

WILLIAM GRANT & SONS DISTILLERS LIMITED

Report and Accounts

29 December 2001



William Grant & Sons Distillers Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the 52 weeks to 29 December 2001.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £15,394,000. The directors do not propose the payment of a dividend leaving a profit of £15,394,000 to be taken to reserves.

PRINCIPAL ACTIVITIES

The company's principal activity during the period continued to be the distillation, blending and bottling of alcoholic beverages.

REVIEW OF THE BUSINESS

Business progressed well during the period. The company remains committed to developing its production base to meet the highest standards in quality, efficiency and customer service.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

P Dollman
J A Henderson
K McKinlay
S Nickerson
A B C Short
P Thomas
W White

None of the directors had any interest in the share capital of the company or its ultimate parent company, William Grant & Sons Limited, at 29 December 2001.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, 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 accounts; and prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

FUTURE DEVELOPMENTS

The prospects for the company appear to be favourable as a result of the company's investment programme and the continuing development of personnel resources. Ongoing organisational developments and increased training are both helping in this respect.

William Grant & Sons Distillers Limited

DIRECTORS' REPORT

DISABLED EMPLOYEES

The group maintains a progressive employment policy towards disabled persons, providing equal opportunities for training and development.

EMPLOYEE INVOLVEMENT

As a key part of the company's philosophy, great importance continues to be placed on involving all staff in the company's operations.

The company continues to keep staff informed and involved in the progress of the company through the Company Annual Review, Local Reviews and Team Briefs.

On behalf of the Board



G D Tait
Secretary

1 October 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WILLIAM GRANT & SONS DISTILLERS LIMITED**

We have audited the company's financial statements for the year ended 29 December 2001 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

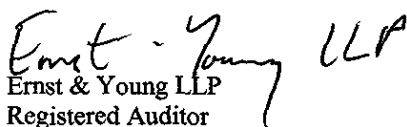
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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 accounts give a true and fair view of the state of affairs of the company as at 29 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Glasgow

1 October 2002

William Grant & Sons Distillers Limited

PROFIT AND LOSS ACCOUNT for the 52 weeks ended 29 December 2001

	<i>Notes</i>	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
TURNOVER	1	123,790	121,046
Cost of sales		93,185	95,499
GROSS PROFIT		30,605	25,547
Administration expenses		6,277	6,477
OPERATING PROFIT	3	24,328	19,070
Interest payable	4	2,440	8,538
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,888	10,532
Tax on profit on ordinary activities	5	6,494	3,109
PROFIT FOR THE PERIOD AFTER TAXATION		15,394	7,423

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

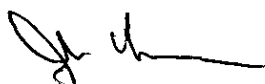
There are no recognised gains or losses other than the profit of £15,394,000 in the period ended 29 December 2001 (2000 - profit of £7,423,000).

William Grant & Sons Distillers Limited

BALANCE SHEET

at 29 December 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible assets	6		
Land and buildings		45,176	46,394
Plant, vehicles and casks		48,541	46,887
Investments	7	5	5
		<u>93,722</u>	<u>93,286</u>
CURRENT ASSETS			
Stocks	8	180,945	189,000
Debtors	9	86,730	59,526
Cash at bank and in hand		117,364	47,528
		<u>385,039</u>	<u>296,054</u>
CREDITORS: amounts falling due within one year	10	346,147	271,298
NET CURRENT ASSETS		<u>38,892</u>	<u>24,756</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>132,614</u>	<u>118,042</u>
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases	11	4,591	5,699
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	12,327	11,893
ACCRUALS AND DEFERRED INCOME			
Deferred government grants		1,267	1,415
		<u>114,429</u>	<u>99,035</u>
CAPITAL AND RESERVES			
Called up share capital	13	80,000	80,000
Profit and loss account	14	34,429	19,035
EQUITY SHAREHOLDERS' FUNDS		<u>114,429</u>	<u>99,035</u>



J A Henderson
Director

1 October 2002

William Grant & Sons Distillers Limited

ACCOUNTING POLICIES

BASIS OF PREPARATION

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

DEPRECIATION

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off their cost in equal annual instalments over their expected useful lives, as follows:

Freehold buildings	-	25 to 50 years
Plant, vehicles and casks	-	5 to 20 years

DEFERRED GOVERNMENT GRANTS

Government grants on capital expenditure are credited to a deferral account and are released to revenue at rates corresponding to those applied in depreciating the relevant assets.

STOCKS

Stocks are stated at the lower of cost or net realisable value. Cost consists of the expenditure in purchasing or producing stock and bringing it to its present location and condition as follows:

Raw materials	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials, labour and attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price in the normal course of business, less all additional costs to completion and disposal.

DEFERRED TAXATION

Deferred taxation is provided on all timing differences which are expected to reverse in the future calculated at the rate at which it is estimated that tax will be payable.

FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange gains or losses are taken to the profit and loss account.

LEASING COMMITMENTS

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

RELATED PARTY TRANSACTIONS

Related party transactions with group companies have not been disclosed in accordance with the exemption for subsidiary undertakings contained in Financial Reporting Standard 8 "Related Party Disclosures".

William Grant & Sons Distillers Limited

ACCOUNTING POLICIES

CASH FLOW STATEMENT

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement because it is a wholly owned subsidiary undertaking and consolidated accounts which include the company are publicly available.

William Grant & Sons Distillers Limited

NOTES TO THE ACCOUNTS

at 29 December 2001

1. TURNOVER

Turnover represents the amounts derived from the provision of goods which fall within the company's continuing ordinary activities, stated net of Duty and VAT.

An analysis of the turnover, profit and net assets by class of business and geographical origin has not been disclosed. The directors are of the opinion that to disclose such information would be seriously prejudicial to the interests of the company.

2. STAFF COSTS

	2001 £000	2000 £000
Wages and salaries	12,356	12,240
Social security costs	842	853
	<u>13,198</u>	<u>13,093</u>

The average weekly number of employees during the period was as follows:

	No.	No.
Administration	63	63
Production	496	506
	<u>559</u>	<u>569</u>

3. OPERATING PROFIT

This is stated after charging/(crediting):

	2001 £000	2000 £000
Depreciation:		
- owned assets	6,204	5,645
- leased assets	943	1,285
- included within stock	(1,571)	(2,028)
	<u></u>	<u></u>

The aggregate remuneration of all UK directors, excluding pension contributions, was £328,000 (2000 - £261,000). The highest paid director received £100,000 (2000 - £89,000). The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined benefit schemes is 6 (2000 - 6). The accumulated total accrued pension per annum for the highest paid director was £23,000 (2000 - £20,000).

Fees paid to the auditors for audit services amounted to £ 17,000 (2000 - £17,000).

William Grant & Sons Distillers Limited

NOTES TO THE ACCOUNTS

at 29 December 2001

4. INTEREST

	2001 £000	2000 £000
Payable:		
On bank loans and overdrafts	2,246	7,937
Finance charges payable under finance leases	471	601
	<u>2,717</u>	<u>8,538</u>
Receivable:		
On short term deposits	(277)	-
	<u>2,440</u>	<u>8,538</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
Based on the profit for the period:		
UK corporation tax	6,187	2,206
Deferred tax	485	919
	<u>6,672</u>	<u>3,125</u>
Corporation tax under provided in previous years	200	222
Deferred tax overprovided in previous years	(378)	(238)
	<u>6,494</u>	<u>3,109</u>

6. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Plant, vehicles and casks £000
Cost:		
At 30 December 2000	61,443	110,907
Disposals	-	(371)
Additions	346	7,238
	<u>61,789</u>	<u>117,774</u>
At 29 December 2001		
Depreciation:		
At 30 December 2000	15,049	64,020
Disposals	-	(370)
Provided during the period	1,564	5,583
	<u>16,613</u>	<u>69,233</u>
At 29 December 2001		
Net book value:		
At 29 December 2001	45,176	48,541
	<u>46,394</u>	<u>46,887</u>
At 30 December 2000		

William Grant & Sons Distillers Limited

NOTES TO THE ACCOUNTS

at 29 December 2001

6. TANGIBLE FIXED ASSETS (continued)

Included in freehold land and buildings is land of £5,623,000 (2000 - £5,623,000) which is not depreciated. The net book value of plant, vehicles and casks above includes an amount of £6,026,000 (2000 - £6,969,000) in respect of assets held under finance leases.

Commitments for capital expenditure contracted but not provided amounted to £1,428,000 (2000 - £2,034,000).

7. INVESTMENTS

	<i>Unlisted £000</i>
At cost, less amounts written off	
At 29 December 2001 and 30 December 2000	5

8. STOCKS

	<i>2001 £000</i>	<i>2000 £000</i>
Raw materials	2,883	2,396
Work in progress	162,376	170,368
Finished goods	15,686	16,236
	<u>180,945</u>	<u>189,000</u>

9. DEBTORS

	<i>2001 £000</i>	<i>2000 £000</i>
Trade debtors	51,661	41,825
Other debtors and prepayments	3,549	4,273
Corporation Tax	-	-
Amounts owed by parent company and fellow subsidiaries	31,520	13,428
	<u>86,730</u>	<u>59,526</u>

10. CREDITORS: amounts falling due within one year

	<i>2001 £000</i>	<i>2000 £000</i>
Bank loans and overdrafts	98,750	103,000
Trade creditors	9,568	8,961
Corporation Tax	6,062	-
Other taxes and social security costs	875	1,045
Other creditors and accruals	3,354	3,043
Pensions	2,628	2,948
Amounts owed to parent company and fellow subsidiaries	223,800	150,691
Obligations under finance leases (note 11)	1,110	1,610
	<u>346,147</u>	<u>271,298</u>

William Grant & Sons Distillers Limited

NOTES TO THE ACCOUNTS

at 29 December 2001

11. OBLIGATIONS UNDER FINANCE LEASES

	2001 £000	2000 £000
Amounts payable within one year	1,427	2,017
In the second to fifth years inclusive	2,990	3,770
Over five years	2,772	3,419
Less finance charges allocated to future periods	(1,488)	(1,897)
	<u>5,701</u>	<u>7,309</u>
Shown as:		
	2001 £000	2000 £000
Current obligations	1,110	1,610
Non-current obligations	4,591	5,699
	<u>5,701</u>	<u>7,309</u>

12. DEFERRED TAXATION

	2001 £000	2000 £000
Capital allowances in advance of depreciation	10,693	9,511
Other timing differences	1,634	2,382
	<u>12,327</u>	<u>11,893</u>

13. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2001 <i>No.</i>	2000 <i>No.</i>	2001 £000	2000 £000
Ordinary shares of £1 each	100,000,000	100,000,000	80,000	80,000

William Grant & Sons Distillers Limited

NOTES TO THE ACCOUNTS

at 29 December 2001

14. SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>Called up share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity shareholders' funds £000</i>
At 25 December 1999	80,000	11,612	91,612
Profit for the period after taxation	-	7,423	7,423
At 30 December 2000	80,000	19,035	99,035
Profit for the period after taxation	-	15,394	15,394
At 29 December 2001	80,000	34,429	114,429

15. PENSION ARRANGEMENTS

The Company participates in a number of defined benefits schemes operated by Wm Grant & Sons in the UK. The scheme has a FRS17 deficit as at 29 December 2001. It is not possible to separately identify each subsidiary's share of the underlying assets and liabilities in the schemes and hence FRS17 allows the company to account for its contributions to the scheme as if it were a defined contribution scheme.

16. ULTIMATE PARENT COMPANY

The directors regard William Grant & Sons Limited, a company registered in Scotland, as the company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the company is a member. The address from which copies of these group accounts are available to the public is: The Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.