The Drambuie Liqueur Company Limited

Directors' report and financial statements

Year ended 30 June 2002
Registered number SC 14666

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COMPANIES HOUSE 23/12/02

Directors' report and financial statements

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Directors and advisers

Directors	Malcolm MacKinnon- Managing Director
	Duncan MacKinnon - Managing Director
	SR Black
	IR Graham
	JSA Jeffray
Secretary	IR Graham
Auditor	KPMG LLP
Bankers	Bank of Scotland
Solicitors	Dundas & Wilson CS
Registered office	Hillwood House
	Corstorphine
	Edinburgh
	EH12 6UX

Directors' report

The directors submit their annual report and the audited financial statements of the company for the year ended 30 June 2002.

Principal activities

The principal activity of the company is the production and distribution of Drambuie. The directors intend to continue with this activity in the forthcoming year.

Business review

The results of the business for the year are set out in the attached financial statements. The profit for the year after taxation amounted to £105,000 *(2001 – loss £3,078,000)*. An interim dividend of £1,000,000 *(2001 – £500,000)* was paid during the year. The directors do not recommend the payment of a final dividend.

Directors and their responsibilities

The current directors are shown on page 1. Mr SR Black was appointed as a director on 14 January 2002. Mr MF Beamish resigned on 31 May 2002.

None of the directors held any interest in the share capital of the company during the year. The interests of Malcolm MacKinnon and Duncan MacKinnon in the share capital of Drambuie Limited are shown in the financial statements of that company.

The directors retiring by rotation are JSA Jeffray and IR Graham who, being eligible, offer themselves for re-election.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Close company status

In terms of the Income and Corporation Taxes Act 1988, the company is a close company.

Directors' report *(continued)*

Annual general meeting

Under the provisions of section 366A of the Companies Act 1985, the company has elected to dispense with the holding of annual general meetings and the requirement to lay the accounts before the company in general meeting.

By order of the board

Ian R. Graham

IR Graham
Secretary

Hillwood House
Corstorphine
Edinburgh
EH12 6UX

28 October 2002

Independent auditor's report to the members of The Drambuie Liqueur Company Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

28 October 2002

Profit and loss account

for the year ended 30 June 2002

	Note	2002 £000	2001 £000
Turnover	*2*	**28,615**	30,083
Cost of sales		**(9,080)**	(9,654)
Gross profit		**19,535**	20,429
Distribution costs		**(12,471)**	(13,822)
Administrative expenses		**(6,445)**	(7,128)
Other operating income		**-**	403
Operating profit	*3-5*	**619**	(118)
Restructuring	*6*	**-**	(2,445)
Interest receivable	*7*	**175**	190
Amounts written off investments	*8*	**(151)**	(151)
Interest payable and similar charges	*9*	**(540)**	(773)
Profit on ordinary activities before taxation		**103**	(3,297)
Tax on profit on ordinary activities	*10*	**(2)**	(219)
Profit for the financial year		**105**	(3,078)
Dividend	*11*	**(1,000)**	(500)
Retained loss for the year		**(895)**	(3,578)

Other than the profit for the year there have been no other recognised gains or losses.

Balance sheet

at 30 June 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	*12*	**7,492**	6,208
Investments	*13*	**4,979**	5,004
		12,471	11,212
Current assets			
Stocks	*14*	**16,932**	17,376
Debtors	*15*	**8,542**	8,555
		25,474	25,931
Creditors: *amounts falling due within one year*			
Bank loans and overdrafts		**4,910**	1,321
Other creditors	*16*	**14,432**	15,424
		19,342	16,745
Net current assets		**6,132**	9,186
Total assets less current liabilities		**18,603**	20,398
Creditors: amounts falling due after one year	*16*	**4,000**	5,000
Provision for liabilities and charges	*17*	**675**	*575*
Net assets		**13,928**	14,823
Capital and reserves			
Called up share capital	*18*	**5**	5
Profit and loss account	*19*	**13,923**	14,818
Shareholders' funds - equity		**13,928**	14,823

These financial statements were approved by the board of directors on 28 October 2002 and were signed on its behalf by:

Malcolm MacKinnon
Director

Duncan MacKinnon
Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group financial statements.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly-owned subsidiary of Drambuie Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Drambuie Limited can be obtained from the address given in note 25.

Depreciation

Tangible assets are depreciated on a straight line basis over their expected useful lives. Principal rates of depreciation in use are as follows:

Freehold property	-	2%
Plant and machinery	-	10%
including casks	-	10%
computer equipment	-	20%
motor vehicles	-	25%
Fixtures and fittings	-	10%

Leasehold improvements are being written off over a period of fifteen years.

Investments

Listed investments are stated at the lower of cost and market value. Other investments are stated at cost or, where in the opinion of the directors there has been a permanent diminution in value, written down amount.

Stocks

Stocks have been valued at the lower of cost, including Customs and Excise duty where incurred, and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred taxation.

Foreign currency

Foreign currency transactions are principally recorded at an average rate. Exchange differences are dealt with through the profit and loss account. Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date.

Pensions

The cost of providing pensions is charged against profits on a systematic basis, with pension surpluses and deficits arising allocated over the estimated average remaining service lives of current employees. Differences between the amounts charged in the profit and loss account and payments made to pension schemes are treated as assets or liabilities.

Operating leases

Payments under operating leases are charged to the profit and loss account in the year in which they are incurred.

Notes *(continued)*

2 Turnover

Turnover represents the invoiced amount of goods sold, exclusive of value added tax, and comprises:

	2002	2001
	£000	£000
Europe	**16,657**	17,019
Americas	**9,418**	10,077
Rest of the world	**2,540**	2,987
	28,615	30,083

3 Operating profit

	2002	2001
	£000	£000
The operating profit is stated after charging:		
Depreciation of tangible assets	**474**	487
Auditors' remuneration – audit	**22**	25
Auditors' remuneration - non-audit	**3**	2
Operating leases – plant and machinery	**51**	79
Operating leases – property	**131**	131

4 Staff numbers and costs

The average number of employees was as follows:

	2002	2001
	Number	Number
Administration	**35**	45
Production	**16**	60
	51	105

The aggregate payroll costs were as follows:

	2002	2001
	£000	£000
Wages and salaries	**1,712**	2,611
Social security costs	**173**	248
Other pension costs	**109**	176
	1,994	3,035

Notes *(continued)*

5 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	137	176

The emoluments of the highest paid director were £105,000 *(2001 - £127,000)*. The highest paid director at the year end is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end was £9,000 *(2001 -£16,000)*. Compensation for loss of office payable to a former director amounted to £113,000.

Retirement benefits are accruing to the following number of directors under a defined benefit scheme:

	Number of directors 2002	Number of directors 2001
	1	1

6 Restructuring

	2002 £000	2001 £000
Severance	-	1,130
Exceptional depreciation – plant and machinery	-	975
Other costs	-	340
	-	2,445

7 Interest receivable

	2002 £000	2001 £000
Bank	170	154
Other	5	36
	175	190

Notes *(continued)*

8 Amounts written off investments

	2002 £000	2001 £000
Amounts written off investments in subsidiary undertakings	**151**	151

9 Interest payable and similar charges

	2002 £000	2001 £000
Bank	**540**	773

10 Tax on profit on ordinary activities

	2002 £000	2001 £000
Corporation tax at 30 % *(2001 – 30%)*	**-**	-
Prior years' overprovision	**(102)**	(13)
	(102)	(13)
Deferred taxation	**100**	(206)
	(2)	(219)

	£000	£000
Current tax reconciliation		
Profit on ordinary activities before taxation	**103**	(3,297)
Tax charge at standard rate	**31**	(989)
Effects of:		
Expenses not deductible for tax purposes	**187**	267
Capital allowances in excess of depreciation	**(49)**	323
Difference between accounts gain and taxable gain on sale of fixed assets	**(15)**	(133)
Release of provision previously disallowed	**(26)**	-
Trading losses	**(128)**	532
Adjustments to tax in respect of prior periods	**(102)**	(13)
	(102)	(13)

11 *Dividend*

	2002 £000	2001 £000
Interim - £200 per ordinary share *(2001 -£100)*	**1,000**	500

Notes *(continued)*

12 Tangible assets

	Freehold land and property £000	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost					
At 1 July 2001	5,430	387	2,634	472	8,923
Additions	179	-	1,456	180	1,815
Disposals	-	-	(346)	(32)	(378)
At 30 June 2002	**5,609**	**387**	**3,744**	**620**	**10,360**
Depreciation					
At 1 July 2001	1,306	39	1,206	164	2,715
Charge for year	37	26	351	60	474
Disposals	-	-	(300)	(21)	(321)
At 30 June 2002	**1,343**	**65**	**1,257**	**203**	**2,868**
Net book value					
At 30 June 2002	**4,266**	**322**	**2,487**	**417**	**7,492**
At 1 July 2001	4,124	348	1,428	308	6,208

13 Investments

	Listed £000	Unlisted £000	Other £000	Shares in group undertakings £000	Total £000
Cost					
At 1 July 2001	13	126	3,616	1,979	5,734
Additions	-	-	130	-	130
Disposals	-	(4)	(5)	-	(9)
At 30 June 2002	**13**	**122**	**3,741**	**1,979**	**5,855**
Amounts provided					
At 1 July 2001	-	-	241	489	730
Charge for year	-	-	-	151	151
Disposals	-	-	(5)	-	(5)
At 30 June 2002	**-**	**-**	**236**	**640**	**876**
Net book value					
At 30 June 2002	**13**	**122**	**3,505**	**1,339**	**4,979**
At 1 July 2001	13	126	3,375	1,490	5,004

Notes *(continued)*

13 Investments *(continued)*

Listed and unlisted investments

The listed investments are quoted on The London Stock Exchange. The market value of listed investments at 30 June 2002 was £26,000 (*2001 - £25,000*). In the opinion of the directors, the market value of unlisted investments is equivalent to their book value.

Operating subsidiary undertakings

	Principal activity	Country of registration	Ordinary shares
Innes & Grieve Limited	Wine merchant	Scotland	100%
Strathaird Holdings, Inc.	Nominee company	British Virgin Islands	100%

Associated undertaking

Glenaird Limited is a 50% held joint venture company with Macdonald & Muir Limited. As Macdonald & Muir Limited holds a majority of the voting rights in Glenaird Limited, it has been treated as an associated undertaking.

14 Stocks

	2002 £000	2001 £000
Raw materials and consumables	**15,798**	16,039
Work in progress	**97**	355
Finished goods and goods for resale	**1,037**	982
	16,932	17,376

15 Debtors

	2002 £000	2001 £000
Trade debtors	**7,604**	7,418
Amounts owed by fellow subsidiary undertakings	**-**	6
Other debtors	**780**	957
Prepayments and accrued income	**158**	174
	8,542	8,555

Other debtors amounting to £131,000 (*2001 - £276,000*) are due outwith one year.

Notes *(continued)*

16 Creditors:

	2002 £000	2001 £000
Amounts falling due within one year		
Trade creditors	**4,025**	5,713
Payments in advance	**262**	9
Amounts owed to parent company	**6,553**	5,328
Amounts owed to subsidiary undertaking	**7**	16
Corporation tax	**115**	115
Other creditors including other taxes and social security costs	**17**	161
Accruals and deferred income	**3,294**	2,877
Restructuring accrual	**159**	1,205
	14,432	15,424
Amounts falling due after one year		
Bank loan	**4,000**	5,000

The bank loans and overdrafts are secured by bonds and floating charges over the company's assets.

The bank loan is repayable in equal annual instalments of £1 million on 31 August. Interest is charged at market rates.

17 Provision for liabilities and charges

Deferred taxation	**Accelerated capital allowances £000**
At 1 July 2001	575
Movement in year	100
At 30 June 2002	**675**

18 Called up share capital

	2002 £000	2001 £000
Authorised, allotted, issued and fully paid		
5,000 ordinary shares of £1 each	**5**	5

19 Profit and loss account

	£000
At 1 July 2001	14,818
Retained loss for the year	(895)
At 30 June 2002	**13,923**

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Profit for the financial year	**105**	(3,078)
Dividend	**(1,000)**	(500)
Net reduction in shareholders' funds	**(895)**	(3,578)
Shareholders' funds at 1 July 2001	**14,823**	18,401
Shareholders' funds at 30 June 2002	**13,928**	14,823

21 Pension funds

The latest full actuarial valuation of the defined benefit schemes operated by the group was carried out as at 1 July 1999. The financial statements of Drambuie Limited for the year ended 30 June 2002 include details of the independent actuarial valuation and of the assumptions used therein.

The company is a member of pension schemes providing benefits based on final pensionable pay. As the company is unable to identify its share of the schemes' assets and liabilities on a consistent and reasonable basis, these schemes will be accounted for by the company, when Financial Reporting Standard 17 is fully adopted by the company, as if the schemes were defined contribution schemes.

22 Capital commitments

	2002 £000	2001 £000
Contracted but not provided for	**118**	1,204

23 Operating lease commitments

At the end of the financial year, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2002 £000	2001 £000
Operating leases expiring:		
After five years	**145**	145

24 Contingent liabilities

The company has granted guarantees in favour of Customs & Excise amounting to £31,000 *(2001 - £100,000)*.

The company has entered into cross-guarantee arrangements in respect of the bank borrowings of Drambuie Limited and its subsidiary undertakings. At 30 June 2002 group borrowings amounted to £17,908,000 *(2001 - £26,434,000)*.

25 Parent company

The company's parent company is Drambuie Limited, a company registered in Scotland. Copies of the financial statements of Drambuie Limited, in which the results of the company are consolidated, may be obtained from:

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh EH1 2EB