

William Grant & Sons Distillers Limited

Report and Accounts

28 December 2002

Registered No: 134248



SCT SM6MBP9F 0067
COMPANIES HOUSE 17/10/03

Directors' Report

The directors submit their report and accounts for the 52 weeks ended 28 December 2002.

Results and dividends

The profit for the period, after taxation, amounted to £22,162,000. The directors do not propose the payment of a dividend leaving a profit of £22,162,000 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 28 December 2002.

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.

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.

Disabled employees

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

Directors' Report

Employee involvement

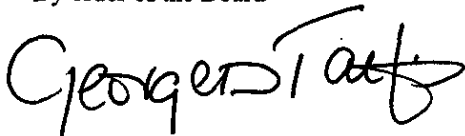
As a key part of the company's philosophy, great importance continues to be placed on involving all staff in the company's operations.

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.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'G D Tait', written over the printed name.

G D Tait
Secretary

30 September 2003

Independent Auditors' Report

to the members of William Grant & Sons Distillers Limited

We have audited the company's accounts for the year ended 28 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts 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 specified by law 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.

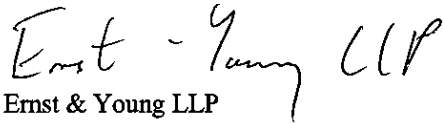
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 28 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst & Young LLP
Registered Auditor
Glasgow

30 September 2003

Profit and Loss Account

For the 52 weeks ended 28 December 2002

	<i>Note</i>	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i>
Turnover	2	137,512	123,790
Cost of sales		99,340	93,185
Gross profit		38,172	30,605
Administration expenses		6,467	6,277
Operating profit	4	31,705	24,328
Interest payable	5	58	2,440
Profit on ordinary activities before taxation		31,647	21,888
Tax on profit on ordinary activities	6	9,485	6,494
Profit for the period after taxation		22,162	15,394

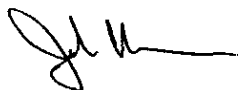
Statement of Total Recognised Gains and Losses

There are no recognised gains or losses other than the profit of £22,162,000 in the period ended 28 December 2002 (2001: profit of £15,394,000).

Balance Sheet

at 28 December 2002

	<i>Note</i>	<i>2002</i> <i>£000</i>	<i>2001</i> <i>£000</i>
Fixed assets			
Tangible assets:	7		
Land and buildings		43,709	45,176
Plant, vehicles and casks		46,776	48,541
Investments	8	5	5
		<u>90,490</u>	<u>93,722</u>
Current assets			
Stocks	9	178,315	180,945
Debtors	10	215,485	86,730
Cash at bank and in hand		86,158	117,364
		<u>479,958</u>	<u>385,039</u>
Creditors: amounts falling due within one year	11	415,429	346,147
Net current assets		<u>64,529</u>	<u>38,892</u>
Total assets less current liabilities		<u>155,019</u>	<u>132,614</u>
Creditors: amounts falling due after more than one year			
Obligations under finance leases	12	3,800	4,591
Provision for liabilities and charges			
Deferred taxation	6	13,509	12,327
Accruals and deferred income			
Deferred government grants		1,119	1,267
		<u>136,591</u>	<u>114,429</u>
Capital and reserves			
Called up share capital	13	80,000	80,000
Profit and loss account	14	56,591	34,429
Equity shareholders' funds		<u>136,591</u>	<u>114,429</u>



J A Henderson
Director

30 September 2003

Notes to the Accounts

at 28 December 2002

1. 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Accounts

at 28 December 2002

1. Accounting policies (continued)

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".

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.

2. 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.

3. Staff costs

	2002	2001
	£000	£000
Wages and salaries	13,440	12,356
Social security costs	872	842
	<u>14,312</u>	<u>13,198</u>

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

	No	No
Administration	61	63
Production	515	496
	<u>576</u>	<u>559</u>

Notes to the Accounts

at 28 December 2002

4. Operating profit

This is stated after charging/(crediting):

	2002	2001
	£000	£000
Depreciation:		
- owned assets	5,852	6,204
- leased assets	853	943
- included within stock	(1,695)	(1,571)

The aggregate remuneration of all UK directors, excluding pension contributions, was £510,000 (2001: £328,000). The highest paid director received £156,000 (2001: £100,000). The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined benefit schemes is 6 (2001: 6). The accumulated total accrued pension per annum for the highest paid director was £12,000 (2001: £23,000).

Fees paid to the auditors for audit services amounted to £17,000 (2001: £17,000).

5. Interest

	2002	2001
	£000	£000
Payable:		
On bank loans and overdrafts	277	2,246
Finance charges payable under finance leases	385	471
Other	124	-
	786	2,717
Receivable:		
On short term deposits	(728)	(277)
	58	2,440

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002	2001
	£000	£000
Current tax:		
UK corporation tax	9,193	6,187
Tax (over)/underprovided in previous years	(890)	200
Total current tax (note 6(b))	8,303	6,387
Deferred tax:		
Origination and reversal of timing differences	311	485
Tax under/(over)provided in previous years	871	(378)
Deferred tax (note 6(d))	1,182	107
Tax on profit on ordinary activities	9,485	6,494

Notes to the Accounts

at 28 December 2002

6. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are reconciled below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	31,647	21,888
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	9,494	6,566
Expenses not deductible for tax purposes	33	17
Depreciation on assets not qualifying for capital allowances	21	134
Release of regional development grant	(44)	(44)
Accelerated capital allowances	(132)	(1,021)
Pension contributions in excess of pension charge	(116)	(128)
Tax (over)/underprovided in previous years	(890)	200
Other	(63)	663
Total current tax note 6((a))	8,303	6,387

(c) Factors that may affect future tax charges

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years but at a slightly lower level than in the current year.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2002 £000	2001 £000
Accelerated capital allowances	11,387	10,848
Pension costs	(672)	(788)
Other timing differences	2,794	2,267
Provision for deferred tax	13,509	12,327
At 29 December 2001		12,327
Deferred tax debit in profit and loss account (note 6(a))		1,182
At 28 December 2002		13,509

Notes to the Accounts

at 28 December 2002

7. Tangible fixed assets

	<i>Freehold land and buildings</i> £000	<i>Plant, vehicles and casks</i> £000
Cost:		
At 29 December 2001	61,789	117,774
Additions	119	3,362
Disposals	(1)	(163)
At 28 December 2002	61,907	120,973
Depreciation:		
At 29 December 2001	16,613	69,233
Provided during the period	1,585	5,120
Disposals	-	(156)
At 28 December 2002	18,198	74,197
Net book value:		
At 28 December 2002	43,709	46,776
At 29 December 2001	45,176	48,541

Included in freehold land and buildings is land of £5,623,000 (2001: £5,623,000) which is not depreciated. The net book value of plant, vehicles and casks above includes an amount of £5,173,000 (2001: £6,026,000) in respect of assets held under finance leases.

Commitments for capital expenditure contracted but not provided amounted to £547,000 (2001: £1,428,000).

8. Investments

	<i>Unlisted</i> £000
At cost, less amounts written off	
At 28 December 2002 and 29 December 2001	5

9. Stocks

	2002 £000	2001 £000
Raw materials	2,588	2,883
Work in progress	159,194	162,376
Finished goods	16,533	15,686
	178,315	180,945

Notes to the Accounts

at 28 December 2002

10. Debtors

	2002	2001
	£000	£000
Trade debtors	59,215	51,661
Other debtors and prepayments	3,741	3,549
Amounts owed by parent company and fellow subsidiaries	152,529	31,520
	<u>215,485</u>	<u>86,730</u>

11. Creditors: amounts falling due within one year

	2002	2001
	£000	£000
Bank loans and overdrafts	107,636	98,750
Trade creditors	15,019	9,568
Corporation Tax	10,597	6,062
Other taxes and social security costs	936	875
Other creditors and accruals	3,320	3,354
Pensions	2,240	2,628
Amounts owed to parent company and fellow subsidiaries	274,892	223,800
Obligations under finance leases (note 12)	789	1,110
	<u>415,429</u>	<u>346,147</u>

12. Obligations under finance leases

	2002	2001
	£000	£000
Amounts payable within one year	1,047	1,427
In the second to fifth years inclusive	2,591	2,990
Over five years	2,124	2,772
Less finance charges allocated to future periods	(1,173)	(1,488)
	<u>4,589</u>	<u>5,701</u>

Shown as:

	2002	2001
	£000	£000
Current obligations	789	1,110
Non-current obligations	3,800	4,591
	<u>4,589</u>	<u>5,701</u>

13. Share capital

	Authorised		Allotted, called up and fully paid	
	2002	2001	2002	2001
	No	No	£000	£000
Ordinary shares of £1 each	100,000,000	100,000,000	80,000	80,000

Notes to the Accounts

at 28 December 2002

14. Share capital, movement on reserves and reconciliation of movement in shareholders' funds

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total equity shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
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
Profit for the period after taxation	-	22,162	22,162
At 28 December 2002	80,000	56,591	136,591

15. Pension arrangements

The Company participates in a number of defined benefits schemes operated by Wm Grant & Sons Limited in the UK. The scheme has a FRS17 deficit as at 28 December 2002. 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.