

JUSTERINI & BROOKS LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 1992

REGISTERED NUMBER : 68576



JUSTERINI & BROOKS LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements for the year ended September 30, 1992.

Activities

The principal activity of the Company is the production, sale and export of wines and spirits, particularly J&B Rare Scotch Whisky. The Company sells its products in all markets of the world, the most notable being Spain, the USA, France, Italy, Belgium, South Africa and Japan. This was another extremely successful year with J&B Rare again selling over six million cases worldwide. The Directors currently foresee no material change in the nature of the Company's activities.

Financial

The Directors recommend that a final dividend of £27,000,000 be paid (1991 - £22,000,000). No interim dividend was paid during this year.

After deducting the dividend the profit for the year retained in the Company is £35,269,000 (1991 - £20,818,000).

Fixed Assets

Information relating the changes in tangible fixed assets is given in note 9 to the financial statements.

Directors

The Directors who served during the year were as follows:

W R F Bedloe
J Bruxner (Chairman)
E P Demery
G S B Gibbon
D Maxwell Scott
D A Plunkett (resigned June 30, 1992)

JUSTERINI & BROOKS LIMITED

DIRECTORS' REPORT (Cont'd..)

Directors (Cont'd..)

Directors' Interests

The interests, all beneficial, of the Directors at the end of the year, other than those who were Directors of the parent company, in the share capital of Grand Metropolitan PLC comprise:

	Ordinary Shares of 25p		Options			
	30 Sept, 92	30 Sept, 91 (or on appointment)	30 Sept, 92	Exercised during the year	Granted during the year	30 Sept, 91 (or on appointment)
J Bruxner	30,000	12,320	77,632	(69,048)	38,676	108,004
W Bedloe	-	-	59,543	(26,644)	12,000	74,187
E Demery	5,965	2,402	24,623	(6,000)	5,919	24,704
G Gibbon	-	-	60,000	(18,248)	14,000	64,248
D Maxwell Scott	-	-	84,876	(34,210)	13,392	105,694

Notes

- 1) With effect from April 15, 1992, there was a subdivision of the Ordinary shares of 50p each into two Ordinary shares of 25p each. The above figures have been restated to 25p shares and the options have been adjusted where necessary.
- 2) The Directors held the above options under the Grand Metropolitan PLC share option schemes at prices between 270p and 471p per share exercisable by 2000.

Employee Involvement

The company is committed to the development of employee consultation and, thereby, to their greater involvement in the Company's operations. During the year consultation is achieved both on a formal basis in conjunction with trade unions and employee committees and also through more informal briefing sessions and discussions with wider groups of employees.

A report on the Grand Metropolitan group, of which this company is a member, is sent to all employees each year.

Employment of Disabled Persons

The Company recognises its obligations towards disabled people and endeavours to provide as much employment as the demands of the Company's operations and the abilities of the disabled persons allow.

Applications for employment from disabled people are studied with care. Every effort is made to find them, and any existing employees who become disabled, appropriate work and training where it is needed. Opportunities are offered to disabled employees to develop their knowledge and skills and undertake greater responsibilities.

Political and Charitable Contributions

The Company made no political contributions during the year (1991 - £Nil). Donations to UK charities amounted to £8,000 (1991 - £7,000).

Auditors

The Auditors KPMG Peat Marwick are willing to continue in office and a resolution concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

By order of the board.



M S Leathes
Secretary

61 St James Street
London
SW1A 1LZ

December 2, 1992

REPORT OF THE AUDITORS, KPMG PEAT MARWICK, TO THE MEMBERS OF
JUSTERINI & BROOKS LIMITED

We have audited the financial statements on pages 6 to 18 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at September 30, 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick

Chartered Accountants
Registered Auditors

December 2, 1992

JUSTERINI & BROOKS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended September 30, 1992

	<u>Note</u>	<u>1992</u> £'000	<u>1991 (as restated)</u> £'000
Turnover	3	300,455	259,522
Operating costs	4-6	<u>(206,009)</u>	<u>(183,022)</u>
Trading Profit		94,446	76,500
Income from fixed asset investments		66	111
Interest receivable and similar income		6,747	-
Interest (payable)	7	<u>(7,854)</u>	<u>(9,837)</u>
Profit on ordinary activities before taxation		93,405	66,774
Tax on profit on ordinary activities	8	<u>(31,136)</u>	<u>(23,956)</u>
Profit on ordinary activities after taxation		62,269	42,818
Dividends - final proposed		<u>(27,000)</u>	<u>(22,000)</u>
Transfer to reserves	2	<u>35,269</u>	<u>20,818</u>

Movements on reserves are set out in note 2

JUSTERINI & BROOKS LIMITED**BALANCE SHEET****As at September 30, 1992**

	<u>Note</u>	<u>1992</u> £'000	<u>1991 (as restated)</u> £'000
FIXED ASSETS			
Tangible assets	9	73,996	70,640
Investments	10	76	76
		<u>74,072</u>	<u>70,716</u>
CURRENT ASSETS			
Stocks	11	200,822	181,354
Debtors	12	71,700	82,552
Cash at bank and in hand		45,832	893
		<u>318,354</u>	<u>264,799</u>
CREDITORS - Amounts falling due within one year	13	<u>(234,444)</u>	<u>(213,923)</u>
NET CURRENT ASSETS		<u>83,910</u>	<u>50,876</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		157,982	121,592
Deferred taxation	14	(4,826)	(3,705)
		<u>153,156</u>	<u>117,887</u>
CAPITAL AND RESERVES			
Called up share capital	15	86	86
Reserves:			
Revaluation reserve	2	948	1,650
Profit and loss account	2	152,122	116,151
		<u>153,156</u>	<u>117,887</u>

J Bruxner J Bruxner - Director
D Maxwell Scott D Maxwell Scott - Director

JUSTERINI & BROOKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1) Accounting Policies

a) Accounting Convention

The financial statements are prepared under the historical cost convention modified by the revaluation of certain land and buildings. They have been drawn up to comply in all material respects with applicable UK accounting standards.

b) Turnover

Turnover consists of the proceeds of sales, less returns and VAT, and includes any duty thereon where appropriate. Overseas sales under royalty agreements granted are not included.

c) Tangible Fixed Assets

Tangible fixed assets are stated at cost, or at professional valuation.

No depreciation is provided on freehold land. Other fixed assets are depreciated to residual values on a straight line basis over their estimated useful lives within the following ranges:

Freehold buildings	-	50 years
Plant, machinery and vehicles	-	4-10 years
Fixtures, fittings and equipment	-	1-10 years

Leasehold property is depreciated over the unexpired period of the lease.

d) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligations for future instalments.

All other leases are operating leases and the rental charges are taken to profit and loss account on a straight line basis over the life of the lease.

JUSTERINI & BROOKS LTD

NOTES (Cont'd...)

c) Investments

Investments are valued individually at the lower of cost and net realisable value. In the case of unlisted investments the net realisable value is estimated by the Directors.

f) Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the financial year end exchange rates. Transactions covered by forward currency contracts are recorded, and any resulting assets or liabilities are translated, at the contracted rate of exchange.

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

g) Deferred Taxation

No provision is made for taxation deferred by accelerated taxation allowances on UK capital expenditure. The Company is a member of a group which provides for any deferred tax payable in the foreseeable future on a group basis.

The deferred taxation provision therefore relates to those other material taxation liabilities which are deferred because items of expense or income are allowed or assessed for tax purposes in periods different from those in which they enter the profit and loss account.

h) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes, where appropriate, production and other direct overhead expenses.

i) Pension Funding

The majority of employees of the Company are members of group pension plans operated by Grand Metropolitan PLC. Contributions by this company are based on pension costs across the group as a whole. The costs of providing pensions are charged against profits on a systematic basis, with pension surpluses and deficits allocated over the expected remaining service lives of current employees.

Differences between the amounts charged in the profit and loss account and payments made to the plans are treated as assets or liabilities in the balance sheet. Particulars of the valuations of the group plans are contained in the financial statements of Grand Metropolitan PLC.

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd.)

2 Reserves

	Revaluation Reserve	Profit and loss account	Total
	£'000	£'000	£'000
At September 30, 1991			
As previously reported	1,650	108,577	110,227
Prior year adjustment	-	7,574	7,574
As restated	<u>1,650</u>	<u>116,151</u>	<u>117,801</u>
Depreciation of revaluation surplus	(622)	622	-
Other movements	(80)	80	-
Retained profit for the year	-	35,269	35,269
At September 30, 1992	<u>948</u>	<u>152,122</u>	<u>153,070</u>

The prior year adjustment is in respect of pension costs. Pension costs have previously not been adjusted at the Company level to reflect the Company's share of the pension surplus on the Grand Metropolitan Group UK Pension Fund. The prior year adjustment corrects for this by allocating a portion of the pension surplus to the Company, using employee numbers as the basis for the allocation.

The effect on profit before taxation for the year is an increase of £3,678,000 (1991 - £4,809,000).

The surplus on revaluation of land and buildings does not constitute a timing difference for deferred tax purposes. No tax liability would arise on any disposal of these assets after taking account of claims for rollover relief.

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd.)

3 Analysis of Turnover and Profit before Taxation

The turnover and the profit before taxation are attributable to the one activity, that of the production, sale and export of wines and spirits.

The turnover by geographical market is as follows:

	<u>1992</u> £'000	<u>1991</u> £'000
United Kingdom and Eire	26,849	25,527
Rest of Europe	183,595	153,561
North America	40,369	34,238
Africa	14,751	14,972
Rest of World	34,891	31,224
	<u>300,455</u>	<u>259,522</u>

4 Operating Costs

	<u>1992</u> £'000	<u>1991</u> £'000
Factoring fees	6,923	-
(Increase) in stocks of finished goods	(19,347)	(25,436)
Other operating costs	606	121
Raw materials and consumables	164,785	148,313
Other external charges	54,938	43,336
Staff costs	15,633	12,621
Auditors fee (current year)	85	85
Audit fee (prior year (over)/under provision)	(3)	40
Depreciation of fixed tangible assets	5,050	4,221
Reorganisation costs	(305)	(279)
Other operating income	(22,356)	-
	<u>206,009</u>	<u>183,022</u>

Other external charges include operating lease rentals for plant and machinery of £193,000 (1991 - £283,000), and loss on disposal of fixed assets £17,000 (1991 - £10,000 profit) and other non-audit fees to the companies auditors of £36,000 (1991 - £Nil).

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd...)

5 Staff Costs

The average number of employees was 1025 (1991 - 1,051).

	<u>1992</u> £'000	<u>1991</u> £'000
Employee costs		
Wages and salaries	17,621	15,942
Social Security costs	1,471	1,265
Other pension costs	<u>(3,459)</u>	<u>(4,586)</u>
	<u>15,633</u>	<u>12,621</u>

6 Directors' Remuneration

	<u>1992</u> £'000	<u>1991</u> £'000
Emoluments (including pension contribution)	647	534

The emoluments excluding pension contributions, of the Chairman who was also the highest paid Director amounted to £126,759 (1991 - £114,091).

The number of Directors whose emoluments, excluding pension contributions, fell in each 5,000 bracket was as follows:

	<u>1992</u> £'000	<u>1991</u> £'000
£10,001 - £15,000	-	1
£35,001 - £40,000	1	1
£50,001 - £55,000	1	1
£55,001 - £60,000	-	1
£60,001 - £65,000	-	2
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-
£95,001 - £100,000	-	1
£105,001 - £110,000	1	-
£110,001 - £115,000	-	1
£125,001 - £130,000	1	-

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NOTES (Cont'd.)

7 Interest Payable

	<u>1992</u> £'000	<u>1991</u> £'000
Bank interest (payable)	-	(500)
Inter-group interest payable	(7,854)	(9,337)
	<u>(7,854)</u>	<u>(9,837)</u>

8 Tax on Profit on Ordinary Activities

	<u>1992</u> £'000	<u>1991</u> £'000
UK corporation tax at 33% (1991 - 33.5%)	29,160	19,635
Deferred tax charge	1,122	1,401
	<u>30,282</u>	<u>21,036</u>
Adjustment in respect of prior years	854	2,920
Corporation tax	<u>31,136</u>	<u>23,956</u>

Deferred taxation not provided for in the period in respect of accelerated capital allowances, amounted to £911,300 (1991 - £1,219,000).

The charge for UK corporation tax includes amounts which may be paid to other companies in the Grand Metropolitan group in return for the surrender of tax losses.

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd.)

9 Fixed Tangible Assets

	Freehold land and buildings £'000	Plant machinery and vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<u>Cost or valuation</u>				
At September 30, 1991	46,418	51,780	2,450	100,648
Additions from fellow group companies			2,054	2,054
Reclassification	86	(86)	-	-
Additions	930	5,129	1,237	7,296
Disposals	(133)	(383)	-	(516)
At September 30, 1992	<u>47,301</u>	<u>56,440</u>	<u>5,741</u>	<u>109,482</u>
<u>Depreciation</u>				
At September 30, 1991	2,632	26,439	937	30,008
Additions from fellow group companies	-	-	806	806
Transfers within the company	6	(6)	-	-
Charge for year	910	3,619	521	5,050
Disposals	(9)	(369)	-	(378)
At September 30, 1992	<u>3,539</u>	<u>29,683</u>	<u>2,264</u>	<u>35,486</u>
<u>Net Book Value</u>				
At September 30, 1992	<u>43,762</u>	<u>26,757</u>	<u>3,477</u>	<u>73,996</u>
At September 30, 1991	<u>43,786</u>	<u>25,341</u>	<u>1,513</u>	<u>70,640</u>

i) The net book value of land and buildings comprises:

	<u>1992</u> £'000	<u>1991</u> £'000
Freehold land	2,113	2,113
Freehold buildings	<u>41,649</u>	<u>41,673</u>
	<u>43,762</u>	<u>43,786</u>

No depreciation is charged in respect of freehold land.

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd...)

9 Fixed Tangible Assets (Cont'd...)

ii) The total at cost or valuation for land and buildings comprises:

	<u>1992</u> £'000	<u>1991</u> £'000
At 1988 professional valuation	2,514	2,600
At cost	<u>44,787</u>	<u>43,818</u>
Net book value	<u>47,301</u>	<u>46,418</u>

The 1988 professional valuation was made on an open market existing use basis, except for distilleries which were valued on a depreciated cost basis because of their specialised nature.

iii) Historical cost figures for all land and building are:

	<u>1992</u> £'000	<u>1991</u> £'000
Cost	44,997	44,008
Aggregate depreciation based on historical cost	(3,663)	(2,750)
Net book value	<u>41,334</u>	<u>41,258</u>

iv) Included in the total net book value of fixed tangible assets is £Nil (1991 - £47,000) in respect of assets acquired under finance leases. Depreciation for the year on these assets was £47,000 (1991 - £51,000).

10 Investments

	£'000
At September 30, 1992 and 30 September, 1991	<u>76</u>

Investments are stated at cost and comprise trade investments in unlisted companies.

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NOTES (Cont'd..)

11 Stocks

	<u>1992</u>	<u>1991</u>
	<u>£'000</u>	<u>£'000</u>
Raw materials and consumables	3,009	2,889
Stocks of maturing scotch whisky	181,591	162,192
Finished goods and goods for resale	16,222	16,273
	<u>200,822</u>	<u>181,354</u>

12 Debtors

	<u>1992</u>	<u>1991</u>
	<u>£'000</u>	<u>£'000</u>
Trade debtors	4,542	18,275
Amounts owed by group undertakings	46,277	47,105
Other debtors	3,285	4,454
Prepayment and accrued income	17,596	12,718
	<u>71,700</u>	<u>82,552</u>

Debtors are receivable within one year except for £14,987,000 (1991 - £11,310,000) being the prepayment in respect of the Group Pension surplus.

13 Creditors

	<u>1992</u>	<u>1991</u>
	<u>£'000</u>	<u>£'000</u>
Bank loans and overdrafts	-	8,381
Trade creditors	14,106	15,541
Amount owed to group undertakings	143,506	129,667
Group relief payable	-	2,809
Taxation based on profits	27,792	18,912
Other taxation	449	237
Proposed dividend	27,000	22,000
Other creditors	360	71
Accruals and deferred income	21,231	16,305
	<u>234,444</u>	<u>213,923</u>

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd..)

14 Deferred Taxation

	<u>1992</u> £'000	<u>1991</u> £'000
<u>Not provided</u>		
Accelerated capital allowances on plant and machinery	<u>4,934</u>	<u>4,023</u>
<u>Provided</u>		
Short term timing differences	<u>4,826</u>	<u>3,704</u>

15 Called Up Share Capital

	<u>1992</u> £'000	<u>1991</u> £'000
Authorised :		
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
86,500 Ordinary shares of £1 each	<u>86</u>	<u>86</u>

16 Cash Flow Statement

A cashflow statement is not presented as the company is a member of a group, whose ultimate holding company, Grand Metropolitan plc, includes a group cash-flow statement in its financial statements.

17 Contingent Liabilities

There are no contingent liabilities at September 30, 1992 (1991 - £Nil).

JUSTERINI & BROOKS LIMITED

NOTES (Cont'd.)

18 Operating Lease Commitments

At September 30, 1992, the Company had annual commitments not provided for under operating leases for plant and machinery as follows:

	<u>1992</u> £'000	<u>1991</u> £'000
Payments due within one year for leases which expire:		
Within one year	-	4
From two to five years	23	23
Over five years	<u>175</u>	<u>170</u>
	<u>198</u>	<u>197</u>

19 Capital Commitments

Capital expenditure authorised and commitments not provided for in these financial statements are estimated at:

	<u>1992</u> £'000	<u>1991</u> £'000
Committed	965	108
Authorised but not committed	778	769
	<u>1,743</u>	<u>877</u>

20 Ultimate Holding Company

The ultimate holding company is Grand Metropolitan PLC a company registered in England. Group accounts for the holding company can be obtained from Grand Metropolitan PLC, 20 St James Square, London, SW1Y 4RR.

21 Approval of Financial Statements

These financial statements were approved by the Board of Directors on December 2, 1992.