

DIRECTORS' REPORT

The directors submit their report and accounts for the 52 weeks to 26 December 1998.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £4,562,000. The directors recommend a final ordinary dividend of £3,500,000, making the total of ordinary dividends £3,500,000 for the year which leaves a profit of £1,062,000 to be taken to reserves.

PRINCIPAL ACTIVITIES

The company's principal activity during the period continued to be the marketing and distribution of potable spirits.

REVIEW OF THE BUSINESS

Business progressed well, with the exception of a few markets where economic recession affected sales levels. The company policy of brand building was rigorously pursued, and advertising and promotional expenditure was maintained at a high level.

DIRECTORS AND THEIR INTERESTS

The directors during the period were as follows:

| | | | |
|------------|-------------------------|-----------|------------------------------|
| G G Gordon | | V Heavey | (appointed 8 June 1998) |
| G E Gordon | | C Hill | (appointed 8 June 1998) |
| A L Hunt | | M Lamont | (appointed 8 June 1998) |
| T A Carton | (appointed 8 June 1998) | H Graham | (appointed 7 September 1998) |
| R Downing | (appointed 8 June 1998) | R Brannan | (resigned 15 May 1998) |
| J Fordyce | (appointed 8 June 1998) | D E Grant | (resigned 28 May 1998) |

None of the directors had any interest in the share capital of the company at 26 December 1998.

Two of the directors of the company at 26 December 1998 were also directors of William Grant & Sons Limited, the company's ultimate parent company at 26 December 1998. Their interest in the shares of William Grant & Sons Limited at that date is listed in the report of the directors for the 52 weeks ending 26 December 1998.

None of the other directors had any interest in the share capital of the ultimate parent company at 26 December 1998.

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

YEAR 2000 COMPLIANCE

Many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the business depends not only on the company's computer systems, but also to some degree on those of suppliers and customers. This could expose the company to further risk in the event that there is a failure by other parties to remedy their year 2000 issues.

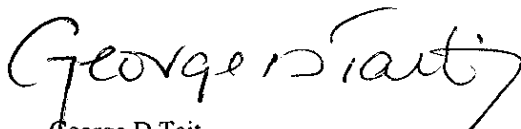
The company is well advanced in the phase of addressing the risks to the business resulting from the date change to the year 2000.

External costs arising from addressing the year 2000 problem are expected to be minimal, as the intended replacement of existing computer systems was not a result of any year 2000 issues, but rather a drive to improve information flow and efficiency. Internal costs will be absorbed into recurring activities of the areas involved.

FUTURE DEVELOPMENTS

The policy of maintaining and increasing the strength of the company's standing throughout the world will be rigorously pursued. This will mean continuing investment in those areas which have performed well, and taking up profitable opportunities to broaden the base of activities.

By order of the Board



George D Tait
Secretary

11 October 1999

**REPORT OF THE AUDITORS
to the members of William Grant & Sons International Limited**

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

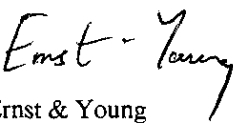
Basis of opinion

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 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 26 December 1998 and of its results for the financial period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Glasgow

11 October 1999

William Grant & Sons International Limited

PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 26 December 1998

| | Notes | 1998 £000 | 1997 £000 |
|--|-------|--------------|--------------|
| TURNOVER | 1 | 130,982 | 142,141 |
| Cost of sales | | 114,161 | 130,585 |
| GROSS PROFIT | | 16,821 | 11,556 |
| Income from investments | | (6) | (6) |
| Distribution costs | | 2,460 | 2,593 |
| Administration expenses | | 7,508 | 6,119 |
| | | 9,962 | 8,706 |
| OPERATING PROFIT | 3 | 6,859 | 2,850 |
| Exceptional item | 4 | 118 | - |
| Interest | 5 | 2 | (71) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 6,979 | 2,779 |
| Tax on profit on ordinary activities | 6 | 2,417 | 685 |
| PROFIT FOR THE PERIOD AFTER TAXATION | | 4,562 | 2,094 |
| Dividend on equity shares | | 3,500 | 3,700 |
| Profit/(loss) retained for the period | | 1,062 | (1,606) |


STATEMENT OF TOTAL RECOGNISED GAIN AND LOSSES

There are no recognised gains or losses other than the profit of £4,562,000 in the period ended 26 December 1998 (1997 - profit of £2,094,000).

William Grant & Sons International Limited

BALANCE SHEET at 26 December 1998

| | Notes | 1998 £000 | 1997 £000 |
|---|-------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | | |
| Land and buildings | | 3,934 | 4,272 |
| Plant and vehicles | | 389 | 569 |
| Investments | 8 | 80 | 80 |
| | | <u>4,403</u> | <u>4,921</u> |
| CURRENT ASSETS | | | |
| Debtors | 9 | 79,004 | 53,027 |
| Cash at bank and in hand | | 1,414 | 117 |
| | | <u>80,418</u> | <u>53,144</u> |
| CREDITORS: amounts falling due within one year | 10 | 69,762 | 44,068 |
| | | <u>69,762</u> | <u>44,068</u> |
| NET CURRENT ASSETS | | 10,656 | 9,076 |
| | | <u>10,656</u> | <u>9,076</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>15,059</u> | <u>13,997</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 3,500 | 3,500 |
| Profit and loss account | 13 | 11,559 | 10,497 |
| | | <u>15,059</u> | <u>10,497</u> |
| EQUITY SHAREHOLDERS' FUNDS | | <u>15,059</u> | <u>13,997</u> |


 G G Gordon
 Director

11 October 1999

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 and vehicles | - | 5 to 20 years |

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

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 International Limited

NOTES TO THE ACCOUNTS at 26 December 1998

1. TURNOVER

Turnover represents the amounts derived from the provision of goods which fall within the company's 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

| | 1998 £000 | 1997 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 1,731 | 1,648 |
| Social security costs | 120 | 117 |
| | <u>1,851</u> | <u>1,765</u> |

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

| | No. | No. |
|----------------|-----------|-----------|
| Administration | 9 | 9 |
| Selling | 68 | 64 |
| | <u>77</u> | <u>73</u> |

3. OPERATING PROFIT

This is stated after charging/(crediting):

| | 1998 £000 | 1997 £000 |
|------------------------------|--------------|--------------|
| Depreciation of fixed assets | 317 | 350 |

The aggregate remuneration of all UK directors, excluding pension contributions, was £267,971 (1997 - £72,026). The number of directors to whom retirement benefits are accruing in respect of qualifying services under defined benefit schemes is 10 (1997 - 5).

Fees paid to the auditors for audit services amounted to £24,000 (1997 - £24,000).

4. EXCEPTIONAL ITEM

| | 1998 £000 | 1997 £000 |
|--|--------------|--------------|
| Profit on disposal of land and buildings | 118 | - |

William Grant & Sons International Limited

NOTES TO THE ACCOUNTS at 26 December 1998

5. INTEREST

| | 1998 £000 | 1997 £000 |
|------------------------------|--------------|--------------|
| Payable: | | |
| On bank loans and overdrafts | - | (139) |
| Receivable: | | |
| On short term deposits | 2 | 68 |
| | <u>2</u> | <u>(71)</u> |

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 1998 £000 | 1997 £000 |
|--|--------------|--------------|
| Based on the profit for the period: | | |
| UK corporation tax at 31% | 2,983 | 1,249 |
| Deferred taxation | (601) | (352) |
| | <u>2,382</u> | <u>897</u> |
| UK corporation tax under/(over)provided in previous year | 174 | (3,142) |
| Deferred tax (over)/underprovided in previous years | (139) | 2,930 |
| | <u>2,417</u> | <u>685</u> |

7. TANGIBLE FIXED ASSETS

| | Freehold land and buildings £000 | Plant and vehicles £000 |
|----------------------------|--|-------------------------------|
| Cost: | | |
| At 27 December 1997 | 5,365 | 2,642 |
| Additions | - | 10 |
| Disposals | (222) | - |
| | <u>5,143</u> | <u>2,652</u> |
| At 26 December 1998 | | |
| Depreciation: | | |
| At 27 December 1997 | 1,093 | 2,073 |
| Provided during the period | 127 | 190 |
| Disposals | (11) | - |
| | <u>1,209</u> | <u>2,263</u> |
| At 26 December 1998 | | |
| Net book value: | | |
| At 26 December 1998 | 3,934 | 389 |
| | <u>4,272</u> | <u>569</u> |
| At 26 December 1997 | | |

Included in freehold land and buildings is land of £124,000 (1997 - £124,000) which is not depreciated.

William Grant & Sons International Limited

NOTES TO THE ACCOUNTS at 26 December 1998

8. INVESTMENTS

| | <i>Unlisted £000</i> |
|---|--------------------------|
| At cost, less amounts written off: | |
| At 26 December 1998 and at 27 December 1997 | 80 |

9. DEBTORS

| | <i>1998 £000</i> | <i>1997 £000</i> |
|--|----------------------|----------------------|
| Amounts recoverable in one year: | | |
| Other debtors and prepayments | 1,416 | 6,691 |
| Amounts owed by parent company and fellow subsidiaries | 74,868 | 44,356 |
| Amounts recoverable after one year: | | |
| Deferred taxation (note 11) | 2,720 | 1,980 |
| | <u>79,004</u> | <u>53,027</u> |

10. CREDITORS: amounts falling due within one year

| | <i>1998 £000</i> | <i>1997 £000</i> |
|---|----------------------|----------------------|
| Bank loans and overdrafts | 19,180 | 19,058 |
| Trade creditors | 6,741 | 6,270 |
| Current taxation | 957 | 924 |
| Other taxes and social security costs | 42 | 671 |
| Other creditors and accruals | 15,147 | 13,061 |
| Pensions | 500 | 533 |
| Amount owed to parent company and fellow subsidiaries | 27,195 | 3,551 |
| | <u>69,762</u> | <u>44,068</u> |

11. DEFERRED TAXATION

| | <i>1998 £000</i> | <i>1997 £000</i> |
|---|----------------------|----------------------|
| Capital allowances in advance of depreciation | 32 | 47 |
| Other timing differences | (2,752) | (2,027) |
| | <u>(2,720)</u> | <u>(1,980)</u> |

12. SHARE CAPITAL

| | <i>1998 No.</i> | <i>Authorised 1997 No.</i> | <i>Allotted, called up and fully paid 1998 £000</i> | <i>1997 £000</i> |
|----------------------------|---------------------|------------------------------------|---|----------------------|
| Ordinary shares of £1 each | 20,000,000 | 20,000,000 | 3,500 | 3,500 |

William Grant & Sons International Limited

NOTES TO THE ACCOUNTS at 26 December 1998

13. 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 28 December 1996 | 3,500 | 12,103 | 15,603 |
| Profit for the period after taxation | - | 2,094 | 2,094 |
| Dividend | - | (3,700) | (3,700) |
| At 27 December 1997 | 3,500 | 10,497 | 13,997 |
| Profit for the period after taxation | - | 4,562 | 4,562 |
| Dividend | - | (3,500) | (3,500) |
| At 26 December 1998 | 3,500 | 11,559 | 15,059 |

14. CONTINGENT LIABILITIES

As reported in previous years, following a change in one of the company's distribution agreements a former distributor raised an action claiming compensation. An award has been made against the company but this is being appealed. The claim is considered to be without foundation and the directors believe that no compensation should be ultimately payable.

15. PENSION ARRANGEMENTS

The company is a member of a group pension scheme, details of which are given in the accounts of William Grant & Sons Limited, the company's ultimate parent company.

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.