

William Grant & Sons Distillers Limited

Report and Accounts

27 December 2003

Registered No: 134248



Directors' report

The directors present their report and accounts for the year ended 27 December 2003.

Results and dividends

The profit for the period, after taxation, amounted to £24,574,000 (2002: £22,162,000). The directors do not propose the payment of a dividend leaving a profit of £24,574,000 (2002: £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:

I Bisset	(appointed 6 October 2003)
P Dollman	(resigned 31 December 2002)
I Evans	(appointed 12 July 2004)
I Glen	(appointed 18 May 2004)
B Highet	(appointed 6 October 2003)
N Howard	(appointed 6 January 2003; resigned 5 August 2003)
J A Henderson	(resigned 6 October 2003)
K McKinlay	
S Nickerson	
G Soler-Gomez	(appointed 3 January 2003)
A B C Short	
P Thomas	(resigned 16 April 2003)
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 27 December 2003.

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.

Directors' report

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.

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.

By order of the board


G D Tait
Secretary

25 October 2004

Independent auditors' report

to the members of William Grant & Sons Distillers Limited

We have audited the company's accounts for the year ended 27 December 2003, 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.

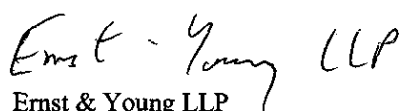
Basis of audit opinion

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 27 December 2003 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

25 October 2004

Profit and loss account

for the year ended 27 December 2003

	<i>Notes</i>	<i>2003</i> <i>£000</i>	<i>2002</i> <i>£000</i>
Turnover	2	140,056	137,512
Cost of sales		99,105	99,340
Gross profit		40,951	38,172
Administration expenses		8,131	6,467
Operating profit	4	32,820	31,705
Interest receivable/ (payable)	5	1,547	(58)
Profit on ordinary activities before taxation		34,367	31,647
Tax on profit on ordinary activities	6	9,793	9,485
Profit for the period after taxation		24,574	22,162

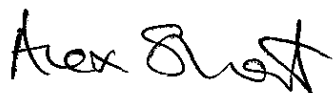
Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £24,574,000 in the year ended 27 December 2003 (2002 - profit of £22,162,000).

Balance sheet

at 27 December 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets:	7		
Land and buildings		42,293	43,709
Plant, vehicles and casks		44,586	46,776
Investments	8	5	5
		<u>86,884</u>	<u>90,490</u>
Current assets			
Stocks	9	173,269	178,315
Debtors	10	195,058	215,485
Cash at bank and in hand		77,631	86,158
		<u>445,958</u>	<u>479,958</u>
Creditors: amounts falling due within one year	11	(345,379)	(415,429)
Net current assets		<u>100,579</u>	<u>64,529</u>
Total assets less current liabilities		<u>187,463</u>	<u>155,019</u>
Creditors: amounts falling due after more than one year			
Obligations under finance leases	12	(11,563)	(3,800)
Provision for liabilities and charges			
Deferred taxation	6	(13,764)	(13,509)
Accruals and deferred income			
Deferred government grants		(971)	(1,119)
		<u>161,165</u>	<u>136,591</u>
Capital and reserves			
Called up share capital	13	80,000	80,000
Profit and loss account	14	81,165	56,591
Equity shareholders' funds		<u>161,165</u>	<u>136,591</u>



A B C Short
Director

25 October 2004

Notes to the accounts

at 27 December 2003

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 27 December 2003

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

	2003 £000	2002 £000
Wages and salaries	13,667	13,440
Social security costs	961	872
	<u>14,628</u>	<u>14,312</u>

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

	No.	No.
Administration	61	61
Production	501	515
	<u>562</u>	<u>576</u>

Notes to the accounts

at 27 December 2003

4. Operating profit

This is stated after charging/(crediting):

	2003	2002
	£000	£000
Depreciation:		
- owned assets	4,493	5,852
- leased assets	2,319	853
- included within stock	(1,281)	(1,695)

The aggregate remuneration of all UK directors, excluding pension contributions, was £527,000 (2002 - £510,000). The highest paid director received £121,000 (2002 - £156,000). The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined benefit schemes is 10 (2002 - 6). The accumulated total accrued pension per annum for the highest paid director was £30,000 (2002 - £12,000).

Fees paid to the auditors for audit services amounted to £17,000 (2002 - £17,000).

5. Interest

	2003	2002
	£000	£000
Payable:		
On bank loans and overdrafts	414	277
Finance charges payable under finance leases	743	385
Other	166	124
	1,323	786
Receivable:		
On short term deposits	(1,322)	(368)
Other	(1,548)	(360)
	(2,870)	(728)
Net (receivable)/payable	(1,547)	58

Notes to the accounts

at 27 December 2003

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £000	2002 £000
Current tax:		
UK corporation tax	9,922	9,193
Tax overprovided in previous years	(384)	(890)
Total current tax (note 6(b))	9,538	8,303
Deferred tax:		
Origination and reversal of timing differences	(72)	311
Tax underprovided in previous years	327	871
Deferred tax (note 6(d))	255	1,182
Tax on profit on ordinary activities	9,793	9,485

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2002: lower) than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are reconciled below:

	2003 £000	2002 £000
Profit on ordinary activities before tax	34,367	31,647
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	10,310	9,494
Expenses not deductible for tax purposes	116	33
Depreciation on assets not qualifying for capital allowances	21	21
Release of regional development grant	(44)	(44)
Accelerated capital allowances	(260)	(132)
Pension contributions in excess of pension charge	(334)	(116)
Tax overprovided in previous years	(384)	(890)
Other	113	(63)
Total current tax (note 6(a))	9,538	8,303

(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.

Notes to the accounts

at 27 December 2003

6. Tax (continued)

(d) Deferred tax

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

	2003 £000	2002 £000
Accelerated capital allowances	11,647	11,387
Pension costs	(338)	(672)
Other timing differences	2,455	2,794
Provision for deferred tax	<u>13,764</u>	<u>13,509</u>
		£000
At 28 December 2002		13,509
Deferred tax debit in profit and loss account (note 6(a))		255
At 27 December 2003		<u>13,764</u>

7. Tangible fixed assets

	<i>Freehold land and buildings</i> £000	<i>Plant, vehicles and casks</i> £000
Cost:		
At 28 December 2002	61,907	120,973
Additions	132	3,384
Disposals	-	(592)
At 27 December 2003	<u>62,039</u>	<u>123,765</u>
Depreciation:		
At 28 December 2002	18,198	74,197
Provided during the period	1,548	5,264
Disposals	-	(282)
At 27 December 2003	<u>19,746</u>	<u>79,179</u>
Net book value:		
At 27 December 2003	<u>42,293</u>	<u>44,586</u>
At 28 December 2002	<u>43,709</u>	<u>46,776</u>

Notes to the accounts

at 27 December 2003

Included in freehold land and buildings is land of £5,623,000 (2002 - £5,623,000) which is not depreciated. The net book value of plant, vehicles and casks above includes an amount of £12,854,000 (2002 - £5,173,000) in respect of assets held under finance leases.

Commitments for capital expenditure contracted but not provided amounted to £247,000 (2002 - £547,000).

8. Investments

	<i>Unlisted £000</i>
At cost, less amounts written off	
At 27 December 2003 and 28 December 2002	5

9. Stocks

	<i>2003 £000</i>	<i>2002 £000</i>
Raw materials	2,140	2,588
Work in progress	154,396	159,194
Finished goods	16,733	16,533
	<u>173,269</u>	<u>178,315</u>

Notes to the accounts

at 27 December 2003

10. Debtors

	2003 £000	2002 £000
Trade debtors	54,079	59,215
Other debtors and prepayments	3,716	3,741
Amounts owed by parent company and fellow subsidiaries	137,263	152,529
	<u>195,058</u>	<u>215,485</u>

11. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdrafts	60,576	107,636
Trade creditors	11,844	15,019
Corporation Tax	12,119	10,597
Other taxes and social security costs	2,862	936
Other creditors and accruals	6,505	3,320
Pensions	1,127	2,240
Amounts owed to parent company and fellow subsidiaries	247,834	274,892
Obligations under finance leases (note 12)	2,512	789
	<u>345,379</u>	<u>415,429</u>

12. Obligations under finance leases

	2003 £000	2002 £000
Amounts payable within one year	3,236	1,047
In the second to fifth years inclusive	12,050	2,591
Over five years	1,476	2,124
Less finance charges allocated to future periods	(2,687)	(1,173)
	<u>14,075</u>	<u>4,589</u>

Shown as:

	2003 £000	2002 £000
Current obligations	2,512	789
Non-current obligations	11,563	3,800
	<u>14,075</u>	<u>4,589</u>

Notes to the accounts

at 27 December 2003

13. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>No</i>	<i>No</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	100,000,000	100,000,000	80,000	80,000

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 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
Profit for the period after taxation	-	24,574	24,574
At 27 December 2003	80,000	81,165	161,165

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 27 December 2003. 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.

FRS 17 Retirement Benefits

The Group operates defined benefit pension arrangements in the UK. At 27 December 2003 an independent qualified actuaries completed a review of the scheme for FRS 17 disclosure purposes. The weighted averages of the major assumptions used by the actuary were:

	<i>2003</i>	<i>2002</i>
	<i>%</i>	<i>%</i>
Rate of increase in salaries	3.75	3.1
Rate of increase in pensions in payment	2.75	2.5
Discount rate	2.75	2.5

Notes to the accounts

at 27 December 2003

15. Pension arrangements (continued)

The assets and liabilities of the schemes and the weighted average expected rates of return at 27 December 2003 were:

	2003		2002	
	%	£000	%	£000
Equities	7.3	47,313	7.0	38,580
Bonds	4.8	10,278	4.5	9,100
Total market value of assets		57,591		47,680
Actuarial value of scheme liabilities		(88,135)		(72,615)
Pension liability before deferred tax		(30,544)		(24,935)

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.