Whyte and Mackay Limited

Directors' Report and Financial Statements

for the year ended 30 September 2006

Registered Number SC14456

Whyte and Mackay Limited

Directors' Report and Financial Statements for the year ended 30 September 2006

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Whyte and Mackay Limited

Directors and advisers

Directors
Dr V Mallya (appointed 16 May 2007)
R Brannan
J Espey (appointed 19 April 2006)
A K R Nedungadi (appointed 16 May 2007)
P A Murali (appointed 16 May 2007)
S Menon (appointed 16 May 2007)
S K Khanna (appointed 17 May 2007)
V K Rekhi (appointed 16 May 2007)

Secretary and registered office
J F Hanlon BSc, CA
Dalmore House
310 St Vincent Street
GLASGOW
G2 5RG

Registered auditors
PricewaterhouseCoopers LLP
Kintyre House
209 West George Street
GLASGOW
G2 2LW

Solicitors
McClure Naismith
292 St Vincent Street
GLASGOW
G2 5TQ

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
LONDON
EC4R 9HA

Bankers
Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

Whyte and Mackay Limited

Directors' report for the year ended 30 September 2006

The directors present their annual report together with the audited financial statements for the year ended 30 September 2006

Principal activities
During the year ended 30 September 2006, the Company's principal activities were the production, marketing and distribution of Scotch whisky, vodka, gin, liqueurs and other alcoholic drinks Main brands include Whyte and Mackay Scotch whisky, Dalmore single malt, Isle of Jura single malt, Vladivar vodka, and Glayva liqueur The Company is a leading supplier of private label spirits

The Company has granted a pledge over its maturing stocks and various other fixed and floating securities over its assets as security for a term loan held by its parent company, Whyte and Mackay Group Limited It is also secured by way of a share pledge over the Company's share capital The security over all assets, including the shares, will be released upon repayment of the loan

Business review
The operating profit of £15,799,000 (2005 restated £14,739,000) is after exceptional charges of £6,478,000 (2005 £6,880,000) which relates mainly to a comprehensive change programme intended to reposition the Company for future earnings growth, the principal elements of which are the consolidation of the two existing bottling sites and the reorganisation and rationalisation of support departments The Company's operating profit (before exceptional costs) was £22,277,000 (2005 restated £21,619,000) in the year to 30 September 2006

Results and dividends
The directors do not recommend payment of a dividend and the profit of £12,091,000 (2005 restated £7,161,000) will be transferred to reserves

Post balance sheet event

On 16 May 2007, the entire share capital of the immediate parent company, Whyte and Mackay Group Ltd, was acquired by United Spirits (Great Britain) Ltd for a consideration of £410m Details of the new ultimate UK parent undertaking and controlling entity are provided in note 26

Principal risks and uncertainties
The directors of the parent company, Whyte and Mackay Group Ltd, manage the group's risk at a group level, rather than at an individual company level For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Whyte and Mackay Ltd's business The principal risks and uncertainties of Whyte and Mackay Group Ltd, which include those of the company, are discussed in page 3 of the group's annual report, which does not form part of this report

Key Performance Indicators ("KPI's")
The directors of the parent company, Whyte and Mackay Group Ltd, manage the group's operations at a group level, rather than at an individual company level For this reason, the company's directors believe that analysis using KPI's for the company is not necessary or appropriate for an understanding of the development, performance or position of Whyte and Mackay Ltd's business The development, performance and position of Whyte and Mackay Group Ltd, which include those of the company, are discussed in page 4 of the group's annual report, which does not form part of this report

Whyte and Mackay Limited

Directors and their interests
The current directors of the Company are listed on page 1

Mr V Imerman, Mr J Fragis, Mr P Albaladejo and Mr J Vincent resigned as Directors of the company on 16 May 2007

During the year, there were no directors' interests requiring disclosure under the Companies Act 1985 The interests of the directors in the share capital of the parent company are disclosed in the accounts of Whyte and Mackay Group Limited

Environmental policy

The Company has an environmental policy which commits it to ensuring that its activities are conducted in ways which comply with the law and, so far as is reasonably and commercially practicable, do not harm the environment

Employees

The Company gives full and fair consideration to the employment of disabled persons for suitable jobs Every effort is made to continue the employment of persons who become disabled whilst in the Company's employment

The Company maintains its commitment to pro active programmes for involving its employees in its affairs This is achieved in a variety of ways, including employee briefings and by consultation with recognised trade unions The Company's bonus schemes encourage employees at all levels to contribute to the Company's goals

Political and charitable donations
During the year the Company gave no donation to any political organisation Donations for charitable purposes totalling £30,640 (2005 £27,854) were made to a number of organisations during the year

	£'s
Princes Royal Trust for Carers / Maggie's Cancer Care	10,000
Norwood Children & Families	7,500
Chai Cancer Care	5,000
Glen Oaks Arden Young Persons Project	2,000
Euro Chai South Africa	1,500
Presidents Club Charitable Trust	1,000
Fettercairn Royal Arch	300
Other organisations less than £300 individually	3,340

Payment of suppliers

The Company agrees payment terms with its suppliers when it enters into binding purchase contracts The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions The Company does not have a standard or code which deals specifically with the payment of suppliers At 30 September 2006, the amount owed to trade creditors by the Company was equivalent to 72 days (2005 58 days) of purchases (excluding duty paid) from suppliers

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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 The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that suitable accounting policies have been used and applied consistently They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2006 and that applicable accounting standards have been followed

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements 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

Audit information

The directors are satisfied that the auditors are aware of all information relevant to the audit of the Company's financial statements for the year ended 30 September 2006 and that they have taken all the steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that Company's auditors are aware of that information

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting

On behalf of the Board

R Brannan

Director

29 June 2007

Independent auditors' report to the members of Whyte and Mackay Limited

We have audited the financial statements of Whyte and Mackay Limited for the year ended 30 September 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes These financial statements have been prepared under 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements We also report to you if, in our opinion, 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 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 International Standards on Auditing (UK and Ireland) 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 judgements 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 financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of the company's profit for the year then ended,

- have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow
29 June 2007

Whyte and Mackay Limited

Profit and loss account
for the year ended 30 September 2006

Continuing operations		Note	2006 £'000	2006 £'000	As restated 2005 £'000	As restated 2005 £'000
Turnover		1		**158,124**		146,956
Cost of sales	ordinary		**(121,904)**		(113,286)	
	exceptional costs	2	**(3,057)**			
				(124,961)		(113,286)
Gross profit				**33,163**		33,670
Distribution costs				**(3,436)**		(3,335)
Administrative expenses	ordinary		**(10,507)**		(8,716)	
	exceptional costs	2	**(3,421)**		(6,880)	
				(13,928)		(15,596)
Operating profit		3		**15,799**		14,739
Interest receivable				**38**		116
Dividend income				**3**		12
Interest payable and similar charges		6		**(2,647)**		(1,317)
Other finance charges				**(483)**		(901)
Profit on ordinary activities before taxation				**12,710**		12,649
Taxation on profit on ordinary activities		8		**(619)**		(5,488)
Retained profit for the year				**12,091**		7,161

Statement of total recognised gains and losses for the year ended 30 September 2006

	Note	2006 £'000	As restated 2005 £'000
Profit for the year		**12,091**	7,161
Exchange (loss) / gain on overseas subsidiary		**(1)**	1
Actuarial gain on pension scheme	7	**1,669**	2,244
Movement on deferred tax relating to pension deficit	17	**(501)**	(673)
Total recognised gains / (losses) for the year		**13,258**	8,733
Prior year adjustment – FRS17	20	**(19,092)**	
Total gains / (losses) recognised since last annual report		**(5,834)**	

Note of historical cost profits and losses for the year ended 30 September 2006

	2006 £'000	As restated 2005 £'000
Reported profit on ordinary activities before taxation	**12,710**	12,649
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**101**	166
Historical cost profit on ordinary activities before taxation	**12,811**	12,815
Historical cost profit for the year retained after taxation	**12,192**	7,327

Whyte and Mackay Limited

Balance sheet as at 30 September 2006

	Note	2006 £'000	As restated 2005 £'000
Fixed assets			
Intangible assets	9	**10,043**	10,863
Tangible assets	10	**51,293**	49,650
Investments	11	**483,514**	483,515
		544,850	544,028
Current assets			
Stock	12	**100,196**	96,707
Debtors	13	**216,475**	216,268
Cash at bank and in hand		**13,479**	997
		330,150	313,972
Creditors amounts falling due within one year	14	**(615,285)**	(602,984)
Net current liabilities		**(285,135)**	(289,012)
Total assets less current liabilities		**259,715**	255,016
Creditors· amounts falling due after more than one year	15	**(1,489)**	(1,549)
Provisions for liabilities and charges	17	**(6,078)**	(13,507)
Net assets excluding pension deficit		**252,148**	239,960
Pension deficit	7	**(18,006)**	(19,076)
Net assets including pension deficit		**234,142**	220,884
Capital and reserves			
Called up share capital	18	**178,973**	178,973
Revaluation reserve	19	**2,756**	2,857
Profit and loss account	19	**52,413**	39,054
Total equity shareholders' funds	20	**234,142**	220,884

The financial statements on pages 7 to 31 were approved by the Board of Directors and were signed on its behalf on 29 June 2007 by

R Brannan

R Brannan
Director

Accounting policies

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards A summary of the more important accounting policies is set out below

Basis of preparation

The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements since the Company is itself a wholly owned subsidiary of another company incorporated in the United Kingdom

Changes in accounting policies

The company has adopted FRS17 'Retirement Benefits' This represents a change in accounting policy and the comparative figures have been restated accordingly

The effect of this change in accounting policy was to decrease administrative expenses by £165,000 (2005 £551,000), to increase other finance charges by £483,000 (2005 £901,000), to decrease the tax charge in the year £95,000 (2005 £105,000) and to decrease the profit by £223,000 (2005 £245,000)

The Company has also adopted FRS 21, 'Events after the balance sheet date', and FRS 25, 'Financial instruments Disclosure and presentation' While the adoption of these standards represents a change in accounting policy, they have no impact on the Company accounts and therefore do not affect comparatives

Turnover

Turnover represents sales of goods and services by the Company net of discounts, allowances, promotional expenditure that is not wholly independent of the invoiced price and value added tax, but including excise duty

Revenue from the sale of cased goods is recognised when the goods are shipped Bulk whisky revenue is recognised when the stock is dispatched or when ownership of the stock is transferred to the purchaser

Tangible fixed assets and depreciation

The Company holds tangible fixed assets, some at cost and some at valuation Following the implementation of Financial Reporting Standard 15 "Tangible Fixed Assets", the Company has adopted a policy of not revaluing fixed assets The carrying values of freehold land and buildings previously revalued in 1990 have been retained at their book amount in accordance with the transitional provisions of Financial Reporting Standard 15 The cost of other tangible fixed assets is their purchase cost, together with any incidental costs of acquisition and installation

The cost or valuation of heritable buildings, plant and machinery, fixtures, motor vehicles, fittings and equipment is written off on a straight line basis No depreciation is charged in the quarter in which an asset is acquired

Tangible fixed assets and depreciation (continued)

The following annual depreciation rates, which reflect the useful lives of the assets concerned, are applied

Heritable and leasehold property	2% or over period of leases
Plant and machinery	5%, 6 67% or 10%
Vehicles, fittings and equipment	10%, 25% or 33 33%

Heritable land is not depreciated

Assets in the course of construction are included at cost until construction is completed and the asset is available for use within the business

The requirement for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use

Profits or losses on disposal of assets previously revalued are based upon carrying value and are reported as profits or losses on disposal of fixed assets The amount being carried within revaluation reserve in respect of an asset at the date of disposal is transferred directly to the profit and loss reserve

Intangible fixed assets
Intangible fixed assets represent acquired trademarks and are amortised on a straight line basis over their economic useful lives, subject to a maximum of 20 years

In line with Financial Reporting Standard 11 "Impairment of Fixed Assets and Goodwill", the Company undertakes an impairment review of its intangible assets if events or changes in circumstances indicate that the carrying amount may not be recoverable Provision is made where it is considered that there has been a permanent diminution in value

Fixed assets investments
Investments are included at the lower of cost or valuation less, where appropriate, amounts written off or provided The value of investments is reviewed annually by the directors and provisions made where it is considered that there has been a permanent diminution in value

Leased assets
Rental payments due under operating lease agreements are charged against profit on a straight line basis

Stocks
Stocks are valued at the lower of cost and net realisable value Cost includes raw materials, direct labour and expenses, and an appropriate proportion of production and other overheads Net realisable value is the price at which the stock can be realised in the normal course of business Provision is made, where appropriate, for obsolete, slow moving and defective stocks

Taxation
Current and deferred taxation is based on the profits of the year and includes all taxation liabilities accruing to the date of the financial statements

In line with Financial Reporting Standard 19 "Deferred Tax", deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Foreign currencies
Transactions in foreign currencies are translated into sterling at the rate ruling at the date of transaction Assets and liabilities denominated in foreign currencies are translated at the year end exchange rates Exchange differences arising from the retranslation of opening investments in foreign companies denominated in foreign currencies are taken to reserves Other exchange differences are taken to the profit and loss account

Pensions
The majority of the employees of Whyte and Mackay Limited are members of the Whyte and Mackay Pension Scheme, a defined benefits scheme The scheme is valued once every three years by professionally qualified independent actuaries In accordance with FRS17, the company's share of the full deficit of the pension scheme is recognised in the balance sheet of the company

Research and development
All research and development expenditure is written off to the profit and loss account in the period in which it is incurred

Cash flow statement
The Company is a wholly owned subsidiary of Whyte and Mackay Group Limited and the cash flows of the Company are included in the consolidated group cash flow statement of Whyte and Mackay Group Limited Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 (revised), "Cash Flow Statements", from publishing a cash flow statement

Provisions
Onerous lease provisions
When a leasehold property ceases to be used in the business or a commitment is entered into which would cause this to occur, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease

Restructuring provision
As required by Financial Reporting Standard 12 "Provisions, contingent liabilities and contingent assets", the Company recognises future costs which will be incurred in relation to restructuring programmes where the Company is committed to implementing such programmes These costs are not discounted

Notes to the financial statements for the year ended 30 September 2006

1. Segmental analysis

By class of business
The Company's activities consist of the production, marketing and distribution of Scotch whisky and other alcoholic beverages

By geographical area
In the opinion of the directors, the disclosure of turnover, profit before taxation and net assets by geographical segmentation would be prejudicial to the interests of the Company

2. Exceptional costs

The operating exceptional costs relate to the reorganisation of continuing operations and are categorised as follows

	2006			2005		
	Cost of Sales £'000	**Administrative Expenses £'000**	**Total £'000**	Cost of Sales £'000	Administrative Expenses £'000	Total £'000
Redundancy		**(863)**	**(863)**		2,595	2,595
Fixed asset impairment adjustment		**(2,378)**	**(2,378)**			
Brands re launch costs		**2,485**	**2,485**		932	932
Onerous lease provision		**977**	**977**		27	27
Plant and machinery costs		**61**	**61**		519	519
Disruption costs	**3,057**		**3,057**			
Distributor settlement costs		**1,030**	**1,030**			
Other restructuring		**2,109**	**2,109**		2,807	2,807
	3,057	**3,421**	**6,478**		6,880	6,880

2. Exceptional costs (continued)

Redundancy
Redundancy costs are in relation to the consolidation of the two existing bottling sites, and the reorganisation and rationalisation of support departments The current year credit relates to the reversal of a prior year obligation that did not crystallise due to the retention of certain employees that the company were previously legally obliged to serve notice upon

Fixed asset impairment adjustment
In prior years, a fixed asset impairment adjustment of £3,627,000 had been booked against fixed assets that were originally planned to be disposed of as part of the consolidation of the 2 bottling hall sites However, as a result of a comprehensive review of fixed assets, a decision was taken to retain various fixed assets within the business that were previously impaired Consequently, during the current year the full impairment provision of £3,627,000 (refer to note 10) was adjusted, with £1,249,000 (being the net book value of assets no longer utilised within the business) being utilised against fixed asset disposals and an exceptional credit of £2,378,000 being released to administrative expenses

Brands re-launch costs
The brands re launch costs form part of the overall comprehensive change programmes intended to reposition the company for future earnings growth

Onerous lease provision
The increase in the onerous lease provision reflects adverse changes in the rental market and revisions to assumptions underlying the provision calculation

Plant and machinery costs
The plant and machinery costs relate to the dismantling of plant and machinery associated with the consolidation of the bottling sites

Disruption costs
Disruption costs are those costs associated with the project to consolidate bottling sites They comprise additional labour and warehousing costs incurred to ensure maintenance of production levels during the period of site transition

Distributor settlement costs
Distributor settlement costs relate to the renegotiation and conclusion of plans to exit a major distribution contract

Other restructuring
Other restructuring includes consultancy costs and other professional fees associated with the above initiatives

3. Operating profit

	2006 £'000	2005 £'000
Operating profit is stated after (crediting)/charging		
(Gain) / loss on sale of fixed assets	**(2,383)**	92
Amortisation of intangible fixed assets	**820**	815
Operating lease charges – plant and machinery	**77**	73
Operating lease charges – other	**2,726**	2,644
Depreciation of tangible fixed assets		
Owned by the Company	**4,728**	4,348
Auditor remuneration – fees for the audit of the company	**96**	92

The depreciation charge noted above is different from that shown in Note 10 to these financial statements, as depreciation is added to the cost of stocks and is not released to the profit and loss account until the relevant stock is sold The figure shown above represents the annual depreciation that is charged directly to the profit and loss account on fixed assets, together with depreciation released through cost of sales on the sale of stock

Fees paid to PricewaterhouseCoopers LLP other than the statutory audit of the Company are not disclosed in the Company accounts since the consolidated accounts of Company's parent, Whyte and Mackay Group Limited, are required to disclose non audit fees on a consolidated basis

4. Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	**595**	418

During the year, retirement benefits of £9,000 accrued to one director (2005 £3,000) under the Whyte and Mackay Pension Scheme

Highest paid director	2006 £'000	2005 £'000
Aggregate emoluments	**306**	241
Defined benefit pension scheme		
Accrued pension at end of year	9	

During the year, as stated in note 24, the Company paid one director of Whyte and Mackay Group Limited, E Del Maestro, and three directors of Whyte and Mackay Ltd, P Albaladejo, J Vincent and J Espey, fees totalling £191,000 (2005 £112,578 for the services of two directors) in respect of consultancy services incurred in connection with the restructuring of the Group

5. Employee information

The average number of persons (ıncludıng executıve dırectors) employed by the Company durıng the year was as follows

By actıvıty

	2006 Number	2005 Number
Sales, dıstrıbutıon and admınıstratıon	**158**	160
Productıon	**390**	367
	548	527

The average number of employees ıncludes 41 (2005 48) employed on a part tıme basıs

Staff costs for the above persons

	2006 £'000	As restated 2005 £'000
Wages and salarıes	**17,324**	14,804
Social securıty costs	**1,382**	1,225
Employer's pensıon contrıbutıons (Note 7)	**2,198**	2,220
	20,904	18,249

6. Interest payable and similar charges

	2006 £'000	2005 £'000
Interest payable on bank loans and overdraft	**881**	283
Interest payable on debt factorıng facılıty	**1,766**	1,034
	2,647	1,317

7. Pension commitments

The Company is a contributing employer in the Whyte and Mackay Group Pension Scheme ("the Scheme") The Scheme is a defined benefit scheme to which the Company pays contributions, assessed having regard to actuarial advice The last independent actuarial valuation of the Scheme was carried out using the projected unit method of valuation with an effective date of 1 October 2003 At that date, the market value of the Scheme's assets was £67,883,000

In prior years, it was not possible to separately identify the Company's share of the underlying assets and liabilities in the scheme, and the respective FRS17 disclosures in previous year accounts related to the entire scheme For the current year, however, the Group has undertaken an exercise to identify each contributing company's share of the underlying assets and liabilities, including the restatement of the comparative 2005 financial year end amounts The following disclosures therefore relate to the company's portion of these assets and liabilities

The latest formal valuation of the Scheme has been updated to 30 September 2006 by a qualified independent actuary The major assumptions used as at 30 September 2006 were

	2006	2005
	% per annum	% per annum
Rate of increase in pensionable salaries	**3.0**	2 8
Rate of increase in pensions in payment	**3 0**	2 8
Discount rate	**5 0**	5 0
Inflation	**3 0**	2 8

7 Pension commitments (continued)

The company's share in the assets and liabilities of the scheme, and expected return rates were

	Long-term rate of return expected	Value at 30 September 2006	Long term rate of return expected	Value at 30 September 2005
	%	£'000	%	£'000
Equities	7.2	44,845	7 3	42,459
Corporate Bonds	5.0	13,184	5 0	12,115
Government Bonds	4.2	19,915	4 3	17,230
Property	5.2	7,956	5 3	6,908
Cash pending investment	4.8	436	4 5	236
Total market value of assets		86,336		78,948
Actuarial value of liabilities		(112,059)		(106,200)
Deficit in scheme		(25,723)		(27,252)
Related deferred tax asset		7,717		8,176
Net pension deficit		(18,006)		(19,076)

Analysis of amounts charged to operating profit·

	2006	2005
	£'000	£'000
Current service cost	(1,462)	(1,646)
Other (expense) / income	(253)	327
Total operating charge	(1,715)	(1,319)

Analysis of amounts debited to other finance charges

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	4,799	4,330
Interest on pension scheme liabilities	(5,282)	(5,231)
Other finance charges	(483)	(901)

7 Pension commitments (continued)

Analysis of amount recognised in the statement of total recognised gains and losses

	2006	2005
	£'000	£'000
Actual return less expected return on pension scheme assets	**3,377**	8,286
Changes in assumptions underlying the present value of the scheme liabilities	**(1,708)**	(6,042)
Actuarial gain recognised in the STRGL	**1,669**	2,244

Movement in deficit during the year.

	£'000	£'000
Deficit in scheme at beginning of the year	**(27,252)**	(29,146)
Movement in year		
Current service cost	**(1,462)**	(1,646)
Contributions	**2,058**	1,870
Other finance charges	**(483)**	(901)
Other (expense) / income	**(253)**	327
Actuarial gain	**1,669**	2,244
Deficit in scheme at end of the year	**(25,723)**	(27,252)

The estimated financial position under the requirements of FRS 17 showed a decrease in the company's share of the deficit from £27,252,000 at the beginning of the year to £25,723,000 at 30 September 2006 Contributions are currently paid by the company at the rate of 18 5% of pensionable salary Future contribution rates will be reviewed at the next actuarial valuation

History of experience gains and losses·

	2006	2005
	£'000	£'000
Difference between the expected and actual return on scheme assets	**3,377**	8,286
As a percentage of scheme assets	**3 91%**	10 50%
Experience gains and losses on scheme liabilities		
As a percentage of the present value of the scheme liabilities		
Total amount recognised in STRGL	**1,669**	2,244
As a percentage of the present value of the scheme liabilities	**1 49%**	2 11%

8. Taxation on profit on ordinary activities

	2006	As restated 2005
	£'000	£'000
Current tax		
UK corporation tax on profit for the year	**3,442**	4,452
Adjustment in respect of previous periods	**169**	1,023
Total current tax	**3,611**	5,475
Deferred tax		
Origination and reversal of timing differences		
Accelerated capital allowances and other timing differences	**(3,197)**	(297)
Adjustments in respect of previous periods	**205**	310
Total deferred tax (credit) / charge (note 17)	**(2,992)**	13
Taxation on profit on ordinary activities	**619**	5,488

In arriving at the tax charge for the year, no provision has been made for deferred taxation gains recognised on revaluing land and property to its market value in previous periods Such tax would only become payable if the property was sold without it being possible to claim rollover relief The total amount unprovided is £3,692,000 (2005 £3,806,000) In accordance with Financial Reporting Standard 15 there will be no revaluations of fixed assets

Deferred tax liabilities have not been discounted

8. Taxation (continued)

The tax assessed for the year ended 30 September 2006 is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	As restated 2005
	£'000	£'000
Profit on ordinary activities before tax	**12,710**	12,649
Profit on ordinary activities multiplied by standard rate in the UK (30%)	**3,813**	3,795
Effects of		
Expenses not deductible for tax purposes	**(3,050)**	360
Accelerated capital allowances and other timing differences	**2,679**	295
Adjustments to tax charge in respect of previous periods	**169**	1,025
Current tax charge for the period	**3,611**	5,475

Factor that may affect future tax charges

Accelerated capital allowances are expected to increase in the near future based on forecast capital expenditure Current expectations indicate the reversal of other timing differences are expected to continue in the short term

9. Intangible fixed assets

	Goodwill	Trademarks	Total
	£'000	**£000**	**£000**
Cost			
At 1 October 2005 and 30 September 2006	**297,168**	**36,119**	**333,287**
Amortisation			
At 1 October 2005	297,168	25,256	322,424
Charge for the year		820	820
At 30 September 2006	**297,168**	**26,076**	**323,244**
Net book value			
At 30 September 2006	**-**	**10,043**	**10,043**
At 30 September 2005		10,863	10,863

10. Tangible fixed assets

	Heritable land and buildings	Long leasehold property	Plant and machinery	Vehicles, fittings and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 October 2005	34,197	312	64,240	8,205	2,486	109,440
Additions	7,304		8,539	1,038		16,881
Transfers			2,486		(2,486)	
Disposals	(13,531)	(312)	(11,339)	(104)		(25,286)
At 30 September 2006	**27,970**	**-**	**63,926**	**9,139**		**101,035**
Depreciation						
At 1 October 2005	8,693	97	43,569	7,431		59,790
Charge for period	614	6	3,531	311		4,462
Impairment adjustment	(2,577)		(1,050)			(3,627)
Disposals	(236)	(103)	(10,468)	(76)		(10,883)
At 30 September 2006	**6,494**		**35,582**	**7,666**		**49,742**
Net book value						
At 30 September 2006	**21,476**		**28,344**	**1,473**		**51,293**
At 1 October 2005	25,504	215	20,671	774	2,486	49,650
Cost or valuation						
Valuation 1990	4,923		2,847	583		8,353
Cost	23,047		61,079	8,556		92,682
	27,970		63,926	9,139		101,035

The amount of assets included above at a valuation determined according to the historical cost accounting rules is as follows

	Heritable land & buildings	Long leasehold property	Plant & machinery	Vehicles, fittings & equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost	24,090		61,989	9,362		95,441
Depreciation	(5,370)		(33,643)	(7,891)		(46,904)
Net book value						
At 30 September 2006	**18,720**		**28,346**	**1,471**	**-**	**48,537**
At 30 September 2005	22,652	215	20,663	777	2,486	46,793

10. Tangible fixed assets (continued)

Following the implementation of Financial Reporting Standard 15 "Tangible Fixed Assets", the Company has adopted a policy of not revaluing fixed assets The carrying amount of the freehold land and buildings, previously revalued, has been retained at its book amount in accordance with the transitional provisions of FRS 15 In accordance with the Company's accounting policy, no depreciation has been provided on site values of £1,266,295 (2005 £1,266,295)

11. Fixed asset investments

Cost or valuation	**Interest in subsidiary undertakings**	**Other investments**	**Total**
	£'000	**£'000**	**£'000**
At 1 October 2005	483,397	118	483,515
Unrealised exchange gain	(1)		(1)
At 30 September 2006	**483,396**	**118**	**483,514**

Interest in subsidiary undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length The principal subsidiary undertakings of the Company at 30 September 2006 were

	Country of incorporation or registration	**Description of shares held**	**Proportion of nominal value of issued shares held by Company**
Kyndal India Private Ltd	India	Ordinary	90%
Whyte and Mackay Property Limited	Scotland	Ordinary	100%

Other investments include the holding of 14 0% of the £1 ordinary shares of The Scotch Whisky Heritage Centre Limited, an unlisted company registered in Scotland, the principal activity of which is the operation of a visitor attraction in Edinburgh

12. Stocks

	2006 £'000	2005 £'000
Raw materials and consumables	**2,231**	1,545
Maturing whisky stocks	**92,345**	88,625
Finished goods	**5,620**	6,537
	100,196	96,707

The 7 23% term loan held by its ultimate parent company, Whyte and Mackay Group Limited, is secured by a pledge over the Company's maturing stocks and various other fixed and floating security over the Company's assets The security over the assets will be released upon repayment of the loan

13. Debtors

	2006 £'000	As restated 2005 £'000
Amounts falling due within one year:		
Trade debtors	**38,257**	32,745
Amounts owed by parent company and fellow subsidiary undertakings	**113,707**	118,192
Amounts owed by subsidiary undertakings	**62,595**	62,595
Other debtors	**565**	1,161
Prepayments and accrued income	**1,351**	1,575
	216,475	216,268

Amounts owed by parent company, fellow subsidiary and subsidiary undertakings are unsecured, interest free and have no fixed date of repayment

14. Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Trade creditors	**24,069**	18,072
Bank and other borrowings (note 16)	**34,493**	27,966
Amounts owed to subsidiary undertakings	**545,296**	545,296
Corporation tax	**886**	820
Indirect taxes and social security liabilities	**557**	415
Other creditors	**2,509**	1,281
Accruals and deferred income	**7,475**	9,134
	615,285	602,984

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand

15. Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Amounts owed to subsidiary undertakings	**964**	964
Accruals and deferred income	**525**	585
	1,489	1,549

16. Bank and other borrowings

	2006	2005
	£'000	£'000
6 25% secured invoice discounting payable on demand	**26,296**	25,480
6 50% secured asset financing payable on demand	**8,197**	2,486
	34,493	27,966

Maturity of borrowings

	2006	2005
	£'000	£'000
In one year or less, or on demand	**34,493**	27,966

The 6 25% invoice discounting payable on demand is secured by a floating charge over the debtors' balances of the Company

The 6 50% asset financing payable on demand is secured by a fixed charge over the future rights of the Company to utilise fixed assets within plant and machinery

17. Provisions for liabilities and charges

	Onerous lease provisions	Restructuring provisions	Deferred taxation	Total
	£'000	£'000	£'000	£'000
At 1 October 2005 (as restated)	4,954	6,219	2,334	13,507
Charged in the year	978	(1,107)	(2,950)	(3,079)
Utilised in year	(1,222)	(3,128)		(4,350)
At 30 September 2006	**4,710**	**1,984**	**(616)**	**6,078**

17. Provisions for liabilities and charges (continued)

Onerous lease provisions

These provisions were set up in relation to leasehold properties in Glasgow, London and Edinburgh, which are sublet at a discount The provisions take account of current market conditions and expected future vacant periods and are calculated by discounting cash flows on a pre-tax basis and are utilised over the remaining period of the leases, which at 30 September 2006 is between 1 and 23 years

Restructuring Provision

This provision has been established in connection with a number of restructuring initiatives which are currently ongoing and due to continue over the next two years The provision includes redundancy costs and professional charges associated with the consolidation of the Company's bottling plants at Leith and Grangemouth into a new plant on the Grangemouth site In addition, further provision has been set up to cover redundancy costs following a strategic review of the business, consultancy fees connected with this review, and costs associated with the overall change programmes designed to re-launch and reposition the Company for future earnings growth

Deferred taxation

	2006 £'000	As restated 2005 £'000
Provision for deferred tax comprises:		
Accelerated capital allowances	**(2,735)**	921
Short term timing differences	**2,119**	1,413
Deferred tax provision excluding that relating to pension deficit	**(616)**	2,334
Pension deficit (note 7)	(7,717)	(8,176)
Total provision for deferred tax	**(8,333)**	(5,842)
1 October 2005 as previously reported	2,341	
Prior year adjustment – FRS17	(8,183)	
1 October 2005 as restated	(5,842)	
Deferred tax credit in profit and loss account (note 8)	(2,992)	
Deferred tax charged to the statement of total recognised gains and losses	501	
30 September 2006	**(8,333)**	

No provision has been made for deferred tax on gains recognised on revaluing land and property to its market value in previous periods Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount unprovided is £3,692,000 (2005 £3,806,000) At present it is not envisaged that any such tax will become payable in the foreseeable future

In accordance with Financial Reporting Standard 15 there will be no revaluations of fixed assets Deferred tax liabilities have not been discounted

18. Called up Share capital

	2006	2005
	£'000	£'000
Authorised		
205,917,000 (2005 205,917,000) ordinary shares of £1 each	**205,917**	205,917
Allotted, called up and fully paid		
178,973,000 (2005 178,973,000) ordinary shares of £1 each	**178,973**	178,973

The Company's share capital has been pledged as security for a term loan held by the ultimate parent company, Whyte and Mackay Group Limited The security over the share capital will be released upon repayment of the term loan

19. Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
At 1 October 2005 (as previously reported)	2,857	58,146
Prior year adjustment – FRS 17	-	(19,092)
At 1 October 2005 (as restated)	2,857	39,054
Profit for the year		12,091
Actuarial gain on pension scheme		1,669
Movement on deferred tax relating to pension scheme		(501)
Foreign subsidiary translation gain / (loss)		(1)
Transfer to retained profit	(101)	101
At 30 September 2006	**2,756**	**52,413**
Pension deficit		(18,006)
Profit and loss reserve excluding pension deficit	-	70,419

20. Reconciliation of movements in equity shareholders' funds

	2006	As restated 2005
	£'000	£'000
Retained profit for the year	**12,091**	7,161
Actuarial gain on pension scheme	**1,669**	2,244
Movement on deferred tax relating to pension scheme	**(501)**	(673)
Foreign subsidiary translation gain	**(1)**	1
Net addition to shareholders' funds	**13,258**	8,733
Opening shareholders' funds as previously reported	**239,976**	232,569
Prior year adjustment – FRS 17	**(19,092)**	(20,418)
Opening shareholders' funds as restated	**220,884**	212,151
Closing shareholders' funds	**234,142**	220,884

21. Financial commitments

	2006	2005
	£'000	£'000
Contracts placed but not provided in these financial statements	**2,476**	10,615

In July 2005 the Company entered into a contract for the purchase of bulk mature whisky to be supplied over a five year period, at instalments of approximately 5 6 million litres of alcohol per annum

22. Operating lease commitments

The Company has annual commitments under non cancellable operating leases expiring as follows

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	**224**	**40**		40
Between two and five years		**343**	167	231
Over five years	**2,964**		2,095	
	3,188	**383**	2,262	271

23. Contingent liabilities

In the opinion of the directors, the Company has no material contingent liabilities at 30 September 2006 (2005 nil)

24. Related parties

In accordance with the provisions of Financial Reporting Standard 8, "Related Party Disclosures", the Company, being a wholly owned subsidiary undertaking, has taken advantage of the exemption from disclosing related party transactions with group companies

On 29 September 2006, the Company entered into a lease and leaseback arrangement with St Vincent Street (446) Ltd for one of the Company's production sites At 30 September 2006, St Vincent Street (446) Ltd and the parent company of Whyte and Mackay Ltd were fellow 100% subsidiaries of Summerset Overseas Ltd Both transactions were agreed on an arm's length basis Under the head lease, the Company leased the production site to St Vincent Street (446) Ltd over a period of 175 years for a balance of £15,000,000, payable in advance Under the sub lease, the Company leased back the production site from St Vincent Street (446) Ltd for an annual rent of £869,200 over a period of 30 years There were no amounts outstanding between the parties at year end

During the year the Company paid one director of Whyte and Mackay Group Limited, E Del Maestro, and three directors of Whyte and Mackay Ltd, P Albaladejo, J Vincent and J Espey, fees totalling £191,000 (2005 £112,578 for the services of two directors) in respect of consultancy services incurred in connection with the restructuring of the Group

25. Ultimate parent company and controlling party

At 30 September 2006, the ultimate controlling party was Genette International Trust, which is a discretionary trust The children of Mr V S Imerman, a director of the company at 30 September 2006, are potential beneficiaries of the trust

At 30 September 2006, the ultimate parent company with a controlling interest was Genette International Holdings S A , a company incorporated in the British Virgin Islands (BVI)

The immediate parent company and smallest group in which the results of the Company are consolidated is that of Whyte and Mackay Group Limited, whose consolidated accounts may be obtained from the Registrar of Companies, Companies House, 57 Castle Terrace, Edinburgh, EH1 2EB

26. Post balance sheet event

On 16 May 2007, the entire share capital of the immediate parent company, Whyte and Mackay Group Ltd, was acquired by United Spirits (Great Britain) Ltd for a consideration of £410m The ultimate UK parent undertaking and controlling entity of United Spirits (Great Britain) Ltd is USL Holdings (UK) Ltd It is not practicable to provide an estimate of the financial effect that this event will have on the future results of the company