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ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 30th SEPTEMBER 1985

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ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED

30th SEPTEMBER 1985

DIRECTORS

Chairman	E.W.Saunders
Non-Executive Vice Chairman	C.E. Guinness
Managing Director	P.W. Lipscomb
Directors	M.R. Hatfield (Non-Executive)
	G.A.C. Luddington
	B. Mair
	C.A. Storm (Non-Executive)
	J.L. Wilkinson
	M. Wych

The names of the Directors of the company at 30th September 1985 are shown above. Mr. M.R. Hatfield resigned as Managing Director on 28th February 1985 but remains as a Non-Executive Director. Mr P.W. Lipscomb was appointed to the Board as Managing Director on 1st March 1985 and Mr. M. Wych was appointed a Director on 21st May 1985, and in accordance with the Articles of Association both Directors will retire at the Annual General Meeting and offer themselves for election.

REGISTERED OFFICE

Park Royal Brewery, London NW20 7RR.

The Directors present their report and the audited accounts of the company for the year ended 30th September 1985.

REVIEW OF THE BUSINESS

The company continues to produce, distribute and market Guinness Stout in Great Britain.

Operating margins were increased in the year and there was a reduction in the numbers employed. Sales of Draught Guinness continued to improve and the second stage of the marketing initiative, started two years ago, was launched towards the end of the year.

RESULTS AND DIVIDENDS

£'000

The profit for the year after taxation and extraordinary items is

15,005

After the interim dividend of £132,690 paid on 31st December 1984 and a final dividend of £8,700,000 proposed for payment on 27th February 1986 the balance of unappropriated reserves to be carried forward amounts to

31,149

Unrealised surpluses not available for distribution and included in the above balance of unappropriated reserves amount to

18,235

FIXED ASSETS

The company transferred the investments in Harp Limited and Guinness Merchandise Limited to Guinness PLC, the holding company, at net book value. The company sold its shareholdings in Taunton Cider Company Limited and Champlain Protex Limited to fellow subsidiary companies for an aggregate amount of £7,907,000.

Details of tangible fixed 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 and circulation of Brewery Council minutes.

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:-

	As at 30th September 1985	As at 1st October 1984 or date of appointment
	Beneficial Interests	Beneficial Interests
	Stockholdings	Stockholdings
	Ordinary Stock (25p Units)	Ordinary Stock (25p Units)
M.R. Hatfield	4,920	4,375
B. Mair	2,000	2,000
C.A. Storm	666	666
J.L. Wilkinson	1,333	1,333
	Options	Options
	Ordinary Shares (25p Units)	Ordinary Shares (25p Units)
M.R. Hatfield	43,682	43,682
P.W. Lipscomb	17,715	-
G.A.C. Luddington	33,661	33,015
B. Mair	31,776	31,130
C.A. Storm	18,383	3,778
J.L. Wilkinson	31,130	31,130
M. Wych	12,990	-

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



B. Beanland
Secretary

24th December 1985

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

30th SEPTEMBER 1985

	<u>Notes</u>	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Turnover	2	145,948	136,656
Net operating charges	3	<u>139,023</u>	<u>131,394</u>
OPERATING PROFIT		6,925	5,262
Income from shares in group companies		1,525	1,220
Income from shares in related companies		190	190
Interest receivable/(payable)	4	<u>21</u>	<u>(165)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,661	6,507
Tax on profit on ordinary activities	5	<u>(504)</u>	<u>(54)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,157	6,453
Extraordinary items	6	<u>6,848</u>	<u>(845)</u>
PROFIT FOR THE FINANCIAL YEAR		15,005	5,608
Dividends	9	<u>(8,833)</u>	<u>(4,102)</u>
AMOUNT TRANSFERRED TO RESERVES	21	<u><u>6,172</u></u>	<u><u>1,506</u></u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

BALANCE SHEET AS AT 30th SEPTEMBER 1985

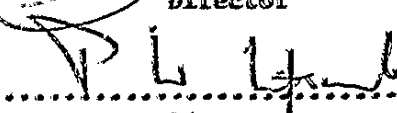
		<u>1985</u>	<u>1984</u>
	<u>Notes</u>	<u>£ '000</u>	<u>£ '000</u>
FIXED ASSETS			
Tangible assets	10	48,378	41,727
Investments	11	<u>498</u>	<u>9,547</u>
		48,876	51,274
CURRENT ASSETS			
Stocks	13	6,859	7,632
Debtors	14	17,139	16,566
Cash at bank and in hand		<u>8</u>	<u>23</u>
		24,006	24,221
CREDITORS (amounts falling due within one year)	15	<u>32,843</u>	<u>30,843</u>
NET CURRENT LIABILITIES		<u>(8,837)</u>	<u>(6,622)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		40,039	44,652
CREDITORS (amounts falling due after more than one year)	16	(718)	(10,865)
PROVISION FOR LIABILITIES AND CHARGES	18	<u>(2,072)</u>	<u>(2,710)</u>
		<u>37,249</u>	<u>31,077</u>
CAPITAL AND RESERVES			
Called up share capital	20	6,100	6,100
Revaluation reserve	21	18,235	18,507
Profit and loss account	21	<u>12,914</u>	<u>6,470</u>
		<u>37,249</u>	<u>31,077</u>

Approved by the Board of Directors

on 24th December 1985

.....

 Director

.....

 Director

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

SOURCE AND APPLICATION OF FUNDS FOR THE

YEAR ENDED 30th SEPTEMBER 1985

	<u>1985</u>		<u>1984</u>	
	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>	<u>£ '000</u>
FLOW OF FUNDS FROM OPERATIONS				
Profit on ordinary activities before taxation		8,661		6,507
Adjustments for items not involving the movement of funds:				
Depreciation		3,560		3,118
Provisions for liabilities and charges		(638)		(3,071)
Loss on disposal of tangible assets		<u>379</u>		<u>84</u>
FUNDS GENERATED BY OPERATIONS		11,962		6,638
FUNDS FROM OTHER SOURCES				
Proceeds from disposal of investments		15,897		225
Proceeds from disposal of tangible assets		449		460
Increase in finance lease obligations and other creditors due after more than one year		<u>718</u>		<u>-</u>
		29,026		7,323
APPLICATIONS				
Extraordinary charges	-		(845)	
Additions to tangible assets	(11,039)		(4,971)	
Taxation paid	(506)		(57)	
Dividends paid	(4,133)		(3,002)	
Repayment of loan from holding company	<u>(10,865)</u>		<u>(2,978)</u>	
		<u>(26,543)</u>		<u>(11,853)</u>
		2,483		(4,530)
(INCREASE)/DECREASE IN WORKING CAPITAL				
Stocks	773		69	
Debtors	(573)		(2,198)	
Creditors (excluding taxation)	<u>(2,100)</u>		<u>5,619</u>	
		<u>(1,900)</u>		<u>3,490</u>
		<u>583</u>		<u>(1,040)</u>
INCREASE/(DECREASE) IN NET LIQUID FUNDS				
Cash at bank and in hand		(15)		(15)
Short term bank overdraft		<u>598</u>		<u>(1,025)</u>
		<u>583</u>		<u>(1,040)</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

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 and the associated companies have not been accounted for on an equity basis as the company is a wholly owned subsidiary of another company incorporated in the United Kingdom.

1.2 Depreciation

Tangible fixed 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 fixed 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 stocks 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

30th SEPTEMBER 1985

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 £4,816,000 (1984 - £4,367,000) sales to another wholly owned fellow subsidiary.

3. NET OPERATING CHARGES

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Change in stocks of finished goods and work in progress	388	332
Own work capitalised	(274)	(211)
Raw materials and consumables	44,082	41,884
Other external charges	48,188	45,162
Staff costs (note 7) including Directors' emoluments (note 8)	17,461	18,738
Depreciation on owned assets	3,473	3,118
Depreciation on assets subject to finance leases	87	-
Severance costs (note 18)	820	-
Other operating charges	30,646	28,702
Other operating income	(5,848)	(6,331)
	<u>139,023</u>	<u>131,394</u>

Net operating charges include the following:

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Hire of plant and machinery	260	940
Auditors' remuneration	37	35
Research and development expenditure	166	1,126

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

4. INTEREST RECEIVABLE/(PAYABLE)

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Finance leases	(22)	-
Bank interest	-	(4)
Interest payable to group companies	-	(183)
Other short term loan interest	-	(3)
Interest receivable	<u>43</u>	<u>25</u>
	<u>21</u>	<u>(165)</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
United Kingdom corporation tax for current year at 42½% (1984 - 47½%)	(57)	(57)
Deferred taxation	-	3
Prior year adjustment	<u>(447)</u>	<u>-</u>
	<u>(504)</u>	<u>(54)</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 £630,000 (1984 - £674,000) as a result of accelerated capital allowances.

6. EXTRAORDINARY ITEMS

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Capital payment to fund discretionary pensions	-	(715)
Tax arising from sale of properties	-	(130)
Profit on disposal of investment in Taunton Cider Company Limited	6,659	-
Loss on disposal of investment in Champlain Protex Limited	(141)	-
Realisation of shares in R.S.Watling & Sons Limited	<u>330</u>	<u>-</u>
	<u>6,848</u>	<u>(845)</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

7. STAFF COSTS AND EMPLOYEES

	<u>1985</u>	<u>1984</u>
(a) Staff Costs	<u>£'000</u>	<u>£'000</u>
Wages and salaries	13,698	14,723
Social security costs	879	1,085
Pension costs	<u>2,884</u>	<u>2,930</u>
	<u>17,461</u>	<u>18,738</u>
(b) Average number of employees		
	<u>Number</u>	<u>Number</u>
Brewing in the United Kingdom	<u>1,167</u>	<u>1,374</u>
(c) Emoluments of senior employees in the United Kingdom		

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>1985</u>	<u>1984</u>
£45,001 - £50,000	1	-
£40,001 - £45,000	1	-
£35,001 - £40,000	2	-
£30,001 - £35,000	10	1

8. DIRECTORS' EMOLUMENTS

	<u>1985</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>
Salaries and pension scheme contributions	266	305
Compensation for loss of office	<u>-</u>	<u>30</u>
	<u>266</u>	<u>335</u>

Emoluments (excluding pension scheme contributions) of:

	<u>1985</u>	<u>1984</u>
	<u>£'000</u>	<u>£'000</u>
Chairman	-	-
Highest paid Director	<u>51</u>	<u>50</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

8. DIRECTORS' EMOLUMENTS (continued)

	<u>1985</u>	<u>1984</u>
	<u>Number</u>	<u>Number</u>
Other Directors:-		
£40,001 - £45,000	2	3
£35,001 - £40,000	1	2
£25,001 - £30,000	1	-
£20,001 - £25,000	-	1
£10,001 - £15,000	1	-
nil - £ 5,000	2	1

9. DIVIDENDS

	<u>1985</u>	<u>1984</u>
	<u>£ '000</u>	<u>£ '000</u>
Interim dividend paid	133	102
Final dividend proposed	<u>8,700</u>	<u>4,000</u>
	<u>8,833</u>	<u>4,102</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

10. TANGIBLE ASSETS

(a) Cost or valuation at
1st October 1984

Additions

Transfers from group
companies

Transfers to group
companies

Disposals

Cost or valuation at
30th September 1985

Accumulated depreciation
at 1st October 1984

Provision for the year

Depreciation provided on
transfers from group
companies

Depreciation provided on
transfers to group
companies

Disposals

At 30th September 1985

Net book amount at
30th September 1985

Net book amount at
30th September 1984

Land and buildings	Plant and machinery	Casks and road vehicles	Total
£'000	£'000	£'000	£'000
24,663	26,822	14,378	65,863
1,900	7,843	1,173	10,916
-	-	182	182
-	(44)	(79)	(123)
(97)	(953)	(1,348)	(2,398)
26,466	33,668	14,306	74,440
919	14,891	8,326	24,136
429	2,128	1,003	3,560
-	-	59	59
-	(24)	(42)	(66)
(10)	(809)	(808)	(1,627)
1,338	16,186	8,538	26,062
25,128	17,482	5,768	48,378
23,744	11,931	6,052	41,727

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

	1985 £'000	1984 £'000
Freehold	24,134	22,735
Long leasehold (over 50 years unexpired)	986	1,000
Short leasehold (under 50 years unexpired)	8	9
	<u>25,128</u>	<u>23,744</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

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

	<u>1985</u> <u>£ '000</u>	<u>1984</u> <u>£ '000</u>
At cost	1,948	51
At valuation 1980 or prior	11	31
At valuation 1982	<u>24,507</u>	<u>24,581</u>
	<u>26,466</u>	<u>24,663</u>

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

	<u>1985</u> <u>£ '000</u>	<u>1984</u> <u>£ '000</u>
Cost	7,648	5,772
Depreciation	<u>2,603</u>	<u>2,499</u>
	<u>5,045</u>	<u>3,273</u>

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

	<u>1985</u> <u>£ '000</u>	<u>1984</u> <u>£ '000</u>
Land and buildings	1,828	7
Plant and machinery	4,731	1,591
Casks and road vehicles	<u>105</u>	<u>119</u>
	<u>6,664</u>	<u>1,717</u>

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

	<u>1985</u> <u>£ '000</u>	<u>1984</u> <u>£ '000</u>
1) Plant and Machinery		
Gross amount	599	-
less accumulated depreciation	<u>(59)</u>	<u>-</u>
	<u>540</u>	<u>-</u>
ii) Casks and road vehicles		
Gross amount	468	-
less accumulated depreciation	<u>(28)</u>	<u>-</u>
	<u>440</u>	<u>-</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

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

Buildings:

Freehold and long leasehold 2.5%, 2.66%, 3.03%, 5%
Short leasehold over term of lease

Plant and machinery:

Brewing and racking plant 5%, 6.67%, 10%, 12.5%, 20%
Containers 5%

Casks and road vehicles:

Distribution vehicles 12.5%
Motor cars 20%
Casks 6.67%

11. INVESTMENTS

	<u>Subsidiaries</u>		<u>Associates</u>		<u>Other</u>	<u>Total</u>
	<u>Shares</u>	<u>Loans</u>	<u>Shares</u>	<u>Loans</u>		
	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1st October 1984	609	7100	1348	126	364	9547
Disposals/repayments	(185)	(7100)	(1323)	-	(68)	(8676)
Amounts written off	(373)	-	-	-	-	(373)
Cost at 30th September 1985	51	-	25	126	296	498

- a) Investments are stated at cost less amounts written off.
- 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. The cost of shares in R.S. Watling & Sons Ltd. (£373,000) has been written down to a nominal value of £51,000. During the year, the company transferred its shareholding in Guinness Merchandising Limited and Harp Limited to the holding company, Guinness PLC.

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

11. INVESTMENTS

- d) The Directors' valuation of the investments in associated companies at 30th September 1985 was £350,000 (1984 - £7,650,000). During the year, the company sold its shareholdings in Taunton Cider Company Limited and Champlain Protex Limited to fellow subsidiaries.
- e) The liability for tax on chargeable gains if the investments in associated companies were disposed of at the Directors' valuation would be £97,000 (1984 - £1,859,000).
- f) The loans to associated companies are unsecured with no fixed date for repayment. Except for the loan to Semundo Limited of £5,950 (1984 - £5,950) which bears interest at 10% per annum, these loans are interest free.
- g) The other loans are mainly secured on property, having a period of repayment from 1 - 35 years and have interest rates ranging from 0 - 12½% per annum.

12. SUBSIDIARY AND ASSOCIATED COMPANIES

The company has the following subsidiary and associated companies:-

	<u>% holding</u>	<u>Country of registration</u>
Subsidiaries		
- Brewing		
E.S. Beaven (Mallings) Limited	100	England
Guinness Hop Farms Limited	100	England
R.S. Watling & Sons Limited	100	England
- Non-brewing		
JBL Realisations Limited	78	England
Associates		
- Brewing		
Dunn & Moore (Sales) Limited	50	Scotland
- Non-brewing		
Semundo Limited	50	England

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

13. STOCKS

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Raw materials and consumables	3,032	3,822
Finished goods	3,827	3,810
	<u>6,859</u>	<u>7,632</u>

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

14. DEBTORS (amounts falling due within one year)

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Trade debtors	10,898	10,699
Amount owed by holding company	800	-
Amounts owed by subsidiaries	1,538	2,113
Amounts owed by fellow subsidiaries	770	386
Amounts owed by related companies	357	778
Other debtors	2,235	2,519
Prepayments and accrued income	541	271
	<u>17,139</u>	<u>16,566</u>

15. CREDITORS (amounts falling due within one year)

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Trade creditors	7,899	8,787
Bank overdraft	857	1,455
Amounts owed to subsidiaries	20	3,742
Amounts owed to fellow subsidiaries	3,602	3,676
Dividend	8,700	4,000
Corporation tax	525	596
Social security and other taxes	4,871	5,297
Other creditors	384	-
Accruals and deferred income	5,794	2,290
Obligations under finance leases	191	-
	<u>32,843</u>	<u>30,843</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

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

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Loan from holding company	-	10,865
Obligations under finance leases	677	-
Other	41	-
	<u>718</u>	<u>10,865</u>

17. LEASING COMMITMENTS

The future minimum lease payments to which the company is committed as at 30th September 1985 under finance leases and non-cancellable operating leases are as follows:-

	<u>Finance</u> <u>leases</u> <u>£'000</u>	<u>Operating</u> <u>leases</u> <u>£'000</u>
Falling due within one year	226	75
Falling due in more than one but within five years	722	74
	<u>948</u>	<u>149</u>
Less finance charges allocated to future periods	<u>80</u>	<u>-</u>
	<u>868</u>	<u>149</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	<u>Severance</u> <u>costs</u> <u>£'000</u>
At 1st October 1984	2,710
Additional provision (note 3)	820
Provision utilised	<u>(1,458)</u>
At 30th September 1985	<u>2,072</u>

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

19. DEFERRED TAXATION

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'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	7,364	6,800
ii) Capital gains tax on revaluation surpluses	1,568	1,529
iii) Provisions allowable for tax in future years	(772)	(1,120)
iv) Unrelieved advance corporation tax	(1,131)	(1,131)
	<u>7,029</u>	<u>6,078</u>

20. CALLED UP SHARE CAPITAL

	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Authorised: ordinary shares of £1 each	<u>7,500</u>	<u>7,500</u>
Alotted 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

30th SEPTEMBER 1985

21. RESERVES

	<u>Revaluation reserve £'000</u>	<u>Profit and loss account £'000</u>
At 1st October 1984	18,507	6,470
Retained earnings for the year	-	6,172
Transfers between reserves		
- Depreciation on revaluation surplus - current year	(192)	192
- Disposals of revalued assets	(80)	80
At 30th September 1985	<u>18,235</u>	<u>12,914</u>

22. FUTURE CAPITAL EXPENDITURE

	<u>1985 £'000</u>	<u>1984 £'000</u>
Contracted for but not provided for in the accounts	2,642	897
Authorised but not contracted for	<u>3,084</u>	<u>542</u>
	<u>5,726</u>	<u>1,439</u>

23. CONTINGENT LIABILITIES

Guarantees

	<u>1985 £'000</u>	<u>1984 £'000</u>
Guinness PLC		
10% Unsecured Loan Stock 1993/98	15,000	15,000
Other	<u>203</u>	<u>299</u>
	<u>15,203</u>	<u>15,299</u>

24. ULTIMATE HOLDING COMPANY

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

ARTHUR GUINNESS SON AND COMPANY (GREAT BRITAIN) LIMITED

NOTES TO THE ACCOUNTS

30th SEPTEMBER 1985

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.

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

We have audited the accounts on pages 5 to 21 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 30th September 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

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

Price Waterhouse

Chartered Accountants

24th December 1985