shares of the Company, any subsidiary undertaking or any subsidiary of the ultimate parent undertaking. The interests of the Directors in the Company's parent undertaking, Guinness PLC, were as follows:

	<u>At 31 December 1996</u>		<u>At 30 November 1995</u> <u>or date of appointment</u>	
	Options over		Options over	
	Ordinary	Ordinary	Ordinary	Ordinary
	shares	shares	shares	shares
G W King	8,297	77,544	7,232	61,443
K J Plummer	1,518	32,957	817	23,969
I Scott	18,281	158,683	18,223	139,295
M D Peters	5,470	26,906	4,637 *	23,421 *
* At date of appointment				

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' INTERESTS (Continued)

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

	<u>Options granted during 1996 or since date of appointment</u>		<u>Options exercised during 1996 or since date of appointment</u>	
	Number	Price £	Number	Price £
G W King	15000	4.60	-	-
	1,101 *	3.54	-	-
K J Plummer	8,988	4.60	-	-
I Scott	10,680	4.60	-	-
	8,708 +	0.001p	-	-
M D Peters	2,935	4.60	-	-
	550 *	3.54	-	-

The options outstanding at 31 December 1996 have been granted under Group employee share schemes (including the Executive Share Option Scheme and the Savings Related Share Option Scheme) and are exercisable at varying dates between 1997 and 2006 at varying prices between 127p and 548.5p.

\* These options were granted/exercised under the terms of the Savings Related Share Option Scheme.

+ These options were granted under the terms of The Long Term Incentive Plan 1996 and the remaining shares were granted/exercised under the terms of the Executive Share Option Scheme.

No contract or arrangement entered into by the Company in which any Director is interested has existed during the period.

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 as at the end of the financial year and of the profit or loss of the Company for the financial year.

The Directors consider that in preparing the financial statements on pages 4 to 8, 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 to be applicable have been followed. The Directors are also responsible for preparing financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

The Directors 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.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

AUDITORS

The Auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution concerning their reappointment will be submitted at the Annual General Meeting.

By Order of the Board

  
A P McCarthy

Secretary

15th July 1997

**AUDITORS' REPORT TO THE MEMBERS OF GUINNESS FINANCE PLC**

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2 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.

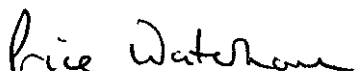
**BASIS OF OPINION**

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 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 thirteen months then ended and have been properly prepared in accordance with the Companies Act 1985.



**Price Waterhouse  
Chartered Accountants  
and Registered Auditors**

**Southwark Towers  
32 London Bridge Street  
London SE1 9SY**

**15th July 1997**

**GUINNESS FINANCE PLC**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 1996**

	Notes	Continuing Operations 13 months to 31 December 1996 £'000	Continuing Operations 12 months to 30 November 1995 £'000
Net interest receivable	2	3,182	2,941
Net exchange (loss)/gain		(141)	53
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>3,041</b>	<b>2,994</b>
Taxation	3	(988)	(988)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>2,053</b>	<b>2,006</b>
Dividend on Ordinary shares		(2,006)	(2,321)
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		<b>47</b>	<b>(315)</b>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

There were no material differences between the results as disclosed in the profit and loss account for 1996 and 1995 and the results for those years on an historical cost basis.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

There were no recognised gains or losses other than those reflected in the above profit and loss account.

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 DECEMBER 1996**

	1996 £'000	1995 £'000
Profit for the period attributable to shareholders	2,053	2,006
Dividends	(2,006)	(2,321)
Net increase/(decrease) in shareholders' funds	47	(315)
Shareholders' funds at start of year	2,106	2,421
<b>Shareholders' funds at end of year</b>	<b>2,153</b>	<b>2,106</b>

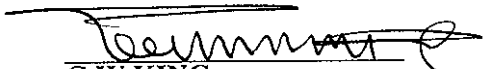
The notes on pages 6 to 8 form part of these accounts.

**GUINNESS FINANCE PLC**

**BALANCE SHEET AS AT 31 DECEMBER 1996**

	Notes	31 December 1996 £'000	30 November 1995 £'000
<b>FIXED ASSET INVESTMENTS</b>			
Long term loans to parent undertaking	4	-	72,645
Other investments	5	10	10
		<u>10</u>	<u>72,655</u>
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		7,274	105
Other debtors	6	1,066,813	1,338,068
		<u>1,074,087</u>	<u>1,338,173</u>
<b>CREDITORS</b> amounts payable within one year	7	(1,071,944)	(1,336,077)
		<u>(1,071,944)</u>	<u>(1,336,077)</u>
<b>NET CURRENT ASSET</b>		2,143	2,096
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,153	74,751
<b>CREDITORS</b> amounts falling due after more than one year		-	(72,645)
<b>TOTAL NET ASSETS</b>		<u><u>2,153</u></u>	<u><u>2,106</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	100	100
Profit and loss account	10	2,053	2,006
		<u><u>2,153</u></u>	<u><u>2,106</u></u>

The notes on pages 6 to 8 form part of these financial statements.

  
G W KING  
Director

Approved by the Board of Directors on 15th July 1997

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

- 1.1 The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- 1.2 Exchange differences arising in the normal course of business and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.

Compliance with SSAP 20 "Foreign Currency Translation" requires departure from the requirements of Companies Act 1985 by requiring the inclusion of unrealised exchange gains on long term monetary items in the profit and loss account. An explanation of the departure is given below.

Assets and liabilities expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of foreign currency loans are recognised in the profit and loss account.

In accordance with SSAP 20, unrealised gains on the translation of long term monetary items are credited to the profit and loss account. This is a departure from the requirement of the Companies Act 1985 which only allows profits realised at the balance sheet date to be included in the profit and loss account. Such exchange gains would therefore under the Act have to be taken to reserves as they are unrealised. In the opinion of the directors this departure is necessary for the accounts to show a true and fair view in accordance with applicable accounting standards. If this departure from the Act had not been made, the retained profit at 31 December 1996 would be been reduced by £nil (1995 - £4,639,000).

- 1.3 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.

## 2. INTEREST

	13 months to 31 December 1996 £'000	12 months to 30 November 1995 £'000
<b>Interest receivable</b>		
- from parent undertaking	8,134	93,425
- from fellow subsidiary undertaking	2,469	16
- other	94	171
	<u>10,697</u>	<u>93,612</u>
<b>Interest payable</b>		
- to parent undertaking	(10)	-
- to fellow subsidiary undertaking	(7,505)	(90,670)
- other	-	(1)
	<u>(7,515)</u>	<u>(90,671)</u>
Net interest receivable	<u>3,182</u>	<u>2,941</u>

## 3. TAXATION

	13 months to 31 December 1996 £'000	12 months to 30 November 1995 £'000
United Kingdom corporation tax at 33% (1995 - 33%)	1,005	1,731
Prior year	(17)	-
	<u>988</u>	<u>1,731</u>
Deferred tax	-	(743)
	<u>988</u>	<u>988</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. LONG TERM LOANS TO PARENT UNDERTAKING

	31 December 1996 £'000	30 November 1995 £'000
At 1 December 1995	72,645	348,768
Transferred to current assets	(64,977)	(280,762)
Exchange movements	(7,668)	4,639
At 31 December 1996	<u>-</u>	<u>72,645</u>

5. OTHER INVESTMENTS

Other investments at 31 December 1996 comprises £10,000 (1995 - £10,000) nominal of 6 percent Treasury Stock 1999. At 31 December 1996 the market value was £10,000 (1995 - £9,000).

6. OTHER DEBTORS

	31 December 1996 £'000	30 November 1995 £'000
Amounts due from parent undertaking	1,052,647	1,309,356
Accrued interest receivable from parent undertaking	1,665	27,993
Amounts due from fellow subsidiary undertakings	12,501	719
	<u>1,066,813</u>	<u>1,338,068</u>

7. CREDITORS: amounts falling due within one year

	31 December 1996 £'000	30 November 1995 £'000
Corporation tax	910	1,732
Amounts due to fellow subsidiary undertakings	1,069,369	1,306,352
Accrued interest payable to fellow subsidiary undertakings	1,665	27,993
	<u>1,071,944</u>	<u>1,336,077</u>

8. CALLED UP SHARE CAPITAL

	31 December 1996 £'000	30 November 1995 £'000
Authorised, issued and fully paid: 100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. DIRECTORS AND EMPLOYEES

None of the Directors received any emoluments from the Company in respect of their services to the Company (1995 - £nil). There are no employees of the Company.

# GUINNESS FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.	<b>PROFIT AND LOSS ACCOUNT</b>	<b>£'000</b>
	At 1 December 1995	2,006
	Retained profit for the year	47
	31 December 1996	<u><u>2,053</u></u>

## 11. PARENT UNDERTAKING

The immediate and ultimate parent undertaking is Guinness PLC, which is registered in England. The ultimate parent undertaking is the only company in the Group preparing consolidated financial statements and copies can be obtained from The Company Secretary, Guinness PLC, 39 Portman Square, London W1H 0EE.