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ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

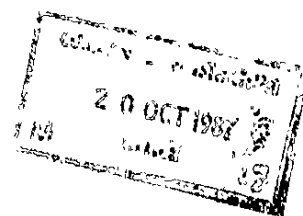
ANNUAL REPORT AND ACCOUNTS

15 MONTHS ENDED 31ST DECEMBER 1986

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ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

REPORT OF THE DIRECTORS FOR THE 15 MONTHS ENDED

31ST DECEMBER 1986

DIRECTORS

Chairman	E. W. Saunders
Non Executive Vice Chairman	C. E. Guinness
Managing Director	P. W. Lipscomb
Directors	S. C. Challoner
	M. R. Hatfield (Non-Executive)
	G. A. C. Luddington
	C. A. Storm (Non-Executive)
	M. Wych

The names of the Directors of the company at 31st December 1986 are shown above. Mr. S.C. Challoner was appointed a Director on 30th April 1986. Mr. J.L. Wilkinson resigned as a Director on 4th July 1986. Mr. B. Mair resigned as a Director on 31st December 1986. Mr. E.W. Saunders resigned as a Director and Chairman on 20th January 1987. Mr. C.E. Guinness resigned on 23rd January 1987 and Mr. S.C. Challoner resigned on 31st March 1987. Mr. J.M. Pullen was appointed a Director on 1st January 1987 and W.H.M. Bailie appointed a Director on 1st April 1987. Mr. G.A.C. Luddington became a non executive Director on 31st March 1987.

REGISTERED OFFICE

Park Royal Brewery, London NW10 7RR

The Directors present their report and the audited accounts of the company for the fifteen months ended 31st December 1986. The accounting period has been changed to the period ending 31st December from the period ending 30th Septmeber.

REVIEW OF THE BUSINESS

The company continues to produce, distribute and market Guinness Stout in Great Britain. Sales of Draught Guinness continued to grow, as a result of marketing initiatives. Kaliber, a non-alcoholic lager, was launched with good results to date.

Operating margins and employee productivity increased in the period.

RESULTS AND DIVIDEND	1986 £'000	1985 £'000
The profit for the period after taxation is	13,446	8,157

After the first interim dividend of £132,690 paid on 31st March 1986 and the second interim dividend of £20,000,000 paid on 19th May 1986, a final dividend of £1,000,000 is proposed for payment on 22nd May 1987.

RESULTS AND DIVIDEND (Cont'd)

The balance of unappropriated reserves to be carried forward amounts to	<u>23,462</u>	<u>31,149</u>
Unrealised surpluses not available for distribution and included in the above balance of unappropriated reserves amounts to	<u>17,578</u>	<u>18,235</u>

FIXED ASSETS

The company sold its investment in Dunn & Moore (Sales) Ltd to GMI (Overseas) Ltd, and the production site at Runcorn was transferred at net book value to Guinness Exports Ltd., both being fellow subsidiaries.

Details of tangible asset additions are shown in note 10 to the accounts.

RESEARCH AND DEVELOPMENT

The company will continue to research new production methods, the acceptability of its products, and the appropriateness of its image and advertising.

FUTURE DEVELOPMENTS

The company will continue to seek ways in which it can modernise its plant and operating methods in order to maximise profitability and ensure the continued output of quality products.

EMPLOYMENT OF DISABLED PERSONS

The company endeavours to employ disabled persons where the requirements of the job are such that the duties can be effectively performed by a handicapped or disabled person. If existing employees become disabled, every endeavour is made to continue their employment, provided there are duties which they are still able to perform. Suitable training is given in such cases.

EMPLOYEE PARTICIPATION

The company is committed to a policy of the continuing development of effective means of communication, consultation and involvement. The company consults employees and their representative bodies on decisions which are likely to affect them, and encourages the involvement of employees in the financial performance of the company through a profit sharing scheme and SAYE stock option schemes in Guinness PLC. Communication is achieved through the availability to employees of the Guinness PLC annual report and accounts, interim statements, company newspapers, circulation of Brewery Council minutes and departmental briefings.

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:-

DIRECTORS INTERESTS (Continued)


As at 31st December 1986 or date of appointment		As at 1st October 1985 or date of appointment	
Beneficial Interests		Beneficial Interests	
Stockholdings		Stockholdings	
Ordinary Stock (25p Units)		Ordinary Stock (25p Units)	
M.R. Hatfield	25040		4920
G.A.C. Luddington	985		-
C.A. Storm	1463		666
B. Mair	-		2000
J.L. Wilkinson	-		1333
Options		Options	
Ordinary Shares (25p Units)		Ordinary Shares (25p Units)	
S.C. Challoner	17137		-
M.R. Hatfield	4062		43682
P.W. Lipscomb	61690		17715
G.A.C. Luddington	53661		33661
C.A. Storm	38128		18383
M. Wych	30530		12990
B. Mair	-		31776
J.L. Wilkinson	-		31130

The interests of Mr. E.W. Saunders and Mr. C.E. Guinness, who are Directors of Guinness PLC, are shown in the report of that company.

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


.....
S.J. Griffiths
Acting Secretary

.....
16th April 1987

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED
PROFIT AND LOSS ACCOUNT FOR THE FIFTEEN MONTHS ENDED
31ST DECEMBER 1986

		<u>15 MONTHS</u> <u>ENDED</u> <u>31ST DECEMBER</u> <u>1986</u> <u>£'000</u>	<u>12 MONTHS</u> <u>ENDED</u> <u>30TH SEPTEMBER</u> <u>1985</u> <u>£'000</u>
	<u>Notes</u>		
Turnover	2	209,204	145,948
Net operating charges	3	<u>197,758</u>	<u>139,023</u>
OPERATING PROFIT		11,446	6,925
Income from shares in group companies		1,250	1,525
Income from shares in related companies		-	190
Interest (payable)/receivable	4	<u>(24)</u>	<u>21</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		12,672	8,661
Tax on profit on ordinary activities	5	774	(504)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		13,446	8,157
Extraordinary Items	6	-	6,848
PROFIT FOR THE FINANCIAL PERIOD		13,446	15,005
Dividends	9	<u>(21,133)</u>	<u>(8,833)</u>
AMOUNT TRANSFERRED (FROM)/TO RESERVES	21	<u>(7,687)</u>	<u>6,172</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1986

		<u>AS AT 31ST DECEMBER 1986</u>		<u>AS AT 30TH SEPTEMBER 1985</u>	
	<u>Notes</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FIXED ASSETS					
Tangible assets	10		57,004		48,378
Investments	11		280		498
			<u>57,284</u>		<u>48,876</u>
CURRENT ASSETS					
Stocks	13	6,334		6,859	
Debtors	14	21,432		17,139	
Cash at bank and in hand		6		8	
		<u>27,772</u>		<u>24,006</u>	
CREDITORS (amounts falling due within one year)	15	<u>(53,911)</u>		<u>(32,843)</u>	
NET CURRENT LIABILITIES			<u>(26,139)</u>		<u>(8,837)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			31,145		40,039
CREDITORS (amounts falling due after more than one year)	16		(716)		(718)
PROVISION FOR LIABILITIES AND CHARGES	18		(867)		(2,072)
			<u>29,562</u>		<u>37,249</u>
CAPITAL AND RESERVES					
Called up share capital	20		6,100		6,100
Revaluation reserve	21		17,578		18,235
Profit and loss account	21		5,884		12,914
			<u>29,562</u>		<u>37,249</u>

Approved by the Board of Directors

on 16th April 1987

.....
Director

.....
Director

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

SOURCE AND APPLICATION OF FUNDS FOR THE FIFTEEN

MONTHS ENDED 31ST DECEMBER 1986

	<u>15 months ended</u> <u>31st December 1986</u>		<u>12 months ended</u> <u>30th September 1985</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
FLOW OF FUNDS FROM OPERATIONS				
Profit on ordinary activities before taxation		12,672		8,661
Adjustments for items not involving the movement of funds:				
Depreciation		5,335		3,560
Provision for liabilities and charges		(1,205)		(638)
Loss on disposal of tangible assets		866		379
FUNDS GENERATED BY OPERATIONS		<u>17,668</u>		<u>11,962</u>
FUNDS FROM OTHER SOURCES				
Disposal of investments		218		15,897
Proceeds from disposal of tangible assets		1,714		449
		<u>19,600</u>		<u>28,308</u>
APPLICATIONS				
Additions to tangible assets	(16,541)		(11,039)	
Taxation paid	(2)		(506)	
Dividends paid	(28,833)		(4,133)	
Repayment of loan from holding company	-		(10,865)	
(Decrease)/increase in finance lease obligations and other creditors due after more than one year	<u>(165)</u>		<u>718</u>	
		<u>(45,541)</u>		<u>(25,825)</u>
DECREASE/(INCREASE) IN WORKING CAPITAL		<u>(25,941)</u>		<u>2,483</u>
Stocks	525		773	
Debtors	(4,293)		(573)	
Creditors (excluding taxation)	<u>25,295</u>		<u>(2,100)</u>	
		<u>21,527</u>		<u>(1,900)</u>
		<u>(4,414)</u>		<u>583</u>
(DECREASE)/INCREASE IN NET LIQUID FUNDS				
Cash at bank and in hand		(2)		(15)
Short term bank overdraft		<u>(4,412)</u>		<u>598</u>
		<u>(4,414)</u>		<u>583</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention modified to include the revaluation of land and buildings.

Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of another company incorporated in the United Kingdom.

1.2 Depreciation

Tangible assets (other than land) are depreciated in equal annual instalments at rates calculated to write off their cost or valuation over the term of their estimated useful lives. Details of depreciation rates are given in note 10.

1.3 Government grants

The cost of tangible assets is stated after allowing for any government grants receivable.

1.4 Leased assets

Assets acquired under finance leases, comprising vehicles, casks and computer equipment, are capitalised. The annual costs in respect of other equipment leases are charged to the profit and loss account and disclosed under the heading of "hire of plant and machinery".

1.5 Stocks

Valuation of stock is at the lower of cost and net realisable value. Cost includes raw materials, excise duty and the appropriate proportion of labour costs, production and other overheads.

1.6 Research and development expenditure

All such expenditure is written off to profit and loss account as incurred.

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

1.7 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. However, no provision is made for taxation deferred by reliefs, principally accelerated taxation allowances on capital expenditure, if such taxation is not expected to be payable in the future.

2. TURNOVER

Turnover represents the net amounts receivable including duties where applicable but excluding value added tax. The company is engaged in only one category of business, that of brewing and all the sales are in the United Kingdom.

The turnover includes £6,659,000 (1985 - £4,816,000) sales to another wholly owned fellow subsidiary.

3. NET OPERATING CHARGES

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Change in stocks of finished goods and work in progress	680	388
Own work capitalised	(357)	(274)
Raw materials and consumables	63,045	44,082
Other external charges	65,843	48,188
Staff costs (note 7) including Directors emoluments (note 8)	23,016	17,461
Depreciation on owned assets	5,142	3,473
Depreciation on assets subject to finance leases	193	87
Severance costs	-	820
Other operating charges	47,844	30,646
Other operating income	(7,648)	(5,848)
	<u>197,758</u>	<u>139,023</u>

Net operating charges include the following:

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Hire of plant and machinery	158	190
Other operating leases	56	70
Auditors' remuneration	37	37

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

4. INTEREST (PAYABLE)/RECEIVABLE

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Finance leases	(50)	(22)
Interest receivable	26	43
	<u>(24)</u>	<u>21</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
United Kingdom corporation tax for current year at 37% (1985 - 42½%)	(163)	(57)
Prior years adjustment	937	(447)
	<u>774</u>	<u>(504)</u>

The low effective rate of taxation arises from losses surrendered from other group companies without payment, and the tax charge has been reduced by £495,000 (1985 - £630,000) as a result of accelerated capital allowances.

6. EXTRAORDINARY ITEMS

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Profit on disposal of investment in Taunton Cider Company Limited	-	6659
Loss on disposal of investment in Champlain Protex Limited	-	(141)
Realisation of shares in R.S. Watling & Sons Limited	-	330
	<u>-</u>	<u>6848</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

7. STAFF COSTS AND EMPLOYEES

(a) Staff Costs

	<u>1986</u>	<u>1985</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	17,902	13,698
Social security costs	1,304	879
Pension costs	3,810	2,884
	<u>23,016</u>	<u>17,461</u>

(b) Average number of employees

	<u>Number</u>	<u>Number</u>
Brewing in the United Kingdom	<u>1,110</u>	<u>1,167</u>

(c) Emoluments of senior employees in the United Kingdom

Annualised emoluments (excluding pension scheme contributions) of senior employees based in the United Kingdom and earning in excess of £30,000 per annum are shown in the following table:-

	<u>1986</u>	<u>1985</u>
£45,001 - £50,000	-	1
£40,001 - £45,000	1	1
£35,001 - £40,000	4	2
£30,001 - £35,000	5	10

8. DIRECTORS' EMOLUMENTS

	<u>1986</u>	<u>1985</u>
	<u>£'000</u>	<u>£'000</u>
Salaries and pension scheme contributions	426	266
Compensation for loss of office	27	-
	<u>453</u>	<u>266</u>

Emoluments (excluding pension scheme contributions) of:

	<u>1986</u>	<u>1985</u>
	<u>£'000</u>	<u>£'000</u>
Chairman	-	-
Highest paid Director	77	51

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

8. DIRECTOR'S EMOLUMENTS (Continued)

Other Directors:-

	<u>1986</u> <u>Number</u>	<u>1985</u> <u>Number</u>
£70,001 - £75,000	1	-
£60,001 - £65,000	2	-
£55,001 - £60,000	1	-
£40,001 - £45,000	1	2
£35,001 - £40,000	-	1
£25,001 - £30,000	-	1
£10,001 - £15,000	-	1
nil - £ 5,000	3	2

9. DIVIDENDS

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
1st interim dividend paid	133	133
2nd interim dividend paid	20,000	-
Final dividend proposed	1,000	8,700
	<u>21,133</u>	<u>8,833</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

10. TANGIBLE ASSETS

(a) Cost or valuation at
1st October 1985

Additions

Transfers from group
companies

Transfers to group
companies

Disposals

Cost or valuation at
31st December 1986

Accumulated depreciation
at 1st October 1985

Provision for the year

Depreciation provided on
transfers from group
companies

Depreciation provided on
transfers to group
companies

Disposals

At 31st December 1986

Net book amount at
31st December 1986

Net book amount at
30th September 1985

Land and Buildings	Plant and machinery	Casks and road vehicles	Total
£'000	£'000	£'000	£'000
26,466	33,668	14,306	74,440
282	7,012	9,233	16,527
-	5	23	28
(1,055)	(1,013)	14	(2,054)
(11)	(551)	(3,576)	(4,138)
25,682	39,121	20,000	84,803
1,338	16,186	8,538	26,062
516	3,623	1,196	5,335
-	3	11	14
(83)	(771)	16	(838)
(7)	(367)	(2,400)	(2,774)
1,764	18,674	7,361	27,799
23,918	20,447	12,639	57,004
25,128	17,482	5,768	48,378

(b) Land and buildings - the net book amount includes the following:-

	1986 £'000	1985 £'000
Freehold	23,899	24,134
Long leasehold (over 50 years unexpired)	12	986
Short leasehold (under 50 years unexpired)	7	8
	<u>23,918</u>	<u>25,128</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

10. TANGIBLE ASSETS (Continued)

- c) Land and buildings - the amount shown at cost or valuation includes the following:-

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
At cost	2,230	1,948
At valuation 1982 or prior	23,452	24,518
	<u>25,682</u>	<u>26,466</u>

- d) Land and buildings included at cost or valuation would have been included on an historical cost basis at:-

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Cost	6,891	7,648
Depreciation	2,400	2,603
	<u>4,491</u>	<u>5,045</u>

- e) Included in the cost of tangible assets are the following amounts in respect of assets under construction:-

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Land and buildings	-	1,828
Plant and machinery	1,230	4,731
Casks and road vehicles	11	105
	<u>1,241</u>	<u>6,664</u>

- f) Included in the net book value of tangible assets are the following amounts in respect of assets under finance leases:-

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
i) Plant and machinery		
Gross Amount	804	599
less accumulated depreciation	(226)	(59)
	<u>578</u>	<u>540</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

10. TANGIBLE ASSETS (Continued)

ii) Casks and road vehicles

Gross Amount

less accumulated depreciation

468

(54)

414

468

(28)

440

(g) The following table shows the principal rates of depreciation used in the year:-

Buildings:

Freehold and long leasehold

Short leasehold

2.5%, 2.66%, 3.03%, 5%
over term of lease

Plant and machinery:

Brewing and racking plant

Containers

5%, 6.67%, 10%, 12.5%, 20%
5%

Casks and road vehicles:

Distribution vehicles

Motor cars

Casks

12.5%

20%

6.67%

11. INVESTMENTS

	Subsidiaries	Associates		Other	Total
	Shares £'000	Shares £'000	Loans £'000	£'000	£'000
Cost at 1st October 1985	51	25	126	296	498
Disposals/repayments	-	(25)	(126)	(67)	(218)
Cost at 31st December 1986	51	-	-	229	280

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

11. INVESTMENTS (Continued)

- a) Investments are stated at cost.
- b) All the shares are either unclassified or classified as ordinary.
- c) In the opinion of the Directors, the aggregate value of the company's subsidiaries is not less than the aggregate amount at which they are stated in the balance sheet.
- d) The loans are mainly secured on property, having a period of repayment from 1-34 years and having interest rates ranging from 0 - 13½% per annum.
- e) During the year, the company sold its shareholding in Dunn & Moore (Sales) Ltd. to GMI (Overseas) Ltd. for £155,000 and transferred its investment at net book value in R.S. Watling & Sons Ltd. to Guinness Group Ltd., both being fellow subsidiaries.

12. SUBSIDIARY COMPANIES

The company has the following subsidiary companies operating in the United Kingdom:-

	<u>% holding</u>	<u>Country of registration</u>
<u>Brewing</u>		
E.S. Beaven (Maltings) Limited	100	England
Guinness Hop Farms Limited	100	England
<u>Non-brewing</u>		
JBL Realisations Limited	78	England

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

13. STOCKS

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Raw materials and consumables	3,241	3,032
Finished goods	3,093	3,827
	<u>6,334</u>	<u>6,859</u>

The replacement cost of stocks is not materially different from the book value.

14. DEBTORS (amounts falling due within one year)

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Trade debtors	16,695	10,898
Amounts owed by holding company	-	800
Amounts owed by subsidiaries	1,592	1,538
Amounts owed by fellow subsidiaries	1,186	770
Amount owed by related companies	-	357
Other debtors	1,496	2,235
Prepayments and accrued income	463	541
	<u>21,432</u>	<u>17,139</u>

15. CREDITORS (amounts falling due within one year)

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Trade creditors	10,717	7,899
Bank overdraft	5,269	857
Amounts owed to holding company	3,093	-
Amounts owed to subsidiaries	12,513	20
Amounts owed to fellow subsidiaries	9,507	3,602
Dividend	1,000	8,700
Corporation tax	(73)	525
Social security and other taxes	4,854	4,871
Other creditors	459	384
Accruals and deferred income	6,305	5,794
Obligations under finance leases	267	191
	<u>53,911</u>	<u>32,843</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

16. CREDITORS (amounts falling due after more than one year)

	<u>1986</u> <u>£'000</u>	<u>1985</u> <u>£'000</u>
Obligations under finance leases	509	677
Corporation tax	163	-
Other	44	41
	<u>716</u>	<u>718</u>

17. LEASING COMMITMENTS

a) Finance leases

The future minimum lease payments to which the company is committed as at 31st December 1986 under finance leases are as follows:-

	<u>£'000</u>
Falling due within one year	277
Falling due in more than one but within five years	525
Falling due after five years	-
	<u>802</u>
Less finance charges allocated to future periods	26
	<u>776</u>

b) Operating leases

Payments on non cancellable operating leases payable within one year of the balance sheet date are as follows:-

	<u>Land & Buildings</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>
For which commitment expiring:-		
Within one year	-	17
Between 1-2 years	-	140
Between 2-5 years	57	-
After 5 years	<u>57</u>	<u>157</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

18. PROVISION FOR LIABILITIES AND CHARGES

	<u>Severance Costs</u>
	<u>£'000</u>
At 1st October 1985	2072
Provision released	(95)
Provision utilised	(1110)
At 31st December 1986	<u>867</u>

19. DEFERRED TAXATION

	<u>1986 £'000</u>	<u>1985 £'000</u>
Notional full deferred tax balance calculated on the liability basis in respect of all timing differences:		
i) Accelerated capital allowances on plant, machinery and industrial buildings	7,465	7,364
ii) Capital gains tax on revaluation surpluses	1,606	1,568
iii) Provisions allowable for tax in future years	(53)	(772)
iv) Unrelieved advance corporation tax	(436)	(1,131)
	<u>8,582</u>	<u>7,029</u>

20. CALLED UP SHARE CAPITAL

	<u>1986 £'000</u>	<u>1985 £'000</u>
Authorised:		
ordinary shares of £1 each	<u>7,500</u>	<u>7,500</u>
Allotted and fully paid:		
ordinary shares of £1 each	<u>6,100</u>	<u>6,100</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

31ST DECEMBER 1986

21. RESERVES

	<u>Revaluation reserve £'000</u>	<u>Profit and loss account £'000</u>
At 1st October 1985.		
Deficit for the period	18,235	12,914
Transfers between reserves	-	(7,687)
- Depreciation on revaluation surplus - current year	(374)	374
- Disposals of revalued assets	(283)	283
At 31st December 1986	<u>17,578</u>	<u>5,884</u>

22. FUTURE CAPITAL EXPENDITURE

	<u>1986 £'000</u>	<u>1985 £'000</u>
Contracted for but not provided for in the accounts	2,762	2,642
Authorised but not contracted for	4,899	3,084
	<u>7,661</u>	<u>5,726</u>

23. CONTINGENT LIABILITIES

	<u>1986 £'000</u>	<u>1985 £'000</u>
Guarantees		
Guinness PLC		
10% Unsecured Loan Stock 1993/98	15,000	15,000
Others	-	203
	<u>15,000</u>	<u>15,203</u>

24. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Guinness PLC which is incorporated in England.

25. PENSION FUND ARRANGEMENTS AND CONTRIBUTIONS

The company contributes to the principal United Kingdom pension scheme of Guinness PLC, the holding company. This fund is trustee administered and is maintained independently of the Guinness group's finances.

AUDITOR'S REPORT TO THE MEMBERS OF
ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

We have audited the accounts on pages 4 to 19 in accordance with approved Auditing Standards.

In our opinion these accounts give a true and fair view of the state of the company's affairs at 31st December 1986, and of its profit and source and application of funds for the fifteen months then ended and comply with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

Chartered Accountants

16 April 1987