

GUINNESS

GUINNESS PLC

REPORT AND ACCOUNTS 1988



DEWAR'S PROFILE:

PAUL BINDER

HOME: Rhinebeck, N.Y.

AGE: 46

PROFESSION: Ringmaster, artistic director, founder The Big Apple Circus

HOBBY: "I always want to play golf, but I'm never in a place long enough to join one of those clubs."

LAST BOOK READ: *The Thin Red Line* by James Michener

LATEST ACCOMPLISHMENT:

The Circus. Last night's performance, and tomorrow's. So maybe it should say ongoing accomplishment.

WHY I DO WHAT I DO: "Everyone jumps through hoops for a living. I've just found some that are more fun."

QUOTE: "The circus is magic, and one of the few things the world can use more of is magic."

PROFILE: Extroverted, creative and highly organized. With 102 people and 43 vehicles to look after, he has to be.

HIS SCOTCH: Dewar's "White Label," with soda. "When the tent is dark and the roar of the great paint is just a memory, it's time for my Scotch to take center stage."

The 80th Dewar's Profile Advertisement, in the USA.

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DEWAR'S SCOTCH WHISKY • 43-47% ALC/VOL (86-90 PROOF)

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87 - 2,272

88 - 2,683

89 - 3,073

TURNOVER - CONTINUING OPERATIONS (\$M)

87 - 408

88 - 521

89 - 631

PROFIT BEFORE TAXATION (\$M)

77-20.9

81-38.5

83-51.3

EARNINGS PER SHARE (PENCE)

77-0.2

81-0.3

83-0.3

DIVIDENDS PER SHARE (PENCE)



RESULTS

We are rare among British companies in that we are not disproportionately dependent on our domestic market and perhaps one or two additional export markets. Instead we have achieved a balanced spread, with about one fifth of our profits coming from each of five regions – UK, rest of Europe, North America, Asia/Pacific, and rest of the world. We are not greatly exposed to any localised economic downturn . . .

In 1989 Group pre-tax profits increased by 33 per cent to £691 million and earnings per share rose to 51.3p from 38.5p. Your Board has recommended an increase of 33 per cent in the dividend making 15.3p in total for the full year. Over the last two years earnings per share and dividends have each risen by two thirds.

During 1989 the market capitalisation of your company grew from £2.9 billion to nearly £6 billion, with the value per share increasing by more than one hundred per cent, a better performance than that of any other share in the Financial Times 100 share index.

I believe this re-rating was due as much to a wider perception of your company's long term potential as to our recent results. Management has been able to focus clearly on the opportunities there are to develop our two great businesses of brewing and distilling and this concentration of effort will produce continuing benefit.

We have an unparalleled portfolio of leading international brands to work with. In the last three years we have taken many opportunities to strengthen our position in the distribution of these brands and we have increased both the quality and the quantity of our marketing expenditure on them.

We are rare among British companies in that we are not disproportionately dependent on our domestic market and perhaps one or two additional export markets. Instead we have achieved a balanced spread, with about one fifth of our profits coming from each of five regions – the UK, the rest of Europe, North America, Asia Pacific, and the rest of the world. As a result we are not greatly exposed to the effects of any localised economic downturn and our brands have shown resilience when ever they have had to meet a slowdown in consumer spending.

Our confidence in the future is reflected in our buoyant export

performance.

Today, we are one of Britain's top net export earners, certainly by far the biggest in the field of high value added consumer goods. Guinness' UK exports rose by 12 per cent in 1989, to reach £718m; a substantial contribution to the UK's balance of payments.

I, therefore, regret the substantial duty increase on Scotch Whisky in this year's UK budget. This increase will weaken one of Britain's few strong export industries by undermining its home market, and at a time when Britain should be seeking to bring its tax nearer into line with the rest of Europe.

The British consumer now pays 69 per cent of the average price of a bottle in tax. In the other eleven of the top twelve markets tax averages 37 per cent. No other trading nation I know of discriminates so markedly against one of its own special interests.

BALANCE SHEET

Borrowings have risen substantially during the year, principally as a result of increased investment in LVMH. Despite this increased debt, our interest cover, at nearly nine times remains strong for a group of our size, and the borrowings are spread in a variety of currencies, to match the geographic distribution of our assets.

The balance sheet includes a revaluation of properties in the spirits and brewing businesses which showed a surplus of £202 million. In addition, investment in capital expenditure to improve production efficiency throughout our businesses amounted to £117 million.

The accounting for the acquisition of Distillers in 1986 included substantial provisions and adjustments reflecting the scale of the reorganisation required and the depressed condition of the business at that time. We have always said that these adjustments would be

reviewed in the light of experience and that any surplus would not be treated as profit. We have now finished most of the post acquisition reorganisation work and have been able to increase the acquisition values by £197 million – treating the gain as an adjustment to the Distillers' net worth on acquisition and not as part of the results for the year.

In 1988, we changed our accounting policy to recognise the historical cost of acquired brands. Uncertainty continues in the accounting profession as to the appropriateness and method of accounting for brands in balance sheets. Guinness believes that the inclusion of acquired brands in the balance sheet at historical cost is appropriate and that they should only be written down if their value is reduced. We will continue to add our voice to those of other companies who regard as misguided the proposed changes in accounting standards which would introduce automatic writing down. We dispute the logic of suggesting that a brand like Johnnie Walker which has been going strong since 1820 and gaining in value year by year ought properly to be written off over, say, the next 40 years.

LVMH

The Guinness investment in LVMH, which is held jointly with the Financière Agache Group, will remain at the present level of around 24 per cent. Our interest in LVMH is now such that we derive significant benefit from the high profit margins of our French partners. The legal actions in which LVMH is presently involved have had no discernible impact on the day to day running of the business or on earnings, which this year increased by 46 per cent to £289 million, after a 49 per cent increase last year.

Although it is of purely academic interest, in that we are long-term partners, the substantial surplus of market value over cost serves to underline the wisdom of our decision to invest heavily in the world's leading luxury goods group. It also highlights the value of our increased emphasis on premium brands.

MODERATION

The encouragement of moderate drinking follows logically from our focus on value. We have worked to promote moderation both through publications such as the brochure which all shareholders received with the Interim Statement, and to a wider audience.

In the United Kingdom, we have long supported the many initiatives taken by the Scotch Whisky Association and Brewers' Society which have been designed to increase the public's awareness of the benefits of moderate drinking. We are working with similar bodies in other key markets.

More recently, we have also helped to establish The Portman Group in the United Kingdom. This is a pan-industry organisation formed to fund appropriate medical research and to promote moderate consumption, which, of course, is entirely compatible with a healthy lifestyle.

ACQUISITIONS AND DISPOSALS

In the past year, we have made several small strategic acquisitions and disposed of other interests which were considered peripheral to our primary focus on premium quality beverages, the most significant of these being the sale of our 50 per cent share of United Glass.

We have established a partnership in

the US sparkling fruit juice beverage market with the Stroh Brewery Company, as part of our strategy to develop our non-alcoholic premium product portfolio. This joint venture, in which Guinness has an initial 44.5 per cent of the equity, has acquired Sundance, the only nationally distributed natural juice sparkler in the United States, and the market leader. We have options to acquire the rest of the venture over the next few years.

Since the year end we have also strengthened our distribution position in the United States, through the acquisition of All Brand Importers, a move which will more than double the case volume of Guinness Import Company, the Group's existing importer of beers, and make us one of the three leading US beer importers.

I am pleased to report that we have now completed the merger of our Malaysian and Singaporean operations with those of Malayan Breweries, in which Heineken is a major partner.

PEOPLE

I would like to thank all our employees for their enthusiasm and their effort during the year. It is very good to see so many of our people across the world enjoying their jobs. One mark of loyalty to the company, and a healthy one, I believe, is that a large number of employees are shareholders.

UK and Republic of Ireland employees of our spirits and brewing businesses participate in profit sharing arrangements. Shares to the value of a percentage of individuals' base pay are placed each year into a trust. The annual percentage depends upon divisional performance, but this year it has been increased to over 7 per cent in both Brewing and Distilling. Relatively few UK companies offer such a scheme.

In addition, all our UK and Republic of Ireland employees are eligible to participate in the Guinness Sharesave programme. In the UK 77 per cent of eligible employees take part. This compares with an average of 21 per cent in a recent survey of other significant companies.

No more than 30 of our top 100 executives have been in their present jobs for much more than two years. This is a reflection in part of reorganisation and expansion and in part of much opportunity ahead.

We place great emphasis on training and we look for ways to enable individuals to reach their full potential. Our graduate development programme is designed to provide future management of the highest calibre. In 1989, we recruited 48 graduates, a figure which will grow this year.

The programme is increasingly international in scope, with plans already laid for the recruitment of graduates from Japan and other important markets, who will be trained in the United Kingdom for a year.

I would like to acknowledge the valuable work of my colleagues on the Board. We are fortunate in having a particularly strong group of non-executive directors who have gained much knowledge of the company – and, perhaps, a special enthusiasm for it – one because he worked for a time in an executive capacity and others because they were asked to jump in at the deep end in somewhat unusual circumstances three years ago.

Ian Duncan has joined as Managing Director of Finance. He is a Scottish Chartered Accountant who has worked for major companies in Britain and the United States.

Mr Duncan succeeds Frank Fitzpatrick, who has recently been unwell but has now recovered and will continue to serve on the Board as Administration Director.

OUTLOOK

We have now sold those companies which we do not believe are strategically relevant to the future of the Group. We shall, therefore, concentrate on our core businesses and demonstrate that there is ample room for further growth.

Existing markets, particularly in the fast developing Asia/Pacific region, offer considerable opportunities to extend our present strategy. We are also looking to the future development of small and emerging markets in various parts of the world. In particular we expect Korea and Taiwan to follow Japan's example, by reducing trade barriers in the near future.

As consumers become more affluent, many want to spend their growing disposable income, not on buying more but on buying better products. There need be no end to the opportunities that this process offers the good marketer. Nowhere is this more true than in the strongly branded sectors in which your company is involved.



Anthony Tennant
Chairman

UNITED DISTILLERS REVIEW



BRAND MARKETING: THE KEY

1989 was a year of fundamental importance for United Distillers. Not only did we consolidate our position as the world's most profitable spirits company but we also took the first major steps towards strengthening our brands in order to hold that position in the future.

After two years of radical reorganisation to streamline operations, and restructure worldwide distribution, we have gained more effective control of the marketing of our key brands in major world markets. 1989 also saw the introduction of a carefully planned range of marketing initiatives.

The results of these programmes are evident in our share of the Scotch market which, after several years of decline, has now stabilised, with our main brands beginning to show signs of growth in many important markets.

The focus of marketing effort on premium and deluxe brands, together with our strong pricing policy, reflect an overall strategy of margin improvement within the business. The advantages of this approach are evident in our trading profits.

These initiatives benefit not only United Distillers, but also the Scotch whisky industry as a whole, as we start the process of restoring Scotch to its rightful position as the world's leading prestige spirit.

The single most important marketing initiative was on behalf of Johnnie Walker, the leading brand worldwide. After extensive research, we have redesigned the labelling and packaging of both Johnnie Walker Red Label and Johnnie Walker Black Label. In order to strengthen further the world image of both brands, we have implemented new regional advertising campaigns for the Far Eastern, European and South American markets. We have also been active in golf sponsorship, most notably the immensely successful Johnnie Walker Ryder Cup.

The Dewar's Profiles advertising campaign, a major contributor to this brand's unrivalled success in America, has been extended into other markets, including Australia, Japan, South East Asia, the Caribbean, Spain and Britain.

The re-representation and repackaging of Black & White for Europe has added yet another dimension to the appeal of our portfolio.

The Dimple, or Pinch as it is known in America, was relaunched in new livery around the world.

The introduction of our six classic malts, Oban, Dalwhinnie, Talisker, Glenkinchie, Cragganmore and Lagavulin, has been

outstandingly successful. Above even this range sits Royal Lochnagar Selected Reserve, our flagship malt, which is successfully selling in Duty Free and selected outlets.

In the Asia/Pacific region, Old Parr Superior has been launched into the super-premium sector to complement Old Parr, the leading deluxe whisky brand in Japan.

These marketing initiatives have not been restricted to Scotch whisky. Gordon's Gin has had its packaging upgraded and, together with new advertising, the brand's share of world volume grew by two per cent last year, further consolidating its brand leadership.

The most exciting development in the American market has been the launch of Tanqueray Sterling Vodka. This launch was achieved from initial conception in only 8 months as a result of first class worldwide teamwork. Initial reactions have been highly favourable.

Our commitment to more effective involvement in the distribution and sales of our brands has led to further widespread changes in 1989, together with the consolidation and optimisation of changes put in place in 1988.

In the Caribbean and Central America, for example, we have reduced the number of distributors by more than 50 per cent, to around 70. In Europe, we have established 7 new subsidiaries and 12 joint ventures, completing the process begun in 1988.

One of our most successful new joint ventures has been United Distillers Boutari in Greece, where sales were some seventy per cent ahead of 1988.

In Asia/Pacific, our new joint venture with JINRO, Korea's second largest spirits distributor, has started the process of opening up a market of great potential.

1989 saw our distilleries return to full working for the first time in a decade. As a result of increased output, we have recruited new people to our Scottish grain distilling operations, which are now working a 7 day week. In malt distilling, we have now increased to 5 day working.

1989 also saw a substantial investment in spirits production. We are engaged in a £100 million expenditure programme, designed to improve efficiency from distillation through to bottling in the UK. Two of our largest investments have been the construction of a new gin distillery at Laindon in Essex, and the extension of neutral spirit distilling operations at Cameronbridge in Fife.

Our sales performance in Europe improved in 1989, but there

87 - 1,340

88 - 1,680

89 - 1,938

TURNOVER (£M)

87 - 357

88 - 438

89 - 542

PROFIT BEFORE INTEREST & TAXATION (£M)

TO SUCCESS...

are still significant growth opportunities. Southern Europe was particularly strong, with Johnnie Walker Red Label and Dewar's substantially increasing market share in Greece.

Johnnie Walker Red Label also showed similar improvement in Germany and Holland.

In the United Kingdom we achieved market share gains for our three key brands – Bell's, Gordon's Gin and Johnnie Walker Black Label.

Building on our success in Asia/Pacific in 1988, results last year were even better. The most significant sales growth was in Japan, where volumes increased by 25 per cent and our leading brands, Old Parr, White Horse, Johnnie Walker Black Label, Johnnie Walker Red Label and IW Harper, all showed substantial market share gains.

Another area of rapid growth has been Thailand, where sales of Johnnie Walker Black Label are up by 40 per cent.

In the United States, Dewar's, the top selling standard, Johnnie Walker Black Label, the leading de luxe, and Johnnie Walker Red Label have each increased market share. In the white spirits sector, Gordon's Vodka added considerable volume, and Tanqueray Gin continued to increase its hold in the premium imported category.

In Duty Free, where profit rose by 10 per cent, day to day operations have been transferred to our sales regions, ensuring that we are as close as possible to our customers. Worldwide relationships with key accounts will, however, continue to be centrally managed.

One of our most vital areas of investment has been in people, with substantial resources directed to training and development, so that every employee, from a new recruit to the most senior executive, is given the opportunity to fulfil their personal potential.

As a result of the total reorganisation of the business in the last three years, we now have a new blend of people from many different backgrounds. This has proved a major source of innovative inspiration in the evolution of United Distillers. It brings with it the challenge of pulling together a new culture for the whole Company.

Our considerable achievements in 1989 and the fundamental restructuring of our total business worldwide are directly attributable to the continued efforts and energy of everyone in United Distillers. This success, together with the increasing strength of our great brand names, gives us every reason to face the future with optimism.

87 - 147

88 - 200

89 - 234

TURNOVER PER EMPLOYEE (£000's)



Anthony Greener
Managing Director
United Distillers

Marketing opportunities for premium, high value added spirits brands are being developed by extending lines of established brands with international reputations.

Among those introduced in 1989 was Old Parr Superior, which is now available in Japan and in selected duty free outlets in the Asia Pacific region. This super premium brand

SCOTCH

was launched shortly after the core Old Parr brand itself had been re-packaged to reflect better its quality image in Japan.

Dimple Royal Sovereign has been equally successful in Duty Free around the world and The Dimple 15 year old

has been well received in its new livery in Germany, Japan, America, Brazil and elsewhere.

The six classic single malt Scotch whiskies, first introduced in the United Kingdom in 1987 have further enhanced our premium portfolio in a variety of markets. Although the malt sector accounts for only 5 per cent of the world Scotch

MOVES

Whisky market, it is growing by 10 per cent per annum.

In the United Kingdom Arthur Bell Distillers has introduced a range of high quality Bell's decanter products, such as Bell's Extra Special.

Another important development was the expansion of Dewar's Profile advertising from America into other markets, including Australia, Japan, South East Asia, Caribbean, Spain and the United Kingdom, demonstrating the benefit of utilising experience gained in one market for the global benefit of a brand.

In Europe, Black & White has been re-presented and is being repositioned for a younger market.

The above brands, together with Johnnie Walker Oldest and Royal Lochnagar Selected Reserve, which were introduced into selected markets in 1987, are the result of closely coordinated teamwork, which often bridges both continents and cultures.

John Dymock Production Director



Bhil Parmar Marketing Director



The creation of high quality bottling and packaging is time-consuming. It makes heavy demands at all levels in the company, as well as on external suppliers. Performance in the marketplace has, however, consistently justified the effort.



Terry Hasky
Director of Research and Packaging

The most significant marketing and operations project undertaken by United Distillers in 1989 was the repackaging of the world's number one Scotch, Johnnie Walker Red Label, coupled with the enhancement of the deluxe Johnnie Walker Black Label.

The major markets of both brands were researched and analysed, involving detailed consumer surveying, before the new packaging was introduced.

The result is that both brands are now more attractively presented, while retaining their distinctive and memorable identities.

The subtle changes to Johnnie Walker Red Label are designed to underline its friendly and approachable personality and enhance its contemporary feel.



Andrew Clark
Packaging Development Director



Nick Felt Brand Director

With Johnnie Walker Black Label, the understated elegance, which has always been its hallmark, has been further developed in order to reinforce its prestige market position.

New advertising campaigns have also been introduced to support their

enhanced image.

Globally, the messages conveyed by this advertising are fully consistent, but the campaigns are executed locally in ways which accurately reflect the nature and needs of particular markets.

Today, the international status, enviable tradition and heritage of both brands have been firmly underlined.

The same principles have also been applied to the repackaging of other United Distillers' brands. The upgrading of presentation is an important element in the repositioning of Scotch Whisky as the world's leading premium spirit.





Premium brands are the core of our business and in 1989 United Distillers introduced a number of new brands designed to appeal to specific markets or to fill perceived gaps in our portfolio.



Following their recent launch in Duty Free the six Classic Malts are now firmly established in France, Germany, Switzerland and Australia. The collection was also recently introduced to the United States, and will shortly be launched in Japan.

The response to the brands by consumers and trade alike has been very positive. The six, Oban, Dalwhinnie, Cragganmore, Glenkinchie, Talisker and Lagavulin, have gained substantial sales, rapidly becoming best sellers in their category in Duty Free outlets.



Underlining our commitment to new product development, Tanqueray Sterling Vodka was launched in the United States in October 1989. Targeted to take a major share of the rapidly growing imported white spirits sector, this prestigious new brand is designed to complement Tanqueray Gin, the number one imported gin in the United States. The bottle is similar in shape to Tanqueray Gin, but is produced in flint rather than green glass.

The launch of the brand was a text-

book case of team-work, bridging the Atlantic. The concept was devised and developed by our United States joint venture company, Schieffelin & Somerset. Their sales and marketing team developed an innovative programme, using advertising and public relations campaigns to launch the brand across the United States. At the same time, the operations team in Scotland found solutions to the varied technical problems associated with such distinctive but complex packaging. This required a high degree of involvement by a number of employees with a range of different skills.

NEW PRODUCTS LAUNCHED by Global Team

Gordon's Gin also gained a partner in the United Kingdom with the testing of a new speciality drink, Gordon's Twist. A gin-based product, blended with citrus and other fruits, it reflects the trend towards lighter strength mixer spirits. Its distinctive flavour and name have been backed by nationwide advertising.

In Japan the opportunities presented to United Distillers, following the liquor tax changes, are being addressed by the management team based in Tokyo.

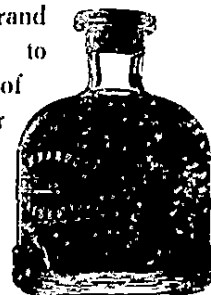
These tax changes open up further opportunities for existing brands and for line extensions of existing products.



Developed specifically for the image-conscious Japanese market, Old Parr Superior builds on the existing reputation of Old Parr, the leading deluxe Scotch in this important market.

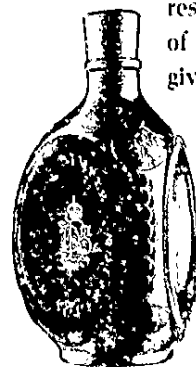
Classed as a super premium, Old Parr

Superior is positioned above Cognac VSOP, and retails at almost double the price of the existing Old Parr Deluxe. I W Harper, the leading bourbon in Japan is continuing to increase in popularity, reflected in a 30% increase in sales in 1989. New to the market is I W Harper 12, a top of the range gift item. I W Harper 12 is breaking new ground as a prestigious drink in high quality bars. It is an elegant and sophisticated brand which will appeal to a wide age-range of consumer. A further addition to this range, I W Harper President's Reserve will be launched in mid year.



Last year, Dimple/Pinch, one of the first of our premium brands to be repackaged following extensive consumer research, was relaunched as a 15 year old Scotch whisky, instead of as a 12 year old.

In addition to new labelling, the distinctive gold wiring was restored after an absence of over twenty years, giving the brand a more sophisticated appearance. This year, we have introduced Dimple Royal Sovereign, a super premium extension of this highly appreciated Scotch.





Scotch Whisky
Production Director
Dr Alan Rutherford
on team building
exercise in Scotland.

As the leading spirits company in the world, we believe our brands reflect the quality of our workforce. Therefore considerable effort goes into training and development throughout the group, for both new employees and those with many years' experience.

By encouragement and motivation, United Distillers is developing the confidence of its entire workforce and helping to maintain its competitive edge. This means providing employees throughout the company with opportunities which meet individual abilities and aspirations.

In distilling operations in Scotland, for

TEAM SPIRITS

example, all new employees undertake a standardised study programme.

United Distillers believes that personal development on-the-job should be at the heart of its training strategy. Self-development enables individuals to have a direct say in their progression through a range of demanding initiatives.

These include performance development, open learning, training in team building in a variety of ways, such as outward bound courses and off-the-job programmes, working alongside other Guinness group employees and the provision, for the first time in the drinks industry, of vocational qualifications.

Another important area is the development of managerial skills on an international level. In recognition of this, assignment to other parts of the group plays an increasingly significant role in training.

CUTTING-EDGE BREWING WORLDWIDE REVIEW



BUILDING UP WORLD

Last year through joint ventures selective acquisitions and new product development, Guinness Brewing Worldwide continued to strengthen its position and reputation in the increasingly competitive international beer market.

Guinness is unique among international brewers, in that, unlike any of its peers, its core brand is not the staple blond beer, but the eponymous dark brew, arguably the most distinctive drink in the world.

This has been a consistent source of strength. Unrivalled in the dark beer sector, Guinness is viewed as the perfect complement to international blond beer brands and a welcome partner in joint ventures with major companies throughout the world.

One of the most significant of these was the merger, completed in November, between Guinness Malaysia Berhad and Malayan Breweries (Malaya), in which Heineken and Fraser & Neave are major shareholders.

The new company, Guinness Anchor Berhad, has an impressive brand portfolio which accounts for 60 per cent of the malt liquor market in Peninsular and East Malaysia. In the same month, a new joint venture company, GAPL Pte Limited, operating through Guinness Archipelago, also began trading in Singapore.

Over the next three years, more than £15 million will be committed to the modernisation and expansion of existing facilities at the Guinness Anchor Brewery in Kuala Lumpur, to create one of the largest and most flexible 'state of the art' breweries in the lucrative South East Asia region.

In addition to meeting the growing needs of the Malaysian malt liquor market, the new brewery will also provide export volume for Hong Kong, Thailand and other neighbouring countries.

In the United States, as part of its strategy to develop its position in the high value-added, non-alcoholic beverage sector, Guinness Brewing Worldwide entered into a partnership with Stroh Brewery and a management team to form the New Era Beverage Company. The partnership has acquired Sundance natural juice sparkler and associated brands from a subsidiary of Stroh.

Sundance is the market leader in this growing sector for premium natural fruit juice beverages in the United States, with 1989 wholesale revenues of approximately \$100 million. Also in the United States, Guinness has acquired All Brand Importers Inc, a leading importer of premium quality beers. This will extend the portfolio of the Guinness Import

Company, the Group's existing importer of beers into the United States, more than doubling case sale volume and making GIC the third largest US beer importer.

Guinness Gold launched in northeastern USA in the summer of 1988, is now available in nine states, having achieved its test market objectives.

Despite a 7 per cent decline in the US imported beer market overall in 1989, GIC's brands saw volume growth of 12 per cent. Guinness Canada, a joint venture with Labatt Breweries, increased sales of bottled Guinness by nine per cent in an otherwise static market.

In the area of new product development, the most significant event last year was the national roll-out of Draught Guinness in cans in Great Britain. This has proved to be the most successful beer brand launch of the decade in the take-home trade.

After just six months from national launch, the brand ranked seventh by value amongst all take-home beer brands. By the end of 1989, 49 million cans had been sold, making it worth over £41m at retail sales price. This performance has made black beer the fastest-growing sector in the off-trade.

In order to reinforce the distinction between the two existing take-home Guinness brands, "Guinness Extra" has now been renamed "Guinness Original".

Despite an unusually hot summer in the United Kingdom, Draught Guinness itself maintained volume growth for the seventh consecutive year.

The summer was clearly beneficial to the performance of our lager volumes which were well ahead of 1988 and of the market average for 1989.

A new advertising campaign for Kaliber alcohol-free lager was launched, to clarify the distinction between no-alcohol and low-alcohol brands. Kaliber's availability was also expanded when it was launched both in cans and on draught.

Despite the fact that no-alcohol and low-alcohol are fast-growing sectors, with at least 30 brands launched in 1989, Kaliber retained its market leadership in the off-trade, and held the number two position in the on-trade.

Draught Guinness maintains a unique position in Ireland, accounting for almost half of all beer sales, and representing one of the country's most notable export successes.

In Northern Ireland, Draught Guinness also enjoyed a successful year, while the introduction of Canned Draught Guinness has met with very favourable consumer reaction.

The outstanding performance of Draught Guinness is only

1987 890

1988 942

1989 1,068

FIGURES IN £M

87 - 83

88 - 93

89 124

PROFIT BEFORE INTEREST & TAXATION (PBIT)

MARKETS

one aspect of the success achieved by the company's extensive portfolios in its home markets.

Having acquired the licence for Carlsberg in June 1988, effective promotion has propelled the brand from fifth to third position in the Irish lager market. Market share grew strongly in every region and distribution reached record levels.

Budweiser, brewed at Smithwick's Brewery Kilkenny, also performed well, particularly in the key Dublin market.

Our own brand, Harp, performed well in the face of fierce competition, consolidating its position as Guinness' leading lager brand.

The bottling line at Macardles, Dundalk, is being upgraded and modernised, at a cost of £3m, while at the Harp Brewery, a new filtration plant and sophisticated automatic keg racking plant will shortly provide improved facilities.

Guinness Brewing International, responsible for the remaining world markets, again made substantial progress increasing sales volumes, opening up new markets, launching new brands and further improving profits.

A complete review of our advertising and marketing programmes has resulted in exciting and innovative campaigns in many markets. The impact of these can already be detected in record sales of Guinness stout in territories as far afield as Jamaica, Ghana and Malaysia.

Africa remains an important growth region, with new brewing arrangements in Rwanda and the Central African Republic.

The launch of Satzenbrau in the Cameroon, in March 1989, proved highly successful and the brand is set to capture a significant share of that market's fiercely competitive 5 million hectolitre sales.

In Europe, Kilkenny Irish Beer was test marketed in Frankfurt and Berlin, before being launched nationally in Germany in May. The brand has also been successfully introduced in Italy. One of the world's top twenty brewers in terms of volume, Guinness Brewing Worldwide is, in terms of profitability, among the top ten.

Together with Heineken and Carlsberg, Guinness is one of the few truly international brewers. With brewing operations in over 30 countries, through wholly owned subsidiaries, joint ventures, associates and licensing agreements, Guinness Brewing Worldwide brands are available in 120 markets.

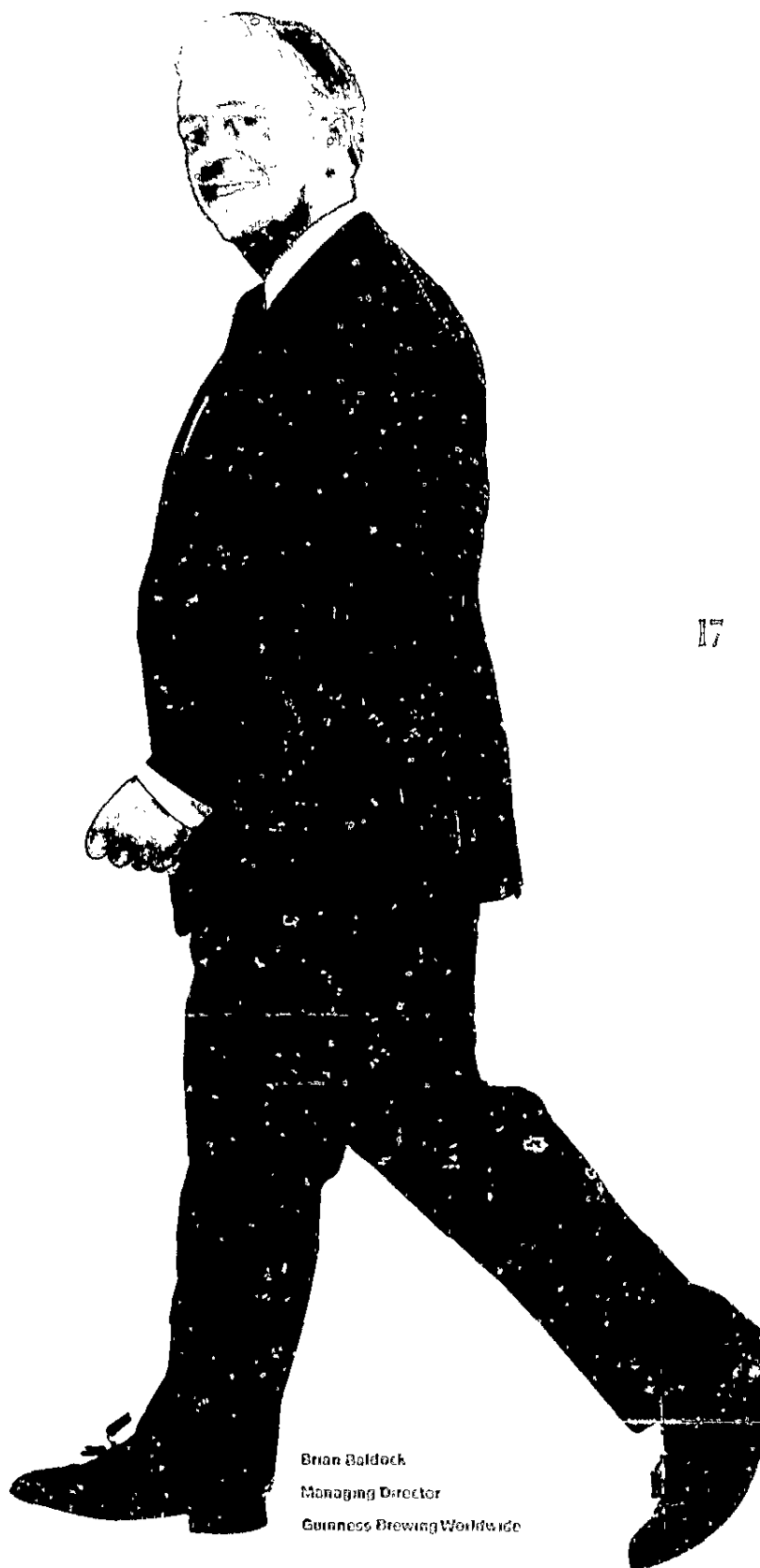
We remain a marketing-led business, committed to developing our portfolio of premium brands in global markets. We face the future with realism and confidence.

87 - 106

88 - 114

89 - 133

TURNOVER PER EMPLOYEE (£000's)



Brian Baldoek
Managing Director
Guinness Brewing Worldwide

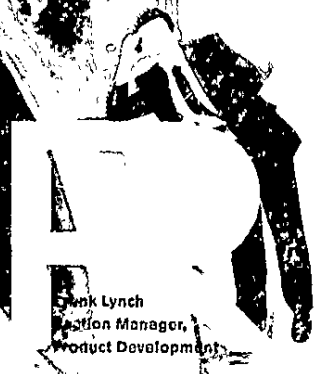
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Ray Stephens
Production/
Distribution Director



Dr. Alan Forage -
Director Product Development



Frank Lynch
Production Manager,
Product Development

Guinness is not only one of the biggest-selling draught beers in the United Kingdom, it is also, undoubtedly, the most distinctive, with its smooth creamy head.

When the beer is dispensed from a draught tap, the consumer is able to see the bubbles rise up and form the characteristic head in the glass.

Ironically, those very qualities which make the appearance and taste of Draught Guinness unique have made it impossible to reproduce for the take-home market until now. Thanks to the combined efforts of a team led by Dr Alan Forage, Draught Guinness can today be enjoyed in the comfort of your own home.

Guinness has consistently enjoyed a reputation for innovation. However, the task of making this unique product available in a can, seemed insurmountable. Frank Lynch explains:

"The problem was that, to initiate break out of gas you need a higher 'shear' force than that generated simply by pouring the beer out of a bottle or can. We had, therefore, to find a system

which would trigger this break-out and yet allow the consumer to open the can, pour out the beer, and see the famous surge in the glass."

The little device which makes Canned Draught Guinness pour as if from a pub fount, looks simple but well over 100 techniques were designed and tested before finding the "in-can system," or ICS.

This is a plastic moulded chamber insert with a minute hole which is placed in the bottom of the empty can, and then filled with beer containing dissolved gas. When the can is sealed, beer enters the chamber. On opening, pressure is released, and the beer is pushed out of the chamber, creating small bubbles. As these rise through the beer, they create more bubbles - the characteristic "surge" in Draught Guinness - which, as the beer settles, eventually form the creamy head.

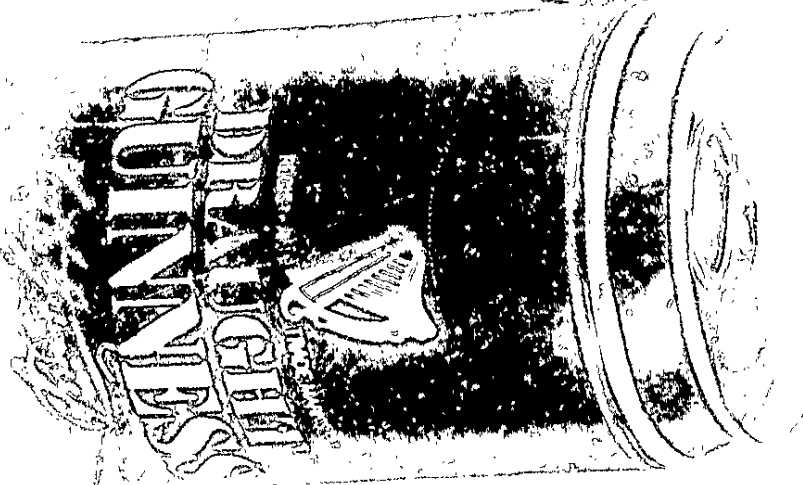
This revolutionary technology required the development of a new canning process at Runcorn in Cheshire, where Jeremy Browne is based:

"It took a while to design and test the equipment. In particular,

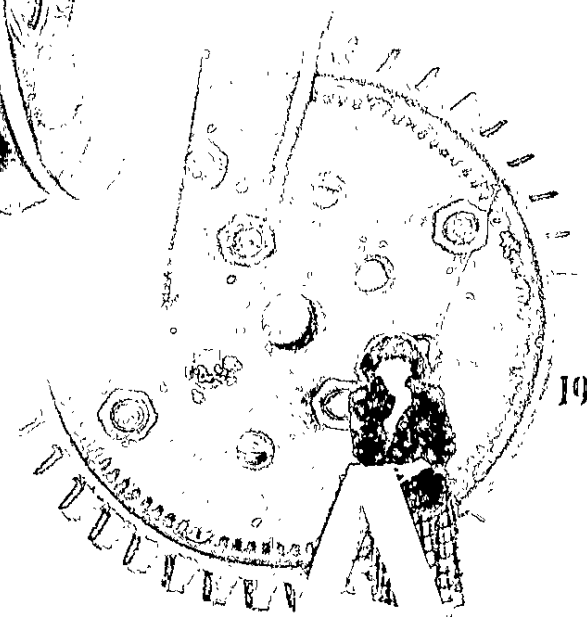
OAK TREE CANNING LINE



John Smith
Quality Control Manager



Jeremy Brown
Production Manager



Anne Harte
Senior Brand Manager

we needed a machine to pick up an ICS and place it the right way up without damaging the can's internal coating as well as a new filler capable of filling beer into a can containing an ICS. The lines are unique. The in-can system is itself covered by a patent and the company owns the registered designs of all the engineering equipment particular to this packaging line.

Because of the various stages unusual to beer canning lines additional quality checks are necessary, John Smith explains.

We had to develop accurate quality control procedures to ensure the presence of a correctly placed insert, the presence of beer in the insert and whether the can is correctly pressurised.

After four years of development and a substantial investment the new product underwent a comprehensive consumer research programme with impressive results. The programme did however highlight the existence of a credibility gap: consumers did not believe Canned Draught Guinness could taste like Draught Guinness until they tried it.

The brand was first marketed in the Midlands and North of England in April 1988. Anne Harte takes on the story.

Given our long history of the credibility gap, consumer activity was geared to stimulate repeat purchases. Special order and mail order theme of 'Indulge in the Guinness Draught Canning Line' was used.

The test was highly successful with the brand being better than anticipated. Consumers were

believing and they certainly bought it.

The theme of the canister advertisement was 'As a result of a long hard search we have

found the perfect way to serve you the best Guinness in the world. It's called Canned Draught Guinness. It's the only Guinness you can buy that's

the same as the original. It's the only Guinness you can buy that's

the same as the original. It's the only Guinness you can buy that's

the same as the original. It's the only Guinness you can buy that's

SANS FRONTIERES

One of the primary objectives of the European Community is to create, by 1992, an environment where, within the Member States, international barriers can be removed and there can be "free movement of people".

For Guinness Brewing Worldwide, that goal is already a reality, and one not confined to Europe. As we trade in 120 markets, there is ample scope for the cross-fertilisation of cultures, ideas and experience.

Moses Fongang, from Guinness Cameroon, spent eight months in London, completing two commercial projects before returning to take up his new post in Douala.

Gurtej Chahal from Malaysia and Ahmadou Njoya and Pierre Ngaba, both from Cameroon, have similarly benefited from work experience in London.

Some of our executives, conversely, have moved from the United Kingdom and Ireland to overseas locations. Clive Brownlee transferred from Guinness Ireland to Nigeria, while Archie Fairlie, who had himself gone from London to Nigeria, has now taken up the post of Operations Director for Guinness Ireland.

Robert Barr, who began with Guinness Ireland, and who then became Brian Baldock's Executive Assistant, has now gone, via INSEAD in France, to become Vice President of Business Planning with GIC in the United States.

No one can doubt the value of such exchanges, for both the Group and the individual. In Guinness, people often find that travel is just not a hobby - it really has become part of their job description!

Moses Fongang
Marketing Operations Controller
Guinness Cameroon



Partners Worldwide

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Guinness Brewing Worldwide is unique in that, unlike any other, its leading brand is a dark beer. As concentration within international brewing continues, Guinness is universally recognised by blond beer producers as the perfect complementary partner.

Today, Guinness Brewing Worldwide enjoys an enviable range of trading relationships with other major brewers, bringing to such alliances both outstanding international marketing experience and an unrivalled portfolio of quality brands. In 33 countries, throughout Africa, across the Indian Ocean, into the Far East and Australasia, and round to Central America and the Caribbean, Guinness is brewed under licence and under strict quality control safeguards enabling our brands to be marketed in 120 countries.

This natural compatibility with other brewers has already been demonstrated in countries where Guinness brews and markets other brands under licence. In Ireland, these include Budweiser, Carlsberg and Fürstenberg. In the United States, the Guinness Import Company has successfully promoted Bass ale for the past 25 years. Such mutually beneficial local alliances facilitate the development of our own range of brands. This is amply demonstrated by the most significant of our recent joint venture agreements. In November 1989, our operations in Malaysia and Singapore were merged with those of Malayan Breweries (Malaya), in which Heineken and Fraser & Neave are major shareholders.

The new venture, Guinness Anchor Berhad, has over 60 per cent of the malt liquor market in Malaysia, with a portfolio of brands which includes Guinness, Anchor, Tiger, Heineken, and Anglia and Green Sands shandies.

A unique combination of distinctive brands and management excellence ensures that Guinness Brewing Worldwide will continue to be a welcome business partner.



The elephant one of Africa's great wildlife symbols is facing the threat of extinction at the hands of ivory poachers, who slaughter on average two elephants each day in Kenya's parks and game reserves. In the past 25 years, herds may have been cut by as much as two thirds.

This menace struck an immediate chord with Guinness Brewing Worldwide. Africa has been an important market for around 170 years, and our products are now available in more than 20 countries in that continent, including Kenya, where Guinness is brewed under licence by Kenya Breweries.

Accordingly, in September 1989, Guinness launched a major conservation initiative, jointly with Operation Raleigh, the youth enterprise and conservation organisation founded by the Prince of Wales, designed to preserve the dwindling number of elephants. So far, efforts have concentrated on ensuring that game wardens are adequately provided with suitable vehicles. Many of these vehicles,

SURVIVAL

essential in order to patrol the vast Kenyan parks and game reserves, were unserviceable and had been abandoned.

In November, GBW officially handed over the first of a fleet of vehicles to the director of the Kenya Wildlife Conservation and Management Department.

And in January 1990, Brian Baldock presented further vehicles to Kenyan President Daniel Arap Moi in a ceremony at Nairobi State House. They are now in service playing their part in ensuring the survival of the elephant.

ENTERPRISES IVMH THE COMMUNITY



ENTERPRISING

After another busy year, the Gleneagles Hotel in Scotland closed in late 1989 for major refurbishment. Visitors to the hotel will now find a new Champneys Centre, a new shopping mall, improved facilities in the leisure centre and a number of refurbished luxury suites, including the prestigious Royal Lochnagar Suite.

Meanwhile, in the grounds, bulldozers are busy carving up the old Princes and Glendevon golf courses to form a third Championship course. Designed by Jack Nicklaus, at a total cost of nearly £5 million, the course will include a brand new clubhouse and will be open for play in Spring 1992.

Overseas, a number of opportunities have been identified for a Gleneagles resort hotel, or a club with superb golf facilities which would carry the Gleneagles name and reputation.



These opportunities are being actively researched by the team at Guinness Enterprises, along with their external advisors.

Development is, inevitably, a slow process, as we go through various stages of design, planning, local authority permits and financing, before even a brick is laid or a golf course sown. We can, however, look forward to a steady development of Gleneagles luxury operations worldwide, through the 1990s.

Champneys too offers considerable scope for development, as recognition of its role as the leading spa resort in Europe grows. Research similar to that conducted on behalf of Gleneagles is

being carried out by the Enterprises team. In addition to the new spa at Gleneagles, Champneys is also



developing an exclusive resort at Canet Palace on the Mediterranean island of Majorca. This is a picturesque location, 10 miles north of the town of Palma, and close to the summer residence of King Juan Carlos.

Nearer home, underneath the Meridien Hotel in Piccadilly, we have refurbished the Champneys Club to provide more exclusive facilities for members.

Champneys produced record profits in 1989. These were 2.5 times the profits in 1987, and 64 per cent higher than those for 1988.

Hediyard, our French gourmet food and wine business, has opened two new shops this year, one in Paris and the other in Tokyo.

The new shop in the chic Auteuil district of Paris is fitted out in classic French style, laden with luxury foods from the new kitchens at Gif-Sur-Yvette, brightly packaged épicerie and a range of fine wines from the Hediyard cellars. The principal store, in Place de la Madeleine, has had a facelift, and is now equipped with refrigerated counters for the traiteur.



In the Far East, Hediyard has been benefiting from a marked increase in demand for French luxury foods. The new shop at Isetan in Tokyo is just the

first of a number of developments in Japan. Image conscious shoppers can already be seen sporting our bags on the streets of Tokyo, long after they have consumed the merchandise which it originally contained.

Guinness Publishing has had its best year ever, with the Guinness Book of Records achieving worldwide sales of 570,000, the highest for 15 years, bringing total sales for the book to almost 62 million.

Now in its 36th edition, the world's best selling copyright book is to be published for the first time in the Soviet Union in February 1990, making a total of 21 foreign publishers.

There is a tremendous demand for

GUINNESS BOOKS

factual information in the Soviet Union, where the Book of Records has consistently been a black market favourite. Izdatelstvo Sovetskaya Rossiya now has a licence to publish 100,000 copies in a single edition, and demand is confidently expected to exceed supply.

The General List of publications has also been significantly extended, enhancing a portfolio which already contains successful titles such as The Guinness Book of Hit Singles.

Plans to launch a new Guinness Encyclopaedia in September 1990 are almost complete.

Unlike other encyclopaedias, this will be a single volume case book. It will use a full colour thematic layout, rather than the more conventional alphabetic format favoured by existing encyclopaedias. One of the most exciting new ventures for Guinness Publishing, it will have an initial print run of 80,000 worldwide.

INITIATIVES

l'Art de Vivre

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The world's leading producer of luxury goods, with internationally recognised brands such as Louis Vuitton, Christian Dior and Givenchy perfumes, LVMH Moët Hennessy Louis Vuitton is also, on the basis of market capitalisation, France's largest company.

Our beverage portfolios are remarkably complementary. The world leader in quality champagnes, such as Dom Pérignon, Moët & Chandon and Veuve Clicquot, LVMH enjoys a similar position in the cognac sector, most notably through the famous Hennessy brand.

Our international joint venture

agreements are now firmly cemented into a long-term and mutually beneficial partnership. Through cross shareholdings, LVMH is today the largest shareholder in Guinness, just as we are, in a sociation with Financière Agache, the largest shareholder in LVMH.

Paralleling Guinness' own performance, LVMH has consistently outperformed the market, with overall sales for the group up by 19 per cent on 1988.

The champagne and wines segment grew by 6 per cent, reflecting a slight increase in sales volume and a significant rise in sales prices. The

cognac and spirits segment saw a similarly impressive increase of more than 24 per cent in sales results, with a discernible increase in the sale of older qualities. Sales growth in the non-beverage sectors - luggage, leather goods and accessories, perfumes and beauty products and horticulture - were equally impressive.

There are few groups whose portfolio of premium brands can rival that of either LVMH or Guinness. The combination of both our portfolios means that we are unrivalled in the international premium branded good sector.





Guinness enjoys an established tradition of community involvement and we believe that society should benefit from the wealth which a successful company generates. To this end we support numerous charities worldwide.

We target specific areas in order to achieve maximum impact. These include Medical Research, Health, Youth and Children, Environment and Conservation, Employment and Enterprise, Trusts and the Arts. Each application for support is considered on merit, no appeal being too small for consideration.

Our community involvement is not, however, confined to charitable giving. We also assist community projects by seconding experienced staff and by making premises, services and equipment available for specific projects.

Annual sponsored events such as the Pimms Polo charity match and the Guinness and Oyster Lunch, similarly raise substantial sums for charity.

We are also involved in a wide range of cultural activities. Selected pieces from our considerable art collection are often loaned to museums and galleries. Last year Guinness Brewing Worldwide agreed to act as sole sponsor for a European tour by the National Theatre, while United Distillers will sponsor the Scottish Ballet tour of Japan in 1990.

Our employees parallel this good work in an enormous variety of individual and collective efforts. United Distillers has raised a substantial sum for the Children in Need Appeal and the Guinness Park Road Fundraisers make a valuable contribution to the quality of life in their local community.

To co-ordinate our efforts, we have organised two schemes whereby the company can match £ for £ both employee fundraising and payroll donations in the United Kingdom.

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CORPORATE INFORMATION

Board of Directors	The Earl of Iveagh, President Anthony J. Tennant*, Chairman Sir Norman Macfarlane, Deputy Chairman Sir David Plastow, Deputy Chairman Bernard J. Arnault Brian F. Baldock* F. Ian Chapman, CBE Shaun C. Dowling* Ian M. Duncan*† Frank L. Fitzpatrick* Anthony A. Greener* Michael F. Julien Sir Ian MacLaurin
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**Executive*

† Appointment effective from 2 April 1990

Group Company Secretary	Geoffrey W. King, LLB
Group Head Office	39 Portman Square London W1H 9HB Tel: (071) 486 0288
Registered Office	Bodiam House Twyford Abbey Road London NW10 7ES Tel: (081) 965 7700
Registrar	Ian Brockie, FCIS 33 Ellersly Road Edinburgh EH12 6JW Tel: (031) 337 7373
Irish Branch Registrar	Marion J. Walsh, BL St. James's Gate, Dublin 8 Tel: (0001) 533645
Auditors	Price Waterhouse Southwark Towers 32 London Bridge Street London SE1 9SY

REPORT OF THE DIRECTORS

The Directors submit their Report and the audited financial statements for the year ended 31 December 1989.

GROUP RESULTS AND TRANSFER TO RESERVES

Profit before taxation amounted to £691 million. The profit attributable to shareholders amounted to £384 million which, after ordinary dividends of £135 million, resulted in a transfer to reserves of £249 million.

DIVIDENDS

The Directors recommend a final dividend of 10.9p per 25p ordinary share to be paid on 21 May 1990 to those members on the register at the close of business on 27 April 1990.

Added to the interim dividend of 4.4p paid on 14 November 1989, this would make a total ordinary dividend for the year of 15.3p per share (1988 - 11.5p). With related tax credits this represents a gross distribution of 20.4p (1988 - 15.3p).

PRINCIPAL ACTIVITIES OF THE GROUP

The Group's principal activities are the distilling and marketing of Scotch whisky, gin and other spirits and the brewing and marketing of beer.

REVIEW OF THE BUSINESS

The Group remains committed to the development of its core international beverage businesses of distilling and brewing.

United Distillers, the Group's spirits division, has completed its operational restructuring, taking more effective control of the marketing of key brands in major world markets and introducing a range of international marketing initiatives. The focus remains squarely on premium and deluxe brands. The benefits of this policy can already be determined.

Guinness Brewing Worldwide, the Group's beer division, has substantially increased its worldwide joint venture operations and, in the process, has acquired new brands to enhance its existing non-alcoholic beverage portfolio. It has also launched Canned Draught Guinness, a major new brand which required patented technology. We have strengthened our links with LVMH by increasing our investment and extending the level of co-operation in joint ventures throughout the world.

The Group disposed of its 50 per cent interest in United Glass as reported at the half year as well as certain other peripheral businesses.

FUTURE DEVELOPMENTS IN THE BUSINESS

The Group will continue to look for opportunities to strengthen and protect its outstanding brand portfolio and to build on its position as a leading international beverage business.

REPORT OF THE DIRECTORS

THE PANEL ON TAKE-OVERS AND MERGERS ("THE PANEL")

Following the ruling by the Panel arising out of the acquisition of The Distillers Company plc ("Distillers"), the Company has made further payments to certain former Distillers shareholders.

The estimated costs arising from this ruling amount to £77 million and are included as an Extraordinary Item in the financial statements.

PURCHASE AND CANCELLATION OF ORDINARY SHARES

At last year's Annual General Meeting shareholders gave the Company renewed and extended authority to purchase a maximum of 88 million of its own 25p ordinary shares. In the Company's circular dated 20 November 1987 the reasons why it was considered beneficial for the Company to purchase its own shares were fully described and have not changed.

During the year under review the Company purchased and cancelled 7 million 25p ordinary shares, representing 0.8 per cent of the issued ordinary share capital at 31 December 1989, at a cost of £23 million. Between the year-end and 22 March 1990 the Company has made no further purchases. The total number of shares purchased and cancelled since the authority was first given on 16 December 1987 is 50 million ordinary shares, representing 5.7 per cent of the issued ordinary share capital at 31 December 1989.

A resolution seeking renewal of this authority will be put to the Annual General Meeting.

CONVERSIONS

On 9 June 1989, a further 94,956 ordinary shares were issued as a result of the exercise of conversion rights by holders of 8½ per cent Convertible Unsecured Loan Stock 1996-2001. Since the first conversion opportunity in 1988, a total of 144,356 shares have been issued in respect of loan stock converted.

FIXED ASSETS

Changes in tangible fixed assets during the year are set out in Note 14 to the Group accounts.

The principal change in fixed asset investments during the year was the increased investment in LVMH, taking the total attributable interest to approximately 24 per cent.

LISTING ON THE PARIS BOURSE

As reported to shareholders last year, the Company decided, following the Group's substantial investment in LVMH and the establishment of closer ties between the Group and LVMH, to seek a listing of its shares on the Paris Bourse. The listing was granted on 26 June 1989.

REPORT OF THE DIRECTORS

ARTICLES OF ASSOCIATION

At the Annual General Meeting on 26 May 1989 shareholders approved the adoption by the Company of new Articles of Association.

EMPLOYMENT POLICIES

The Group is committed to the continuing development of effective employee communication and consultation, including the issue of regular internal publications. It is our policy to promote the understanding and involvement of all employees in the Group's business aims and performance.

Full and fair consideration is given to applications for employment made by disabled persons. If any employee becomes disabled whilst employed by a Group company, every effort is made to find suitable continuing employment, with re-training as necessary. Disabled persons share equally in the opportunities available for training, career development and promotion.

RESEARCH AND RELATED ACTIVITIES

The Group's laboratories carry out research into new product development which is vital to the success of our businesses. We also undertake more basic research (either on our own or in conjunction with other commercial concerns) into topics such as yeast or cereal strain development, the underlying nature of flavour differentiation in beverages and alternative, energy-efficient production techniques.

We also have pursued our policy of funding academic research into alcohol-related, environmental and technological issues.

CONTRIBUTIONS FOR CHARITABLE AND POLITICAL PURPOSES

The Group's contribution for charitable purposes during 1989 was £1,036,000, of which £813,000 was in the United Kingdom.

A description of the range of our activities and contribution for charitable purposes can be found on page 28 of this Annual Report.

There were no payments for political purposes.

SUPPORT FOR THE ARTS

The Group is broadening its support for the arts in the community by sponsoring single performances and exhibitions of special merit, and regional and international touring groups.

REPORT OF THE DIRECTORS

BOARD OF DIRECTORS

The names of the Directors of the Company are shown on page 65.

All Directors served throughout the year except B.J. Arnault, who was appointed on 3 March 1989 and elected at last year's Annual General Meeting, and I.M. Duncan, who will be appointed a Director with effect from 2 April 1990 and will offer himself for election at the forthcoming Annual General Meeting. A.J.C. Chevalier resigned on 3 March 1989 and C.E. Guinness retired on 26 May 1989.

A.A. Greener, M.F. Julien, B.F. Baldock and Sir Norman Macfarlane retire by rotation at this year's Annual General Meeting, and each, being eligible, will offer himself for re-election.

Mr. Duncan, Mr. Greener and Mr. Baldock have contracts of service with the Company, which can be terminated by not more than three years' notice.

DIRECTORS' INTERESTS

The beneficial interests of the Directors in the ordinary share capital of the Company were as follows:

Name	At 31 December 1988		At 31 December 1989	
	Beneficial interests	Outstanding options	Beneficial interests	Outstanding options
	25p ordinary shares		25p ordinary shares	
Earl of Iveagh	5,852,720	1,901	5,852,720	1,901
A.J. Tennant	11,108	183,512	31,672	163,181
Sir Norman Macfarlane	102,000	-	70,630	-
Sir David Plastow	3,811	-	2,000	-
B.J. Arnault	2,000	-	-	-
B.F. Baldock	3,780	219,225	2,672	209,590
F.I. Chapman	5,000	-	2,000	-
S.C. Dowling	6,071	201,755	1,963	191,306
F.L. Fitzpatrick	1,882	119,015	2,000	106,637
A.A. Greener	16,935	209,126	10,827	200,379
M.F. Julien	2,182	-	1,672	-
Sir Ian MacLaurin	7,000	-	1,000	-
Total of Directors' beneficial interests	66,50,792	1,234,537	5,982,156	1,176,297

*At date of appointment

In addition The Earl of Iveagh and A.J. Tennant have non-beneficial interests, in a Trustee capacity only, in the following ordinary shares:

	At 31 December 1988	At 31 December 1989
The Earl of Iveagh	2,271,861	3,700,277
A.J. Tennant	30,000	30,000
	2,301,861	3,730,277

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS (cont.)

During the period 1 January to 22 March 1990 there were no changes in Directors' beneficial interests. A trust of which Lord Iveagh is a trustee, but not a beneficiary, disposed of 100,000 25p ordinary shares during this period.

B.J. Arnault has an interest in the ordinary shares of the Company held by LVMH referred to in the paragraph below headed "Substantial Interests".

None of the Directors had an interest in the 8½% Convertible Unsecured Loan Stock 1996-2001 or the 5½% Convertible Cumulative Redeemable Preference Shares.

The options outstanding at 31 December 1989 are exercisable at varying dates between 1990 and 1999 at varying prices between 273p and 471p.

None of the Directors exercised any options during the year.

SUBSTANTIAL INTERESTS

The Company has been notified that LVMH is at 22 March 1990 the holder of a beneficial interest in 12.4 per cent of the issued ordinary share capital of the Company.

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SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting on 17 May 1990 resolutions will be proposed as special business covering the purchase by the Company of its own ordinary shares, a change in the Company's Articles of Association and changes in the Company's employee share schemes. Explanatory notes on these resolutions, the first two of which will be proposed as special resolutions, are set out in the Notice of Meeting accompanying this Report.

INCOME AND CORPORATION TAXES ACT 1988

The Company is not a close company as defined by the provisions of this Act.

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to continue in office and a resolution for their re-appointment, also authorising the Directors to fix their remuneration, will be submitted at the Annual General Meeting.

By order of the Board,
G.W. King
Secretary
22 March 1990



GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1989

	Notes	1989 £m	1988 £m
Turnover	1 & 2	3,076	2,776
Net operating costs	3	(2,422)	(2,245)
		654	531
Share of profits of related companies		127	41
Profit before interest and taxation	1 & 2	781	572
Net interest charge	6	(90)	(51)
Profit on ordinary activities before taxation		691	521
Taxation on profit on ordinary activities	7	(219)	(172)
Profit on ordinary activities after taxation		472	349
Minority interests		(15)	(7)
Preference dividends		(17)	(17)
Profit before extraordinary items		440	325
Extraordinary items	8	(56)	16
Profit attributable to shareholders		384	341
Dividends	9	(135)	(102)
Retained earnings		249	239
Earnings per share	10		
Basic		51.3p	38.5p
Fully diluted		47.4p	36.0p
Dividends per share	9		
Paid or payable		15.3p	11.5p
Gross equivalent		20.4p	15.3p

Movements on reserves are set out in Note 24

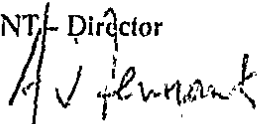
GROUP BALANCE SHEET

At 31 December 1989

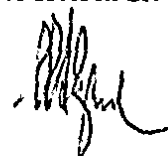
	Notes	1989 £m	1988 £m
NET ASSETS			
Fixed assets			
Acquired brands at cost	13	1,375	1,375
Tangible assets	14	1,252	920
Investments	15	1,085	515
		3,712	2,810
Current assets			
Stocks	16	1,416	1,128
Debtors	17	845	674
Cash and deposits		224	153
		2,485	1,955
Creditors (amounts falling due within one year)			
Short term borrowings	18	(905)	(193)
Other creditors	19	(994)	(812)
		(1,899)	(1,005)
Net current assets		586	950
Total assets less current liabilities		4,298	3,760
Creditors (amounts falling due after more than one year)			
Bank loans and loan stock	20	(642)	(631)
Other creditors	21	(162)	(155)
Provisions for liabilities and charges	22	(97)	(94)
Total net assets		3,397	2,880
EQUITY			
Capital and reserves			
Called up share capital	23	520	521
Share premium account		388	378
Other reserves		3,054	2,509
		3,442	2,887
Goodwill reserve		(604)	(554)
Total reserves	24	2,838	2,333
Shareholders' equity		3,358	2,854
Minority interests		39	26
Total equity		3,397	2,880

Approved by the Board on 22 March 1990

A.J. TENNANT - Director



R.L. FITZPATRICK - Director



GROUP SOURCE AND APPLICATION OF FUNDS

<i>For the year ended 31 December 1989</i>	1989 £m	1988 £m
Profit on ordinary activities before taxation	691	521
Adjustments for non-cash items:		
Depreciation	71	73
Related companies	(95)	(22)
	670	572
Increase in working capital	(96)	(82)
Capital expenditure	(117)	(101)
Disposal of tangible fixed assets	8	12
Reorganisation costs	(48)	(87)
Cash flow from operations	417	314
Tax paid	(134)	(99)
Dividends paid	(129)	(105)
Free cash flow	154	110
Issue of shares	11	398
Businesses sold	38	65
Total net inflow of funds	203	573
Investments in LVMH	(556)	(462)
Other investments	(95)	(45)
Purchase of own shares	(23)	(136)
Payments relating to ruling of the Take-over Panel	(55)	-
	(526)	(70)
Exchange translation adjustments	(126)	(1)
Increase in net borrowings	(652)	(71)

Changes in balance sheet items are stated after excluding movements due to acquisitions and disposals. Details of the increase in working capital, purchases of other investments and the increase in net borrowings are set out in Note 25.

ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

BASIS OF CONSOLIDATION

The Group accounts include the accounts of the Company and its subsidiaries together with the Group's share of the profits and retained post-acquisition reserves of related companies. Related companies are those in which the Group holds a long term equity interest and over which it is in a position to exercise a significant influence.

Where the Group's interest in joint venture partnerships is determined on the basis of the contribution to the results of the partnership from the sale of the Group's products, the attributable results and the related underlying net assets are consolidated.

BRANDS

The fair value of businesses acquired and of interests taken in related companies includes brands, which are recognised where the brand has a value which is substantial and long term. Acquired brands are only recognised where title is clear, brand earnings are separately identifiable, the brand could be sold separately from the rest of the business and where the brand achieves earnings in excess of those achieved by unbranded products.

No amortisation will be provided except where the end of the useful economic life of the acquired brand can be foreseen. The useful economic lives of brands and their carrying value are subject to annual review and any amortisation or provision for permanent impairment would be charged against the profit for the period in which they arose.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Land and buildings are stated at cost or valuation less depreciation. In the case of distilleries, breweries and related specialised properties, valuations are principally on a depreciated replacement cost basis. Hotel and leisure business properties are valued on the basis of an open market valuation for existing use.

Freehold land is not depreciated. Other tangible fixed assets are depreciated on a straight line basis at annual rates estimated to write off their book values over their useful lives. Details of depreciation rates are given in Note 14(b).

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost includes raw materials, duties where applicable, direct labour and expenses and the appropriate proportion of production and other overheads, including financing costs in respect of whisky stocks during their normal maturation period.

ACCOUNTING FOR ACQUISITIONS AND DISPOSALS

(a) Results The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal.

(b) Fair value adjustments and acquisition provisions On the acquisition of a business or of an interest in a related company, the acquisition cost is allocated to the fair value of net tangible assets and the fair value of significant brands acquired after adjustments to bring accounting policies into line with those of the Group.

ACCOUNTING POLICIES

(c) **Goodwill** Goodwill arising on the acquisition of businesses and interests in related companies is calculated by reference to the fair value of net assets acquired and is deducted from reserves. Where merger relief is taken under Section 131 of the Companies Act 1985, the difference between the fair value and the nominal value of shares issued as purchase consideration is treated as a merger reserve.

FOREIGN CURRENCIES

The profit and loss accounts of overseas subsidiary and related companies are translated into sterling at average rates of exchange. Balance sheets are translated at closing rates.

Exchange differences arising on the retranslation at closing rates of the opening balance sheets of overseas subsidiary and related companies, together with the year end adjustment to closing rates of profit and loss accounts translated at average rates, are taken to reserves.

Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are dealt with in the profit and loss account. Differences arising on the translation of foreign currency borrowings are taken directly to reserves where there is a corresponding exchange difference on the translation of the related net investment.

Where forward hedging arrangements are in place, the transactions to which they relate are translated at the rate at which the hedged transactions will be realised.

TURNOVER

Turnover represents invoiced amounts inclusive of excise duties but excluding value added tax.

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.

EXTRAORDINARY ITEMS

Extraordinary items derive from events or transactions outside the ordinary activities of the business which are both material and expected not to recur frequently or regularly. They include profits or losses on disposals of significant investments and businesses.

PENSIONS

The Group operates various pension schemes which are established in accordance with local conditions and practices in the countries concerned. Pension benefits are generally funded by payments to trustee administered funds.

The cost of providing pensions is charged against profits on a systematic basis, with pension surpluses and deficits arising allocated over the expected remaining service lives of current employees.*

Differences between the amounts charged in the profit and loss account and payments made to pension funds are treated as assets or liabilities.

*This represents a change in accounting policy during 1989 following the introduction of Statement of Standard Accounting Practice 24.

NOTES TO THE GROUP ACCOUNTS

1. BUSINESS SECTOR ANALYSIS OF TURNOVER AND PROFIT

	1989		1988	
	£m	%	£m	%
Turnover				
Spirits	1,938	63	1,680	63
Brewing	1,068	35	912	35
Enterprises	67	2	61	2
Continuing operations	3,073	100	2,683	100
Businesses sold	3		93	
	3,076		2,776	
Profit before interest and taxation				
Spirits	542	70	438	78
Brewing	124	16	93	17
Enterprises	8	1	8	1
	674	87	539	96
LVMH	102	13	21	4
Continuing operations	776	100	560	100
Businesses sold	5		12	
	781		572	

(a) Acquisitions and disposals

The average interest of the Group in LVMH during the year was 19% (1988-5%). Businesses sold include £5m (1988-£8m) for the Group's 50% interest in United Glass, which was accounted for as a related company.

(b) Related companies

The results for continuing operations include £20m (1988-£12m) for the Group's attributable share of the profits of related companies other than LVMH, which is shown separately. This comprises £9m (1988-£5m) for the Spirits sector and £11m (1988-£7m) for the Brewing sector. The turnover of the Spirits sector includes £125m (1988-£108m) for the Group's share of the turnover of a joint venture partnership.

(c) Effect of change in accounting policy

The effect of the change in the Group's policy of accounting for pension costs has been to reduce the charge for pension costs attributable to the Brewing sector by approximately £8m.

(d) Exchange rates

If the results of overseas companies for 1988 had been translated at the average exchange rates ruling during 1989, turnover for 1988 would have been £87m higher and profit before taxation for 1988 would have been £11m higher. The results of the Spirits sector for 1988 would have reflected increased turnover of £58m and increased profit of £9m.

NOTES TO THE GROUP ACCOUNTS

2. GEOGRAPHICAL ANALYSIS OF TURNOVER AND PROFIT

	1989		1988	
	£m	%	£m	%
Turnover				
United Kingdom	1,024	33	916	34
Rest of Europe	824	27	681	25
North America	488	16	555	21
Asia/Pacific	492	16	315	13
Rest of the World	245	8	186	7
Continuing operations	3,073	100	2,683	100
Businesses sold	3		93	
	3,076		2,776	
Profit before interest and taxation				
United Kingdom	124	18	100	18
Rest of Europe	147	22	111	21
North America	156	23	143	27
Asia/Pacific	130	19	88	16
Rest of the World	117	18	97	18
	674	100	539	100
LVMH	102		21	
Continuing operations	776		560	
Businesses sold	5		12	
	781		572	

The analysis of turnover and profit is based on the location of third party customers.

3. NET OPERATING COSTS

	1989	1988
	£m	£m
Raw materials and consumables	601	544
Increase in stocks of finished goods and work in progress	(84)	(18)
Excise duties	950	847
Staff costs (Note 4)	306	308
Depreciation	74	73
Other operating charges	575	491
	2,422	2,245

Other operating charges include auditors' remuneration of £1,713,000 (1988-£1,768,000).

NOTES TO THE GROUP ACCOUNTS

4. STAFF COSTS AND EMPLOYEES

	1989 £m	1988 £m
(a) Staff costs		
Wages and salaries	273	264
Social security costs	23	22
Pension costs (Note 1(c))	10	22
	306	308

	1989		1988	
	Year-end	Average	Year-end	Average
(b) Number of employees				
Spirits	8,243	8,297	7,843	8,392
Brewing	8,468	8,007	8,165	8,244
Enterprises	1,395	1,403	1,396	1,385
Continuing operations	18,106	17,707	17,494	18,021
Businesses sold	-	142	530	1,738
	18,106	17,849	17,934	19,759

Part-time employees are included in the above analysis on the basis of their full-time equivalents.

(c) Emoluments of senior executives in the United Kingdom

The following table shows the number of senior executives (other than Directors of the holding company) based in the United Kingdom whose emoluments, excluding pension contributions, fell into the ranges shown:

1989		1988		1989		1988	
Number		Number		Number		Number	
£30,001 - £35,000	124	74	£ 80,001 - £ 85,000	7	3		
£35,001 - £40,000	84	73	£ 85,001 - £ 90,000	4	2		
£40,001 - £45,000	51	41	£ 90,001 - £ 95,000	4	6		
£45,001 - £50,000	37	23	£ 95,001 - £100,000	-	1		
£50,001 - £55,000	25	15	£100,001 - £105,000	2	2		
£55,001 - £60,000	19	14	£105,001 - £110,000	2	2		
£60,001 - £65,000	15	11	£110,001 - £115,000	5	-		
£65,001 - £70,000	9	6	£115,001 - £120,000	2	2		
£70,001 - £75,000	9	2	£125,001 - £130,000	1	-		
£75,001 - £80,000	3	6	£145,001 - £150,000	1	-		

(d) Pension schemes

The Group operates various pension schemes which are established in accordance with local conditions and practices in the countries concerned. The two principal pension schemes, which are of the defined benefit type, are in the United Kingdom and the Republic of Ireland; they are administered by trustees and are maintained independently of the Group's finances. Valuations of the two schemes have been performed during 1989 by Messrs. R. Watson & Sons, Consulting Actuaries. These valuations adopted the projected unit method. The principal financial assumptions used by the actuaries were that the average long term future growth in relevant costs would be broadly in line with inflation and that the average long term return on assets would exceed this by approximately 2.5%.

NOTES TO THE GROUP ACCOUNTS

4. STAFF COSTS AND EMPLOYEES (contd.)

At the date of the valuations, the market value of the assets of the United Kingdom and Republic of Ireland schemes was £688m and £241m respectively. After allowing for estimated future increases in employee earnings, increases in pensions and assumed returns on investments, the value of scheme assets covered 135% of the estimated long term liabilities of the United Kingdom scheme and 75% of the estimated long term liabilities of the Republic of Ireland scheme. The assets of the Republic of Ireland scheme cover 129% of the benefits currently accrued to members and the Group is making additional payments which are expected to eliminate the long term deficit within the foreseeable future.

5. EMOLUMENTS OF THE DIRECTORS OF THE HOLDING COMPANY

The total emoluments of the Directors were £1,494,000 (1988 - £1,333,000), including pension contributions. Fees paid to Directors amounted to £188,000 (1988 - £166,000).

The Chairman was appointed on 26 May 1989 and was the highest paid Director throughout the year, with emoluments of £495,000. The emoluments of the former Chairman, for the period ended 25 May 1989, were £32,000. Chairman's emoluments in 1988 were £80,000 and the highest paid Director's emoluments were £395,000. The emoluments of the other Directors of the holding company were within the following bands:

	1989 Number	1988 Number		1989 Number	1988 Number
£ Nil - £ 5,000	2	2	£100,001 - £105,000	-	1
£ 5,001 - £10,000	1	-	£135,001 - £140,000	1	-
£10,001 - £15,000	-	2	£160,001 - £165,000	-	1
£15,001 - £20,000	2	1	£170,001 - £175,000	1	-
£25,001 - £30,000	1	2	£180,001 - £185,000	-	1
£30,001 - £35,000	1	-	£195,001 - £200,000	-	1
£35,001 - £40,000	1	-	£210,001 - £215,000	1	-
£60,001 - £65,000	1	-	£275,001 - £280,000	1	-
£65,001 - £70,000	-	1			

6. NET INTEREST CHARGE

	1989 £m	1988 £m
Loans and overdrafts wholly repayable within 5 years:		
Repayable other than by instalments	119	57
Repayable by instalments	-	41
Loans of which any portion is due after 5 years	7	9
	126	107
Interest received	(36)	(56)
	90	51

The net interest charge includes the full amount of interest paid less received during the year.

NOTES TO THE GROUP ACCOUNTS

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1989 £m	1988 £m
United Kingdom corporation tax (at the rate of 35%)	112	101
Double taxation relief	(4)	(4)
United Kingdom current taxation	108	97
Overseas taxation	38	25
Deferred taxation	21	34
Related companies	52	16
	219	172

The taxation charges for 1989 and 1988 would not be materially different from those stated above if full provision for deferred taxation were made.

8. EXTRAORDINARY ITEMS

	1989 £m	1988 £m
Costs relating to the acquisition of Distillers arising in connection with a ruling of the Panel on Take-overs and Mergers	(77)	-
Gain on businesses sold	14	16
Recovery of assets previously provided against	19	-
	(44)	16
Taxation	(12)	-
	(56)	16

9. DIVIDENDS

	Net paid/payable per ordinary share		Gross equivalent per ordinary share		Net paid/payable	
	1989	1988	1989	1988	1989	1988
					£m	£m
Interim	4.4p	3.5p	5.9p	4.6p	39	32
Proposed final	10.9p	8.0p	14.5p	10.7p	96	70
	15.3p	11.5p	20.4p	15.3p	135	102

10. EARNINGS PER SHARE

	1989		1988	
	Basic	Fully diluted	Basic	Fully diluted
Attributable profit	£440m	£464m	£325m	£349m
Average number of shares	857m	978m	845m	969m
Earnings per share	51.3p	47.4p	38.5p	36.0p

The average number of shares has been reduced by 21m (1988-5m) in order to reflect the impact on basic earnings per share of the cross-shareholding arrangements with LVMH.

The fully diluted earnings per share have been calculated taking into account the Convertible Unsecured Loan Stock, the Convertible Preference Shares and options over ordinary shares.

NOTES TO THE GROUP ACCOUNTS

11. REVIEW OF THE FAIR VALUE ACCOUNTING FOR THE ACQUISITION OF DISTILLERS

In view of the size and complexity of the reorganisation required following the acquisition of Distillers in 1986 and of the resulting fair value accounting for its assets and liabilities, the Group adopted the policy that if, after a reasonable period, the estimates on which fair values, provisions and similar adjustments were based proved to be in excess of amounts required, the fair values would be restated as a recalculation of goodwill. After a review of the fair values adopted on the basis of experience since the acquisition, the following adjustments increasing the net assets at acquisition have been made:

	£m
Adjustment of stock to revised fair value	157
Reorganisation provisions released	27
Release of fixed asset adjustments	51
	235
Deferred tax asset written off	(38)
Increase in net assets	197

The increase in net assets has been accounted for by reducing the goodwill arising on the acquisition of Distillers and has not been included in the results for the year. The effect of these adjustments on the results for the period from acquisition to 31 December 1989 is immaterial and no prior year adjustment has been made.

12. BUSINESS SECTOR ANALYSIS OF NET ASSETS

	1989		1988	
	£m	%	£m	%
Spirits	3,477	67	2,866	74
Brewing	632	12	461	12
Enterprises	85	2	118	3
LVMH	1,014	19	429	11
	5,208	100	3,874	100
Tax, dividends and other corporate items	(488)		(323)	
	4,720		3,551	
Net borrowings	(1,323)		(671)	
Total net assets	3,397		2,880	

NOTES TO THE GROUP ACCOUNTS

13. ACQUIRED BRANDS AT COST

Acquired brands represent the historical cost of brands acquired on the purchase of businesses. The Directors have reviewed the amounts at which brands are stated and are of the opinion that there has been no impairment in the value of the brands recognised and that the end of the useful economic lives of the brands cannot be foreseen.

14. TANGIBLE FIXED ASSETS

	<i>Land and buildings £m</i>	<i>Plant and machinery £m</i>	<i>Casks, containers and road vehicles £m</i>	<i>Total £m</i>
Cost or valuation				
At 1 January 1989	486	543	131	1,160
Capital expenditure	25	66	26	117
Revaluation	165	—	—	165
Acquisitions	—	3	6	9
Disposals	(9)	(26)	(16)	(51)
Distillers fair value accounting review (Note 11)	27	24	—	51
Exchange adjustments	18	43	12	73
At 31 December 1989	712	653	159	1,524
Depreciation				
At 1 January 1989	32	175	33	240
Charge for year	12	46	16	74
Revaluation	(37)	—	—	(37)
Disposals	(1)	(19)	(12)	(32)
Exchange adjustments	1	17	9	27
At 31 December 1989	7	219	46	272
Net book amount				
At 31 December 1989	705	434	113	1,252
At 31 December 1988	454	368	98	920

NOTES TO THE GROUP ACCOUNTS

14. TANGIBLE FIXED ASSETS (contd.)

	1989 £m	1988 £m
(a) Land and buildings		
(i) The amount shown at cost or valuation includes the following:		
At cost	47	321
At valuation in 1983 or prior	—	91
At valuation in 1984	10	11
At valuation in 1988	62	63
At valuation in 1989	593	—
	712	486
(ii) If shown on an historical cost basis, land and buildings would be stated at:		
Cost	443	382
Depreciation	(40)	(28)
Net book value	403	354
(iii) The net book amount of land and buildings comprises:		
Freeholds	653	411
Long leaseholds (over 50 years)	41	34
Short leaseholds (under 50 years)	11	9
	705	454

(b) Depreciation rates

The following table shows the principal annual rates of depreciation:

Freehold and long leaseholds	Straight line over 50 years
Short leaseholds	Straight line over the life of the lease
Distilling and bottling plant	2%–10%
Brewing plant	5%–12½%
Casks and containers	5%–6¾%
Distribution vehicles	12½%–16¾%
Motor cars	20%–30%

(c) Assets revalued during year

The Group's principal properties within the Spirits and Brewing sectors have been revalued as at 31 December 1989 on the basis of valuations performed by independent Chartered Surveyors. The surplus arising on valuation amounts to £202m.

NOTES TO THE GROUP ACCOUNTS

15. FIXED ASSET INVESTMENTS

	LVMH £m	Other related companies £m	Other investments £m	Total £m
At 1 January 1989	429	73	13	515
Additions (after deducting goodwill)	409	8	2	419
Retained profits for the year	51	(6)	—	45
Disposals	—	(22)	(2)	(24)
Exchange adjustments	125	5	—	130
At 31 December 1989	1,014	58	13	1,085
Listed overseas	1,014	5	—	1,019
Listed in the United Kingdom	—	—	1	1
Unlisted	—	53	12	65
	1,014	58	13	1,085
Market value of listed investments	1,956	7	9	1,972

The surplus of market value over the amount at which the investment in LVMH is stated includes approximately £220m which is attributable to changes in exchange rate during the year. The retained profits of related companies are after deducting dividends received of £32m (1988-£19m).

(a) LVMH

(i) The Group's investment in LVMH, which is listed on the Paris Bourse, is held jointly with the Financière Agache group through Jacques Rober SA, a company registered in France.

At 31 December 1989 the interest in LVMH attributable to Guinness represented 23.7% of the issued share capital of LVMH and 24.1% of its fully diluted share capital. During 1989 the Group's attributable interest has been increased from 12.9% of LVMH at 31 December 1988 as a result of:

- (1) The increase in the Group's interest in Jacques Rober from 40% to 45%.
- (2) Jacques Rober increasing its investment in LVMH from 32.3% to 43.7%.
- (3) The purchase by the Group of 16.8% of the share capital of Christian Dior, a company which is controlled by companies in the Financière Agache group which owns 55% of Jacques Rober.

The average interest in LVMH attributable to the Group during the year was 19%.

NOTES TO THE GROUP ACCOUNTS

15. FIXED ASSET INVESTMENTS (contd.)

(ii) The results of LVMH for the year ended 31 December 1989, translated at the illustrative rate of £1 = FF10.15, were as follows:

	1989 £m	1988 £m
Turnover	1,934	1,620
Profit before taxation	488	366
Taxation	(216)	(164)
Share of profits after taxation of Guinness	42	18
Minority interests	(25)	(23)
Profit attributable to shareholders	289	197

(iii) The Group's interest in LVMH comprises the following amounts:

	1989 £m	1988 £m
Cost of investment	1,018	462
Share of post-acquisition retained profits	63	12
Goodwill deducted from reserves	(192)	(45)
Exchange adjustments	125	-
	1,014	429

Represented by:		
Cost of attributable share of brands	691	320
Share of other net assets	311	81
Warrants at cost	12	28
	1,014	429

(iv) Approximately 4% out of the Group's 24% attributable interest in LVMH at 31 December 1989 is represented by shares which were converted during 1989 from warrants issued by LVMH in 1987, prior to the Group acquiring an interest in LVMH. The issue of the warrants is subject to legal proceedings in France. Various actions brought against LVMH and others in connection with the warrants have been dismissed but the most recent action remains subject to appeal proceedings. In the event that the Court rulings are overturned and the shares in dispute are cancelled the Group's attributable interest would be reduced to approximately 21% of the reduced share capital of LVMH. After taking into account likely compensation the financial effect on the Group would not be material.

(b) Other investments

During 1986 the Group invested \$100m (£68m) in CX Partners, L.P. (then known as Ivan F. Boesky & Company, L.P.), a partnership registered in Delaware, USA. Full provision was made against this amount in the 1986 accounts. During 1989 agreements were reached with the other limited partners on the amount and timing of distributions and £19m has been recognised as an extraordinary item (Note 8) reflecting the net amount received to date. Further recoveries should arise under these agreements and will be recognised when received.

NOTES TO THE GROUP ACCOUNTS

16. STOCKS

	1989 £m	1988 £m
Raw materials and consumables	134	105
Work in progress	28	49
Stocks of maturing whisky	1,085	860
Finished goods and goods for resale	169	144
	1,416	1,128

Stocks of maturing whisky include financing costs amounting to £481m (1988 - £417m). A net adjustment to stocks of £10m (1988 - £12m) has been credited to the profit and loss account comprising £97m (1988 - £98m) of interest incurred during the year less £87m (1988 - £86m) in respect of sales during the year. Following the review of the Distillers fair value accounting (Note II) the amount at which maturing whisky stocks are stated as at 31 December 1989 has been uplifted by £157m including £49m relating to financing costs.

17. DEBTORS

	1989 £m	1988 £m
Trade debtors	620	533
Amounts owed by related companies	24	27
Other debtors and prepayments	201	114
	845	674

18. SHORT TERM BORROWINGS (repayable within one year)

	1989 £m	1988 £m
Bank overdrafts	74	54
Bank loans	831	139
	905	193

NOTES TO THE GROUP ACCOUNTS

19. OTHER CREDITORS (amounts falling due within one year)

	1988 £m	1988 £m
Trade creditors	274	181
Dividends	165	79
Corporation tax	159	125
Social security and other taxes	68	54
Other creditors	190	194
Accruals and deferred income	198	179
	994	812

20. BANK LOANS AND LOAN STOCK (repayable after more than one year)

	1988 £m	1988 £m
Bank loans (Note (a))	569	557
Loan stock (Note (b))	73	74
	642	631

(a) Bank loans

Loans wholly repayable within 5 years	556	519
Loans of which any portion is due after 5 years:		
Repayable by instalments	—	9
Repayable other than by instalments	13	29
	569	557

The repayments of bank loans fall due as follows:

Between 1-2 years	55	241
Between 2-5 years	501	280
After 5 years – by instalments	—	7
– other than by instalments	13	29
	569	557

Interest payable is primarily related to London inter-bank interest rates and varies accordingly.

(b) Loan stock

The loan stock is 8¼% Convertible Unsecured Loan Stock 1996 – 2001 and is convertible in each year up to and including 1996 at the rate of one ordinary share for every £2.90 nominal of loan stock. The rate of interest payable on the loan stock was increased from 8¼% to 8½% on 2 July 1989.

NOTES TO THE GROUP ACCOUNTS

21. OTHER CREDITORS

(amounts falling due after more than one year)

	1989 £m	1988 £m
Corporation tax	92	99
Deferred purchase consideration on acquisitions	30	41
Other creditors and accruals	40	15
	162	155

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £m	Provisions made on acquisitions £m	Other provisions £m	Total £m
At 1 January 1989	(103)	157	40	94
Provided in the year	33	—	77	110
Advance corporation tax	(8)	—	—	(8)
Utilised in the year	—	(52)	(58)	(110)
Distillers fair value accounting review (Note 11)	38	(27)	—	11
At 31 December 1989	(40)	78	59	97

The total utilisation of provisions during the year, including amounts carried within creditors (amounts falling due within one year) was £116m, including £48m of reorganisation costs and £55m of costs relating to the acquisition of Distillers.

Deferred taxation

	1989 £m	1988 £m
Excess of capital allowances over accumulated depreciation	42	34
Short term timing differences	(12)	—
Advance corporation tax	(34)	(26)
Deferred taxation asset	(36)	(111)
	(40)	(103)

Short term timing differences have been accounted for in full. The full potential liabilities in respect of the excess of capital allowances over accumulated depreciation are £109m (1988 - £101m).

The deferred taxation asset is recognised to take account of the effect of acquisition fair value adjustments and deferred purchase consideration on future tax liabilities.

NOTES TO THE GROUP ACCOUNTS

23. SHARE CAPITAL

	1989 £m	1988 £m
(a) Authorised share capital		
1,115m Ordinary Shares of 25p each	279	281
330m 5¼% Convertible Cumulative Redeemable Preference Shares of £1 each	330	330
141m Unclassified Shares of 25p each	35	33
	644	644
(b) Issued and fully paid		
879m Ordinary Shares of 25p each (Note (c))	220	221
300m 5¼% Convertible Cumulative Redeemable Preference Shares of £1 each (Note (d))	300	300
	520	521

(c) Movement in issued ordinary shares

During the year the Company purchased and cancelled 7m shares and issued 3m shares under employee share participation schemes.

(d) Preference shares

The 300m 5¼% Convertible Cumulative Redeemable Preference Shares are convertible into ordinary shares of 25p each on 1 June or, if the Annual Reports have not been despatched to holders by 1 May, then 28 days after the despatch of the Annual Reports by the Company in the years 1990 - 1996 (both inclusive) on the basis of 28 ordinary shares of 25p each for every 100 preference shares. If not converted, the shares may be redeemed at par at the option of the Company at any time during the period 2 June 1996 to 1 July 2006 with all shares outstanding on 1 July 2006 to be redeemed on that date.

(e) Employee share participation schemes

At 31 December 1989, options granted and outstanding under employee share participation schemes amounted to 16m ordinary shares. These options are exercisable at varying dates up to 13 November 1999 at prices ranging from 140p to 589p per share.

NOTES TO THE GROUP ACCOUNTS

24. RESERVES

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings £m	Related companies £m	Goodwill reserve £m	Total £m
At 1 January 1989	378	83	11	1,781	611	23	(554)	2,333
Retained earnings	-	-	-	-	212	37	-	249
Revaluation of properties	-	202	-	-	-	-	-	202
Issue of shares	10	-	-	-	-	-	-	10
Purchase of own shares	-	-	2	-	(23)	-	-	(21)
Goodwill on acquisitions	-	-	-	-	-	-	(196)	(196)
Restatement of goodwill	-	-	-	-	-	-	197	197
Transfers	-	(2)	-	-	24	29	(51)	-
Other	-	-	-	-	-	8	-	8
Exchange adjustments	-	7	-	-	45	4	-	56
At 31 December 1989	388	290	13	1,781	869	101	(604)	2,838

Goodwill reserve

The goodwill reserve comprises goodwill on acquisitions as follows:

	Year of acquisition	1988 £m	Additions £m	Transfers £m	Restatement £m	1989 £m
LVMH	1989 & 1988	45	147	-	-	192
Schenley	1987	92	-	-	-	92
Distillers	1986	326	-	77	(197)	206
Arthur Bell	1985	19	-	-	-	19
New Era Beverages	1989	-	24	-	-	24
Buckley's Brewery	1988	13	-	-	-	13
Other		59	25	(26)	-	58
		554	196	51	(197)	604

The restatement of goodwill arising on acquisition of Distillers has been made following the review of fair values (Note II).

NOTES TO THE GROUP ACCOUNTS

25. GROUP SOURCE AND APPLICATION OF FUNDS

(a) (Increase)/decrease in working capital

	1989 £m	1988 £m
Stocks	(113)	5
Debtors	(65)	(121)
Trade and sundry creditors	82	33
Long term creditors	-	1
	(96)	(82)

(b) Businesses sold

Disposals during the year included the Group's US wine interests and the Group's 50% interest in United Glass. The effect of disposals on the Group balance sheet was as follows:

	1989 £m
Tangible fixed assets	11
Investments	24
Net current assets	8
Net assets	43

(c) Purchase of other investments

	1989 £m
Acquisitions of subsidiaries and interests in joint ventures	57
Deferred consideration on prior year acquisitions	34
Other investments	4
	95

The net assets of subsidiaries acquired amounted to £8m including £20m for debtors and £12m for creditors. Goodwill arising on investments amounted to £49m.

(d) (Increase)/decrease in net borrowings

	1989 £m	1988 £m
Cash and deposits	71	(54)
Short term borrowings	(712)	(52)
Net liquid funds	(641)	(106)
Long term bank loans and loan stock	(11)	35
	(652)	(71)

NOTES TO THE GROUP ACCOUNTS

26. FUTURE CAPITAL EXPENDITURE

	1989	1988
	£m	£m
Contracted for but not provided	29	19
Authorised but not contracted for	49	53
	78	52

27. CONTINGENT LIABILITIES

Guarantees to third parties and other contingent liabilities amount to £20m (1988 - £17m).

28. CLAIMS BY ARGYLL PLC AND FORMER DISTILLERS SHAREHOLDERS

The Company was notified by Argyll plc ("Argyll") in January 1987 that Argyll alleges that it was deprived of the benefits of acquiring Distillers by the Company's conduct during the offer for that company and that it is Argyll's intention to pursue, as soon as practicable, legal action for damages. No claim has been communicated to the Company nor have any formal steps been taken.

Two former individual holders of Distillers shares commenced proceedings against the Company in connection with its offer for Distillers; in one of these the plaintiff has discontinued the action and has made a contribution to the Company's costs; in the other, no steps have been taken by the plaintiff since January 1988.

The remaining proceedings and any further proceedings will be vigorously defended. Based upon opinions received from leading counsel and the Company's professional advisors, the Board has determined that it is not necessary to make any provision in respect of these matters.

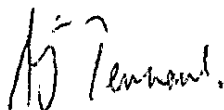
COMPANY BALANCE SHEET

At 31 December 1989

	Notes	1989 £m	1988 £m
NET ASSETS			
Fixed assets			
Tangible assets		6	5
Investments	1	1,432	1,637
		1,438	1,642
Current assets			
Amounts owing by Group Companies		1,785	621
Other debtors		37	21
Cash and deposits		62	40
		1,884	682
Creditors (amounts falling due within one year)			
Bank overdrafts		(10)	(5)
Bank loans		(604)	-
Other creditors	2	(257)	(171)
		(871)	(176)
Net current assets		1,013	506
Total assets less current liabilities		2,451	2,148
Creditors (amounts falling due after more than one year)			
Bank loans	3	(451)	(355)
Loan stock (Note 20(b) to the Group accounts)		(73)	(74)
Loans from Group companies		(450)	(226)
Total net assets		1,477	1,493
EQUITY			
Capital and reserves			
Called up share capital (Note 23 to the Group accounts)		520	521
Share premium account	4	388	378
Capital redemption reserve	4	35	33
Profit and loss account	4	534	561
Total equity		1,477	1,493

Approved by the Board on 22 March 1990

A.J. TENNANT - Director



E.L. FITZPATRICK - Director



NOTES TO THE COMPANY BALANCE SHEET

1. FIXED ASSET INVESTMENTS

	Subsidiary companies		Listed investment	Total
	Shares £m	Loans £m	£m	£m
At 1 January 1989 – cost or valuation	1,051	585	1	1,637
Additions	80	–	–	80
Repayments	–	(285)	–	(285)
At 31 December 1989	1,131	300	1	1,432

The market value of the listed investment, which is listed in the United Kingdom, was £9m (1988 – £10m).

2. OTHER CREDITORS (amounts falling due within one year)

	1989 £m	1988 £m
Amounts owing to Group companies	–	7
Dividends	105	79
Corporation tax	46	33
Other creditors and accruals	106	52
	257	171

3. BANK LOANS (repayable after more than one year)

Bank loans are repayable mainly in 1992–1995. The interest on bank loans is related to London inter-bank interest rates and varies accordingly.

4. RESERVES

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 January 1989	378	33	561	972
Retained earnings	–	–	(4)	(4)
Issue of shares	10	–	–	10
Purchase of own shares	–	2	(23)	(21)
At 31 December 1989	388	35	534	957

The Company has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985.

5. GUARANTEES

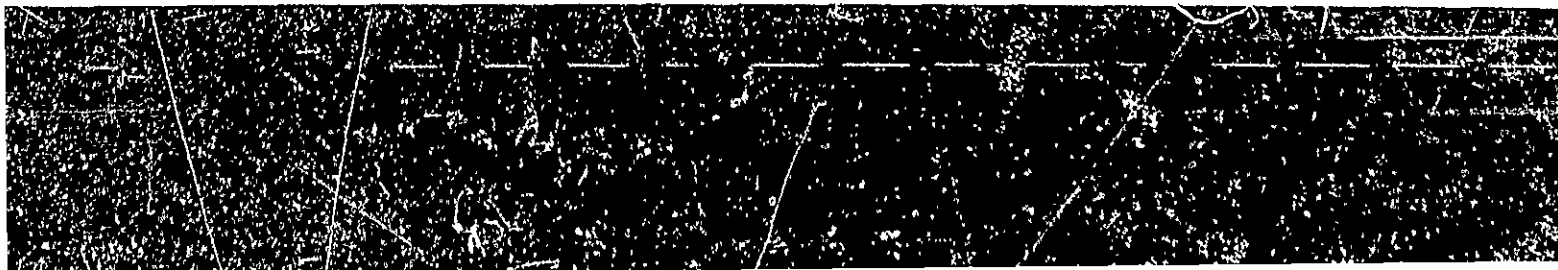
The Company has guaranteed the loans of certain subsidiary companies in the aggregate sum of £15m (1988 – £11m).

PRINCIPAL SUBSIDIARY COMPANIES

	<i>% of issued share capital held by the Group</i>	<i>Country of operation</i>
Spirits (United Distillers)		
United Distillers plc	100	Scotland
Arthur Bell Distillers plc	100	Scotland
Baguin Ltd	70	Spain
Codisa Import SA	70	Spain
NV Breuval & Co SA	100	Belgium
United Distillers France Ltd	100	France
Siegenthaler & Cie SA	100	Switzerland
Vedima International Getränke Vertriebs GmbH	51	Germany
Unispirit Getränke Vertriebs GmbH	51	Germany
Companhia Velha E. Distillers (Distribuição) Limitada	51	Portugal
United Distillers & Blandy (Distribuição) Limitada	75	Portugal
United Distillers & Boutari (Wines & Spirits) SA	60	Greece
Frans Verbunt & Co BV	100	Netherlands
United Distillers Italia SpA	80	Italy
United Distillers (Aust.) Ltd	100	Australia
United Distillers NZ Ltd	100	New Zealand
United Distillers Japan Ltd	100	Japan
UDJ International Liquor Marketing Ltd	100	Japan
Schenley Industries Inc	100	USA
United Distillers Group (Canada) Ltd	100	Canada
United Distillers Cereals Ltd	100	Scotland
United Malt and Grain Distillers Ltd	100	Scotland
United Distillers Stocks and Sales Ltd	100	Scotland
United Distillers Blending and Bottling Ltd	100	Scotland

PRINCIPAL SUBSIDIARY COMPANIES

	<i>% of issued share capital held by the Group</i>	<i>Country of operation</i>
Brewing (Guinness Brewing Worldwide)		
Guinness Brewing Worldwide Ltd	100	England
The Harp Lager Company Ltd	75	England
Buckley's Brewery PLC	75	Wales
Arthur Guinness Son & Company (Northern Ireland) Ltd	100	Northern Ireland
Irish Bonding Company Ltd	100	Northern Ireland
Croft Inns Ltd	100	Northern Ireland
Guinness Ireland Ltd	100	Republic of Ireland
Arthur Guinness Son & Company (Dublin) Ltd	100	Republic of Ireland
Harp Ireland Ltd	100	Republic of Ireland
Irish Ale Breweries Ltd	100	Republic of Ireland
Meadow Meats Ltd	100	Republic of Ireland
Guinness Overseas Ltd	100	England
Guinness GmbH	100	Germany
Guinness Italia Srl	100	Italy
Guinness (Hong Kong) Ltd	100	Hong Kong
GED Australia Pty Ltd	100	Australia
Guinness Cameroun SA	100	Cameroun
Guinness Import Company Inc	100	USA
All Brand Importers Inc	100	USA
Guinness Liberia Inc	100	Liberia
Guinness (Caribbean) Ltd	100	Trinidad
Enterprises (Guinness Enterprises)		
Guinness Enterprises Ltd	100	England
Gleneagles Hotels PLC	100	Scotland
The Champneys Group Ltd	100	England
Guinness Publishing Ltd	100	England
Hediard SA	100	France
AGE Bodegas Unidas SA	50.78	Spain



PRINCIPAL RELATED COMPANIES AND JOINT VENTURES

	<i>Effective % of issued share capital held by the Group</i>	<i>Country of operation</i>
Champagne, cognac, luxury goods and haute couture		
LVMH Moët Hennessy		
Louis Vuitton SA	23.7	France
Christian Dior SA	16.8	France
Jacques Rober SA	45.0	France
Spirits		
Schieffelin & Somerset	50.0	USA
Riche Monde Sdn Bhd	25.0	Malaysia
Caldbeck Macgregor (Malaysia) Sdn Bhd	15.0	Malaysia
Riche Monde (Bangkok) Ltd	40.0	Thailand
Caldbeck Macgregor (Thailand) Ltd	20.0	Thailand
Riche Monde Pte Ltd	40.0	Singapore
Caldbeck Macgregor (Singapore) Pte Ltd	20.0	Singapore
Jardine Riche Monde Ltd	37.5	Hong Kong
Jardine (Wines & Spirits) KK	33.3	Japan
Edward Dillon & Co Ltd	29.9	Republic of Ireland
Brewing and related activities		
Crown Buckleys Taverns Ltd	18.7	Wales
Cantrell & Cochrane Group Ltd	49.6	Republic of Ireland
Savage Smyth & Co Ltd	50.0	Republic of Ireland
New Era Beverage Company	44.5	USA
GAPL Pte Ltd	50.0	Singapore
Guinness Anchor Berhad	29.3	Malaysia
Seychelles Breweries Ltd	26.0	Seychelles
Guinness Nigeria Ltd	25.5	Nigeria
St. Vincent Brewery Ltd	30.0	St. Vincent
Sierra Leone Brewery Ltd	21.6	Sierra Leone
Guinness Ghana Ltd	28.7	Ghana
Enterprises		
Spa Canet Palace SA	50.0	Spain

PRINCIPAL SUBSIDIARY AND RELATED COMPANIES AND JOINT VENTURES

NOTES

1. The figures following the names of principal subsidiary companies denote the percentage of share capital held by the Group at 31 December 1989. Where the percentage is 100%, the Group holds the whole of all classes of issued share capital. Where the percentage is less than 100%, it applies to ordinary share capital only, although in these cases there are no other classes of share in issue.
2. The following companies are direct subsidiaries of Guinness PLC:
 United Distillers plc
 Guinness Brewing Worldwide Ltd
 The Harp Lager Company Ltd
 Arthur Guinness Son and Company (Northern Ireland) Ltd
 Irish Bonding Company Ltd
3. For all companies, the country of incorporation is the same as the country of operation except that Buckley's Brewery PLC, Crown Buckley's Taverns Ltd and UD France Ltd are incorporated in England and Baguin Ltd is incorporated in Bermuda. LVMH is incorporated in France and has operations in all geographical sectors.
4. The Group's interest in LVMH is held indirectly through Jacques Rober SA, 55% of the shares of which are held by Christian Dior SA.

5. The following table summarises the issued share capital of the principal related companies and joint ventures:

Company	Issued Share Capital
LVMH Moët Hennessy Louis Vuitton SA	13,176,146 shares of FF50 each
Christian Dior SA	94,212 shares of FF15,600 each
Jacques Rober SA	54,175,910 shares of FF100 each
Schleffelin & Somerset	Partnership
Riche Monde Sdn Bhd	5,600,000 shares of MYR 1 each
Caldbeck Macgregor (Malaysia) Sdn Bhd	6,000,000 shares of MYR 1 each
Riche Monde (Bangkok) Ltd	300,000 shares of 100 Baht each
Caldbeck Macgregor (Thailand) Ltd	50,000 shares of 1,000 Baht each
Riche Monde Pte Ltd	4,000,000 shares of Sing \$1 each
Caldbeck Macgregor (Singapore) Pte Ltd	4,100,000 shares of Sing \$1 each
Jardine Riche Monde Ltd	100,000 shares of HK\$10 each
Jardine (Wine and Spirits) KK	3,000 shares of Yen 50,000 each
Edward Dillon & Co Ltd	281,256 Ordinary Shares of IR£1 each
Crown Buckley's Taverns Ltd	1,320,000 Ordinary Shares of £1 each
Cantrell & Cochrane Group Ltd	3,000,000 Ordinary Shares of IR£1 each
Savage Smyth & Co Ltd	266,100 Ordinary Shares of 50p each
New Era Beverage Company	Partnership
GAPL Pte Ltd	66,700,000 Ordinary Shares of Sing \$1 each
Guinness Anchor Berhad	216,000,000 Shares of Sen 50 each
Seychelles Breweries Ltd	7200,000 shares of RS5 each
Guinness Nigeria Ltd	200,000,000 Ordinary Shares of 50k each
St. Vincent Brewery Ltd	90,000 shares of ECS100 each
Sierra Leone Brewery Ltd	4,498,340 Ordinary shares of 50c each
Guinness Ghana Ltd	2,848,000 Ordinary Shares of no par value
Spa Canet Palace SA	600,000,000 shares of one peseta each

6. Schleffelin & Somerset is a joint venture partnership in which the Group has a 50% interest. The Group's interest in the results of the partnership is determined on the basis of the contribution to those results from the sale of the Group's products.
7. The Group's interests in the joint venture companies within the Spirits sector which operate in the Far East are held through joint venture companies in which the Group's interest is 50%. GAPL Pte Ltd is a joint venture within the Brewing sector in which the Group owns 50% of the issued share capital. GAPL Pte Ltd owns 58.55% of Guinness Anchor Berhad (previously Guinness Malaysia Berhad, a 50.01% subsidiary of Guinness Overseas Ltd., which merged with Malayan Breweries Malaya Sdn Bhd during the year).

AUDITORS' REPORT

Report of the auditors to the members of Guinness PLC

We have audited the financial statements on pages 36 to 63 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1989 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants

Southwark Towers
32 London Bridge Street
London SE1 9SY

22 March 1990

BOARD OF DIRECTORS

The Earl of Iveagh Joined Guinness in 1958. He was Chairman until 1986 and is now President. He is also a Director of the Bank of Nova Scotia. Aged 52.

Anthony Tennant Joined Guinness as Group Chief Executive in March 1987 and became Chairman in May 1989. Previously he was Deputy Group Chief Executive of Grand Metropolitan and Chairman of IDV. Aged 59.

Sir Norman Macfarlane Appointed a non-executive Director in September 1986 and Chairman from January 1987 until May 1989 when he became joint Deputy Chairman. He is also Chairman and Managing Director of Macfarlane Group (Clansman). Aged 64.

Sir David Plastow Appointed a non-executive Director in September 1986 and appointed Deputy Chairman in January 1987. He is also Chairman and Chief Executive of Vickers. Aged 57.

Bernard Arnault Appointed a non-executive Director on 3 March 1989. He is Président Directeur Général of Financière Agache and Président du Directoire of LVMH. Aged 41.

Brian Baldock Joined Guinness in June 1986 to head the Development division and is now Group Managing Director and Managing Director of Guinness Brewing Worldwide. He was previously a main Board Director with Courage. Aged 55.

Ian Chapman, CBE Appointed a non-executive Director in December 1986. He has been Chairman of Radio Clyde since 1972 and was Chairman and Chief Executive of William Collins from 1981 until 1989. He now heads Chapman Publishers. Aged 64.

Shaun Dowling Joined Guinness in 1982 and is now Managing Director of Guinness Enterprises. He was previously Chief Executive of Westbrick Products. Aged 58.

Ian Duncan Joined Guinness in April 1990 as Managing Director, Finance. He was previously President and Chief Executive Officer of G.O. Holdings Management in the USA. Aged 58.

Frank Fitzpatrick Joined Guinness in May 1988 from the BBC where he was Director of Finance. He is now Administration Director. Aged 50.

Anthony Greener Appointed a non-executive Director in September 1986 and became Managing Director of United Distillers in October 1987 and Group Managing Director in May 1989. He was formerly Managing Director of Dunhill Holdings. Aged 49.

Michael Julien Joined Guinness in March 1987 as Managing Director, Finance and Administration. He became a non-executive Director on 1 June 1988 when he joined Storehouse as Group Chief Executive. Aged 52.

Sir Ian MacLaurin Appointed a non-executive Director in September 1986. He has been Chairman of Tesco since 1985. Aged 53.

FIVE YEAR FINANCIAL SUMMARY

	31 Dec 1989 £m	31 Dec 1988 £m	31 Dec 1987 £m	31 Dec 12 mths 1986 £m	31 Dec 12 mths 1985 £m	30 Sept 1985 £m
Turnover	3,076	2,776	2,818	2,747	3,252	1,188
Trading profit	654	531	452	363	408	81
Related companies	127	41	20	12	15	18
Profit before interest and taxation	781	572	472	375	423	99
Net interest charge	(90)	(51)	(64)	(61)	(68)	(13)
Profit before taxation	691	521	408	314	355	86
Taxation	(219)	(172)	(127)	(94)	(106)	(26)
Profit after taxation	472	349	281	220	249	60
Minority interests	(15)	(7)	(7)	(6)	(8)	(6)
Preference dividends	(17)	(17)	(17)	(11)	(11)	—
Extraordinary items	(56)	16	217	(125)	(125)	(3)
Attributable to shareholders	384	341	174	78	105	51
Dividends	(135)	(102)	(77)	(67)	(73)	(21)
Retained earnings	249	239	397	11	32	30
Earnings/Dividends per share						
Basic earnings	51.3p	38.5p	30.9p	29.9p	38.0p	25.3p
Fully diluted earnings	47.4p	36.0p	29.5p	28.6p	36.3p	25.2p
Net dividend	15.3p	11.5p	9.2p	—	10.2p	7.2p
Gross dividend	20.4p	15.3p	12.4p	—	14.1p	10.3p
Dividend cover (times)	3.3	3.2	3.3	3.0	3.2	2.6
Interest cover (times)	8.7	11.2	7.4	6.1	6.2	7.6
Employment of capital						
Fixed assets	3,712	2,810	2,363	2,276	2,276	685
Net operating assets	1,267	990	972	917	917	108
Long term creditors and provisions	(259)	(249)	(311)	(262)	(262)	(80)
	4,720	3,551	3,024	2,931	2,931	713
Financed by:						
Net debt	1,323	671	600	757	757	232
Total equity	3,397	2,880	2,424	2,174	2,174	481
	4,720	3,551	3,024	2,931	2,931	713
Debt/Equity ratio						
— including cost of acquired brands	39%	23%	25%	35%	35%	48%
— excluding cost of acquired brands	99%	57%	57%	81%	81%	77%

FIVE YEAR FINANCIAL SUMMARY

	31 Dec 1989 £m	31 Dec 1988 £m	31 Dec 1987 £m	31 Dec 12 mths 1986 £m	31 Dec 12 mths 1985 £m	30 Sept 1985 £m
Net debt						
Bank loans and loan stock	642	631	666	872	872	211
Short term borrowings	905	193	141	180	180	79
Cash and deposits	(224)	(153)	(207)	(220)	(220)	(58)
Short term investments	—	—	—	(75)	(75)	—
	1,323	671	600	757	757	232

Shares outstanding

Basic:

weighted average	857m	845m	832m	678m	605m	213m
year-end	879m	883m	832m	831m	831m	298m

Fully diluted:

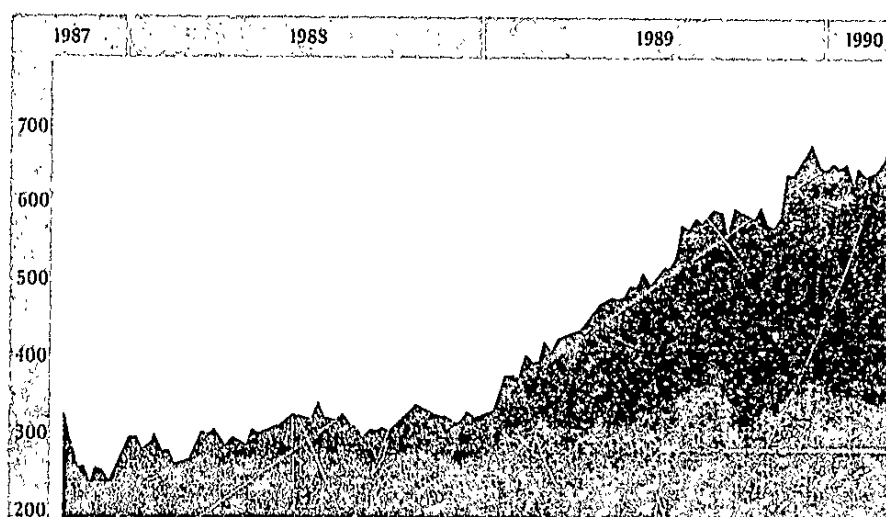
weighted average	978m	969m	942m	762m	677m	214m
year-end	1,004m	1,007m	942m	939m	939m	314m

The weighted average number of shares for 1989 and 1988 has been reduced by 21m and 5m shares respectively in order to reflect the impact on basic earnings per share of the cross-shareholding arrangements with LVMH.

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GUINNESS SHARE PRICE MOVEMENTS

since 1987 "stock market crash"



FTSE 100 (Base - Oct '87)

■ Guinness (Pence)

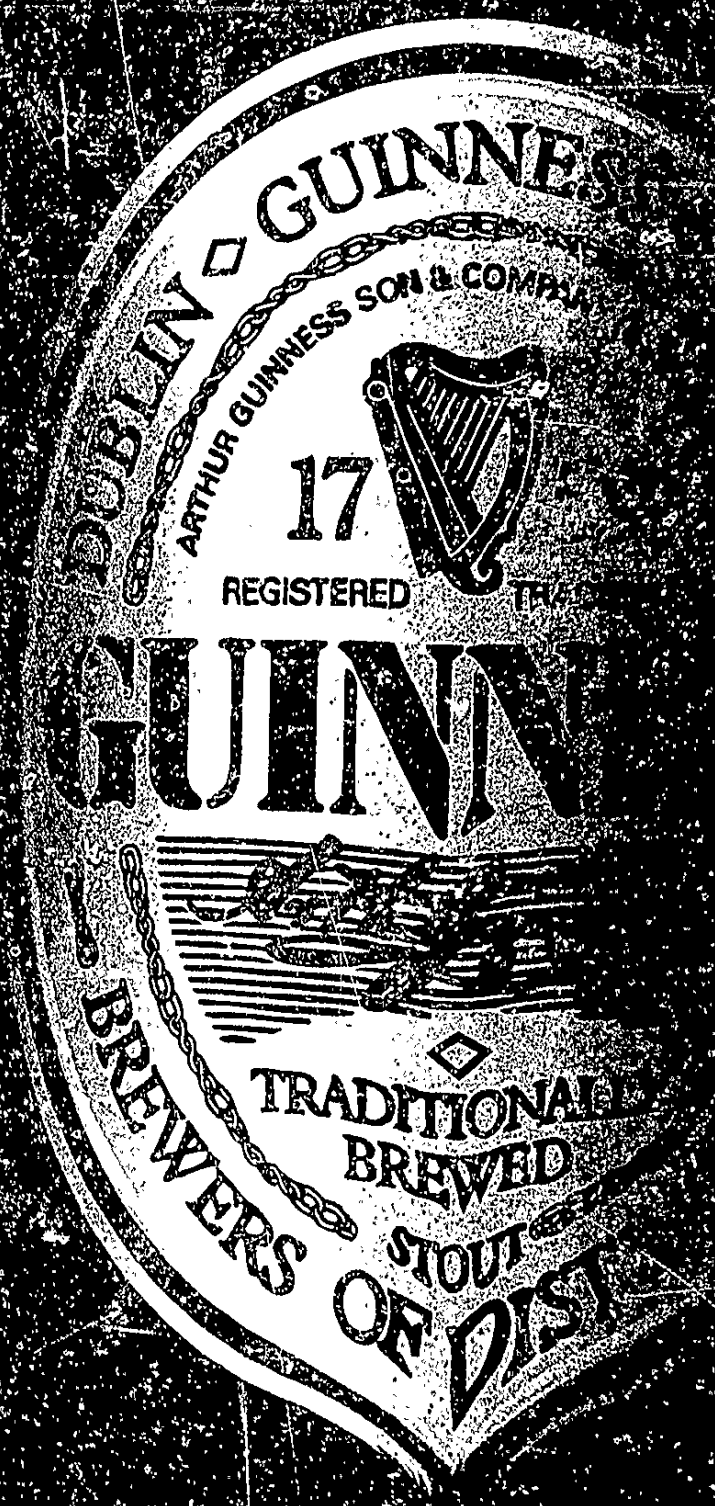
FINANCIAL DIARY AND SHAREHOLDER ANALYSIS

FINANCIAL DIARY

1990 22 March	Preliminary announcement of results for the year ended 31 December 1989
17 May	Annual General Meeting
21 May	Payment of final dividend on ordinary shares
31 May	Conversion date for unsecured loan stock
1 June	First conversion date for preference shares
1 July	Payment of interest on unsecured loan stock
2 July	Payment of preference dividend
September	Half year results to be announced
November	Payment of interim dividend on ordinary shares
31 December	Financial year-end
1991 1 January	Payment of preference dividend and interest on unsecured loan stock
March	Preliminary announcement of results for the year ended 31 December 1990
May	Annual General Meeting

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 1989

Category:	Holdings		Shares	
	Number	%	Number in millions	%
Individuals	79,796	89	141	16
Insurance companies and pension funds	756	1	163	19
Banks	2,508	3	11	1
Bank nominees	1,463	1	186	21
Non-bank nominees	3,657	4	236	27
Other corporate holders	1,709	2	142	16
	89,889	100	879	100
Size of holdings:				
Up to 1,000 shares	51,298	57	26	3
1,001 - 10,000 shares	36,152	40	93	11
10,001 - 50,000 shares	1,590	2	33	4
Over 50,000 shares	849	1	727	82
	89,889	100	879	100



千夜を飲む時は、女性の味方になるのを止めてほしい

