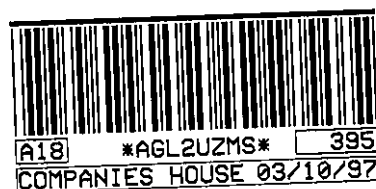


KORK-N-SEAL LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1996



KORK-N-SEAL LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

N J Cornick
N M Coyle (resigned 19 February 1996)
G W King
M D Peters (appointed 19 February 1996)

SECRETARY

B K O'Connor

REGISTERED OFFICE

39 Portman Square
London
W1H 0EE

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

RESULTS

The loss for the year amounted to £56,000 (1995 - loss £229,000) which has been transferred from reserves.

DIVIDENDS

The Directors do not recommend the payment of a dividend (1995 - £nil.)

REVIEW OF THE BUSINESS

The Company acted as a property management company during the year.

DIRECTORS

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

DIRECTORS' INTERESTS

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

| | <u>At 31 December 1996</u> | | <u>At 1 January 1996 or date of appointment</u> | |
|-------------|----------------------------|------------------------------------|---|------------------------------------|
| | Ordinary shares | Options over Ordinary shares | Ordinary shares | Options over Ordinary shares |
| N J Cornick | 3,263 | 25,363 | 2,702 | 20,321 |
| M D Peters | 5,470 | 26,906 | 4,637 * | 23,421 * |
| G W King | 8,297 | 77,544 | 7,232 | 61,443 |

* At date of appointment

KORK-N-SEAL LIMITED

REPORT OF THE DIRECTORS

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 £ |
| N J Cornick | 3,873 | 4.60 | - | - |
| | 1,169 * | 3.54 | - | - |
| M D Peters | 2,935 | 4.60 | - | - |
| | 550 * | 3.54 | - | - |
| G W King | 15,000 | 4.60 | - | - |
| | 1,101 * | 3.54 | - | - |

* 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.

The options outstanding at 31 December 1996 have been granted under Group employee share participation 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 149.5p and 548.5p.

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

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 5 to 9, 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 ultimate parent company, Guinness PLC, purchases liability insurance covering the Directors and officers of the Company and its subsidiaries.

KORK-N-SEAL LIMITED

REPORT OF THE DIRECTORS

AUDITORS

An Elective Resolution was previously passed in accordance with Section 386 of the Companies Act 1985 to dispense with the annual appointment of auditors. Price Waterhouse will continue in office until this election is revoked.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'Bernadette O'Connor', written in a cursive style.

B K O'Connor
Secretary

7 April 1997

KORK-N-SEAL LIMITED

AUDITORS' REPORT TO THE MEMBERS OF KORK-N-SEAL LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and the accounting policies set out on page 7.

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.

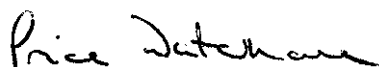
BASIS OF OPINION

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 loss for the year 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**

7 April 1997

KORK-N-SEAL LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 1996**

| | Notes | Continuing Operations 1996 £'000 | Continuing Operations 1995 £'000 |
|--|-------|---|---|
| Operating costs | 3 | (56) | (129) |
| OPERATING LOSS | | <u>(56)</u> | <u>(129)</u> |
| Loss on disposal of land and buildings | | - | (100) |
| RETAINED LOSS FOR THE YEAR | 8 | <u><u>(56)</u></u> | <u><u>(229)</u></u> |

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.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between the reported loss for 1996 and 1995 and the loss for those years restated on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | | |
|--|-----------------------|-----------------------|
| <i>For the year ended 31 December 1996</i> | 1996 £'000 | 1995 £'000 |
| Loss for the financial year attributable to shareholders | (56) | (229) |
| Net decrease in shareholders' funds | <u>(56)</u> | <u>(229)</u> |
| Shareholders' funds at start of year | (6,666) | (6,437) |
| Shareholders' funds at end of year | <u><u>(6,722)</u></u> | <u><u>(6,666)</u></u> |

The notes on pages 7 to 9 form part of these accounts.

KORK-N-SEAL LIMITED**BALANCE SHEET AS AT 31 DECEMBER 1996**

| | Notes | 1996 £'000 | 1995 £'000 |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 4 | 447 | 447 |
| CURRENT ASSETS | | | |
| Debtors | 5 | 1,403 | 1,365 |
| CREDITORS (amounts falling due within one year) | 6 | (8,572) | (8,478) |
| NET CURRENT LIABILITIES | | <u>(7,169)</u> | <u>(7,113)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(6,722)</u> | <u>(6,666)</u> |
| SHARE CAPITAL AND RESERVES | | | |
| Called up share capital | 7 | 158 | 158 |
| Profit and loss account | 8 | (6,880) | (6,824) |
| TOTAL EQUITY | | <u>(6,722)</u> | <u>(6,666)</u> |

The notes on pages 7 to 9 form part of these accounts.



G W King
Director

Approved by the Board on 7 April 1997

KORK-N-SEAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

1.2 Fixed Assets

Freehold land and buildings are stated at valuation. No provision has been made for depreciation of freehold land and buildings during the year (1995 - £nil).

1.3 Deferred Taxation

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. DIRECTORS AND EMPLOYEES

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

3. OPERATING COSTS

| | 1996 £'000 | 1995 £'000 |
|-------------------------|---------------|---------------|
| Administrative expenses | (56) | (135) |
| Other operating income | - | 6 |
| Operating costs | <u>(56)</u> | <u>(129)</u> |

4. TANGIBLE ASSETS

Freehold land and buildings

| | 1996 £'000 |
|-----------------------|---------------|
| Valuation | |
| At 1 January | 447 |
| Disposals | - |
| At 31 December | <u>447</u> |
| Depreciation | |
| At 1 January | - |
| Disposals | - |
| At 31 December | <u>-</u> |
| Net Book Value | |
| At 31 December 1996 | <u>447</u> |
| At 31 December 1995 | <u>447</u> |

KORK-N-SEAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. TANGIBLE ASSETS (continued)

Land and buildings included at valuation would have been included on a historical basis at:-

| | 1996 £'000 | 1995 £'000 |
|-----------------------|---------------|---------------|
| Cost | | |
| At 1 January | 1,278 | 6,730 |
| Disposal | - | (5,452) |
| At 31 December | <u>1,278</u> | <u>1,278</u> |
| Depreciation | | |
| At 1 January | - | - |
| Disposals | - | - |
| At 31 December | <u>-</u> | <u>-</u> |
| Net Book Value | | |
| At 31 December | <u>1,278</u> | <u>1,278</u> |

5. DEBTORS

Amount recoverable within one year:

| | | |
|---|--------------|--------------|
| Due from immediate parent undertaking | 158 | 158 |
| Due from fellow subsidiaries undertakings | 1,245 | 1,207 |
| | <u>1,403</u> | <u>1,365</u> |

6. CREDITORS (amounts falling due within one year)

| | 1996 £'000 | 1995 £'000 |
|---|---------------|---------------|
| Amounts owed to ultimate parent undertaking | 579 | 490 |
| Amounts owed to fellow subsidiary undertaking | 7,964 | 7,964 |
| Accruals and deferred income | 29 | 24 |
| | <u>8,572</u> | <u>8,478</u> |

7. SHARE CAPITAL

| | 1996 £'000 | 1995 £'000 |
|---------------------------------------|---------------|---------------|
| Authorised: | | |
| 1,000,000 Ordinary shares of 25p each | <u>250</u> | <u>250</u> |
| Issued and fully paid: | | |
| 632,232 Ordinary shares of 25p each | <u>158</u> | <u>158</u> |

KORK-N-SEAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. RESERVES

Profit
and loss
account
£'000

At 1 January 1996

(6,824)

Retained loss for the year

(56)

At 31 December 1996

(6,880)

9. PARENT UNDERTAKING

The immediate parent undertaking is United Glass Holdings Limited and the ultimate parent undertaking is Guinness PLC. Both companies are registered in England.

The ultimate parent undertaking is the only company in the Group preparing consolidated accounts and copies can be obtained from The Company Secretary, 39 Portman Square, London W1H 0EE.

Audit fees of this company were paid by the parent company.

10. FINANCIAL SUPPORT

The Company's ultimate parent company has indicated its willingness to continue to support the Company financially.