

THE GUINNESS GROUP LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1995



THE GUINNESS GROUP LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

N M Coyle (resigned 16 February 1996)
G W King
M D Peters (appointed 16 February 1996)

SECRETARY

B K Bredin

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 1995.

RESULTS

The loss for the year amounted to £2,662,000 (1994 loss - £4,615,000) which has been debited to reserves.

DIVIDENDS

The Directors do not recommend the payment of a dividend. (1994- £nil)

REVIEW OF THE BUSINESS

The Company is an investment holding company.

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, any subsidiary undertaking or any subsidiary of the parent undertaking. The Directors' interests in the Ordinary shares of the Company's parent undertaking, Guinness PLC, were as follows:

	<u>At 31 December 1995</u>		<u>At 1 January 1995</u> <u>or date of appointment</u>	
	Ordinary shares	Options over Ordinary shares	Ordinary shares	Options over Ordinary shares
N M Coyle	1,755	3,532	1,222	3,532
G W King	7,232	61,443	8,101	47,016

THE GUINNESS GROUP 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 1995 or since date of appointment</u>		<u>Options exercised during 1995 or since date of appointment</u>	
	Number	Price £	Number	Price £
N M Coyle	-	-	-	-
G W King	14,427	4.575	-	-

The options were granted under the terms of the Executive Share Option Scheme.

The options outstanding at 31 December 1995 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 1996 and 2005 at varying prices between 127p 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 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 and its subsidiaries.

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



B K Bredin
Secretary

24 June 1996

THE GUINNESS GROUP LIMITED

AUDITORS' REPORT TO THE MEMBERS OF THE GUINNESS GROUP LIMITED

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 these 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 1995 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**

24 June 1996

THE GUINNESS GROUP LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995**

	Notes	Continuing Operations 1995 £'000	Continuing Operations 1994 £'000
Operating costs	3	(2,662)	(4,615)
RETAINED LOSS FOR THE YEAR	8	<u>(2,662)</u>	<u>(4,615)</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 1995 and 1994 and the loss for those years on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<i>For the year ended 31 December 1995</i>	1995 £'000	1994 £'000
Loss for the year attributable to shareholders	(2,662)	(4,615)
Net decrease in shareholders' funds	(2,662)	(4,615)
Shareholders' funds at start of year	(29,710)	(25,095)
Shareholders' funds at end of year	<u>(32,372)</u>	<u>(29,710)</u>

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

THE GUINNESS GROUP LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	Notes	1995 £'000	1994 £'000
FIXED ASSETS			
Investments	4	515	4,051
CURRENT ASSETS			
Debtors : amounts recoverable within one year	5	1,647	1,647
CREDITORS (amounts falling due within one year)	6	(34,534)	-
NET CURRENT (LIABILITIES)/ASSETS		<u>(32,887)</u>	<u>1,647</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(32,372)</u>	<u>5,698</u>
CREDITORS (amounts falling due after more than one year)	7	-	(35,408)
TOTAL NET LIABILITIES		<u><u>(32,372)</u></u>	<u><u>(29,710)</u></u>
CAPITAL AND RESERVES			
Called up share capital	8	20	20
Profit and loss account	9	(32,392)	(29,730)
		<u><u>(32,372)</u></u>	<u><u>(29,710)</u></u>

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


G W King
Director

Approved by the Board on 24 June 1996

THE GUINNESS GROUP 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 in accordance with applicable accounting standards. Certain comparative figures have been restated for consistency.

1.2 Investments

The investment in subsidiary undertakings is shown at historic cost less provision for permanent diminution in value.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any emoluments in respect of their services to the Company (1994 -£nil). There are no employees of the Company.

3. OPERATING COSTS

	1995 £'000	1994 £'000
Provision charged in the year	(3,623)	(6,394)
Write off of amounts payable	-	152
Release of provisions	961	1,627
	<u>(2,662)</u>	<u>(4,615)</u>

4. INVESTMENTS

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 1995	13,310	17,737	31,047
Additions	-	-	-
Disposals	(8,565)	-	(8,565)
Repayment of loan	-	(874)	(874)
At 31 December 1995	<u>4,745</u>	<u>16,863</u>	<u>21,608</u>
Provisions			
At 1 January 1995	12,753	14,243	26,996
Charges in the year	42	3,581	3,623
Disposals	(8,565)	-	(8,565)
Release of provisions	-	(961)	(961)
At 31 December 1995	<u>4,230</u>	<u>16,863</u>	<u>21,093</u>
Net Book Value			
At 31 December 1995	<u>515</u>	<u>-</u>	<u>515</u>
At 31 December 1994	<u>557</u>	<u>3,494</u>	<u>4,051</u>

THE GUINNESS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INVESTMENTS (continued)

All the Company's investments are unlisted.

In the opinion of the Directors, the value in aggregate of the investments in subsidiary undertakings exceeds the amounts at which they are stated in the financial statements.

The principal direct subsidiary undertakings at 31 December 1995 were as follows:

Subsidiary undertaking	Activity	Country of incorporation	Class of share	Percentage held
Albemarle Developments Limited	Dormant	England	Ordinary	100
Guinness Morison International Limited	Investment Holding Company	England	Ordinary	100
Harp Limited	Non - Trading	England	Ordinary	100
MSJ Light Engineering (International) Limited	Dormant	England	Ordinary	100
Park Royal Development Limited	Dormant	England	Ordinary	100
Werneth Mould Engineering Limited	Non - Trading	England	Ordinary	100

5. DEBTORS

	1995 £'000	1994 £'000
Amounts recoverable within one year:		
Trade debtors	6	6
Due from fellow subsidiary undertakings	1,641	1,641
	<u>1,647</u>	<u>1,647</u>

6. CREDITORS (amounts falling due within one year)

	1995 £'000	1994 £'000
Amount due to ultimate parent undertaking	28,999	-
Amount due to subsidiary undertakings	5,535	-
	<u>34,534</u>	<u>-</u>

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

	1995 £'000	1994 £'000
Amount due to ultimate parent undertaking	-	29,873
Amount due to subsidiary undertakings	-	5,535
	<u>-</u>	<u>35,408</u>

THE GUINNESS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8.	SHARE CAPITAL	1995 £'000	1994 £'000
	Authorised:		
	31,024 Ordinary shares of £1 each	<u>31</u>	<u>31</u>
	Issued and fully paid:		
	20,034 Ordinary shares of £1 each	<u>20</u>	<u>20</u>

9.	RESERVES	Profit and loss account £'000
	At 1 January 1995	(29,730)
	Retained loss for the year	(2,662)
	At 31 December 1995	<u>(32,392)</u>

10. PARENT UNDERTAKING

The immediate and ultimate parent undertaking is Guinness PLC, which is registered in England.

The Company is exempt from the obligation to prepare and deliver group accounts. Financial information is presented about the Company as an individual company and not about its group.

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.

11. FINANCIAL SUPPORT

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