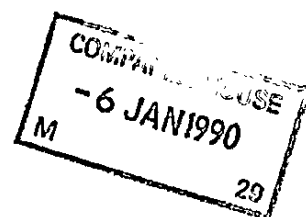


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THE GUINNESS GROUP LIMITED

DIRECTORS' REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 1988



THE GUINNESS GROUP LIMITEDDIRECTORS' REPORT

DIRECTORS	G.W. King	(appointed 16 September 1988)
	G.H. Turvey	
	A.J. Scrine	(resigned 28 April 1988)
	J.D.G. Campbell	(appointed 25 February 1989)
SECRETARY	D.J. Gormley	(resigned 16 September 1988)
	S.L. Pirozzolo	(appointed 16 September 1988 resigned 31 August 1989)
	R.G. Curtis	(appointed 31 August 1989)
REGISTERED OFFICE	Park Royal Brewery, London NW10 7RR	

The Directors present their report and the audited accounts of the Company for the year ended 31 December 1988.

REVIEW OF THE BUSINESS

The Company is a holding company of subsidiaries that no longer trade. During the period under review the Company acquired 10 companies from fellow subsidiaries of Guinness PLC.

RESULTS AND DIVIDENDS

The loss for the financial year of £16.5 million (1987 - £13.5 million loss) has been transferred to reserves.

DIRECTORS

The Directors of the Company who held office during the year are shown above. The Directors continue in office in accordance with the Articles of Association which do not provide for rotation.

DIRECTORS' INTERESTS

No Director has a beneficial shareholding in the Company. The interests of the Directors in the Company's ultimate holding company, Guinness PLC, are as follows:

	<u>31 December 1988</u>	<u>31 December 1987</u>
<u>Stock Holdings</u>		
G.H. Turvey - Ordinary Stock 25p Units	531	254
J.D.G. Campbell - Ordinary Stock 25p Units	-*	-*

THE GUINNESS GROUP LIMITEDDIRECTORS' REPORT

continued

	<u>31 December 1988</u>	<u>31 December 1987</u>
<u>Stock Holdings</u>		
G.W. King - Ordinary Stock 25p Units	541	541*

* At date of appointment

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

*R.G. Curtis*R.G. Curtis
Secretary

1 September 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF
THE GUINNESS GROUP LIMITED

We have audited the financial statements on Pages 4 to 8 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 1988 and of the loss for the year then ended and comply with the Companies Act 1985.

Price waterhouse

Price Waterhouse
Chartered Accountants
Southwark Tower
32 London Bridge Street
London
SE1 9SY

1 September 1989

THE GUINNESS GROUP LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Profit on ordinary activities before and after taxation		-	-
Extraordinary items	2	(16,479)	(13,464)
Loss for the financial period		(16,479)	(13,464)
Reserves at 1 January 1988		(18,932)	(5,468)
Reserves at 31 December 1988		(35,411) =====	(18,932) =====

THE GUINNESS GROUP LIMITEDBALANCE SHEET AS AT 31 DECEMBER 1988

	<u>Notes</u>	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
FIXED ASSETS			
Investments	3	14,407	655
CREDITORS (amounts falling within one year)			
Due to subsidiary companies		-	(554)
Total assets less current liabilities		14,407	101
CREDITORS (amounts falling due after more than one year)			
	4	(49,798)	(19,013)
		<u>(35,391)</u>	<u>(18,912)</u>
CAPITAL AND RESERVES			
Called up share capital	5	20	20
Profit and loss account		(35,411)	(18,932)
		<u>(35,391)</u>	<u>(18,912)</u>

APPROVED BY THE BOARD OF DIRECTORS ON *1st September* 1989

 DIRECTOR


 DIRECTOR

THE GUINNESS GROUP LIMITEDNOTES TO THE ACCOUNTS31 DECEMBER 1988

1. BASIS OF ACCOUNTING

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

2. EXTRAORDINARY ITEMS

	<u>1988</u> <u>£'000</u>	<u>1987</u> <u>£'000</u>
Profit/(Loss) on subsidiaries liquidated	(83)	31
Release/(Creation) of provision against investments	597	(13,495)
Loans written off	(16,993)	-
	<u>£(16,479)</u> <u>=====</u>	<u>£(13,464)</u> <u>=====</u>

3. INVESTMENTS

<u>Costs</u>	<u>Shares</u> <u>in</u> <u>Subsidiaries</u> <u>£'000</u>	<u>Loans</u> <u>to</u> <u>Subsidiaries</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 January 1988	7,455	11,868	19,323
Additions	11,275	30,822	42,097
Disposals	(84)	-	(84)
At 31 December 1988	<u>18,646</u>	<u>42,690</u>	<u>61,336</u>
<u>Provision</u>			
At 1 January 1988	6,814	11,854	18,668
Release of provision for the year	(597)	16,986	16,389
Additions	11,872	-	11,872
Disposals	-	-	-
At 31 December 1988	<u>18,089</u>	<u>28,840</u>	<u>46,929</u>
<u>Net Book Value</u>			
At 31 December 1988	<u>557</u>	<u>13,850</u>	<u>14,407</u>
At 1 January 1988	<u>641</u>	<u>14</u>	<u>655</u>

NOTES TO THE ACCOUNTS31 DECEMBER 1988

(continued)

4. CREDITORS			
(amounts falling due after more than one year)			
	<u>1988</u>	<u>1987</u>	
	<u>£'000</u>	<u>£'000</u>	
Amount owed to holding company	24,333	16,196	
Amount owed to subsidiary companies	25,465	2,817	
	<u>£49,798</u>	<u>£19,013</u>	
	=====	=====	
5. CALLED UP SHARE CAPITAL			
Authorised:	<u>1988</u>	<u>1987</u>	
31,024 Ordinary shares of £1 each	£31,024	£31,024	
	=====	=====	
Issued and Fully Paid:			
20,034 Ordinary shares of £1 each	£20,034	£20,034	
	=====	=====	

6. SUBSIDIARY COMPANIES

The following companies were wholly owned by the Company at 31 December 1988:-

	<u>Class of Share</u>
Libra Computing Limited	Ordinary
Ferham Products Limited	Ordinary
GMI (Overseas) Limited	Ordinary
Jackel International Holdings Limited	Ordinary + Preference
MSJ Light Engineering Limited	Ordinary
Herculean Limited	Ordinary
Consolidated Agricultural Suppliers Limited	Ordinary
Morison Photographics Limited	Ordinary
Cornish Development Limited	Ordinary
Harp Lager Brewery (Ireland) Limited	Ordinary
Werneth Mould Engineering Limited	Ordinary
Bodiam House Secretarial Limited	Ordinary
Pemberton Group Holdings Limited	Ordinary
Harp Limited	Ordinary
Park Royal Development Limited	Ordinary
Bodiam House Services Limited	Ordinary
TCL Park Royal Limited	Ordinary
Morison Son & Jones International Limited	Ordinary
Nutress Laboratories Limited	Ordinary
GLH Marinas Limited	Ordinary
Bodiam House Securities Limited	Ordinary
Guinness Enterprises Limited	Ordinary
Guinness Leisure Holdings Limited	Ordinary
Guinness Morison International Limited	Ordinary
Superlative Records Limited	Ordinary
Superlative Videos Limited	Ordinary
Hayes Lyon Limited	Ordinary
Caledonian Pharmaceutical Holdings Limited	Ordinary
Wilton Moulded Plastics Limited	Ordinary

THE GUINNESS GROUP LIMITED

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NOTES TO THE ACCOUNTS

31 DECEMBER 1988

(continued)

7. HOLDING COMPANY

The holding company is Guinness PLC a company incorporated in England.

8. GROUP ACCOUNTS

Group accounts are not required as the Company is a wholly owned subsidiary of another company incorporated in England.

9. HOLDING COMPANY GUARANTEE

The Company's parent company, Guinness PLC, has agreed to provide it with sufficient funds as are required to meet its liabilities as they fall due.