



BY APPOINTMENT
TO H. M. THE QUEEN
WINE & SPIRIT MERCHANTS

BERRY BROS & RUDD LIMITED
Wine and Spirit Merchants

Report & accounts
for the year ended
31st March 1987

BERRY BROS & RUDD LIMITED

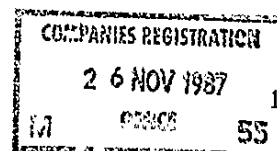
3, ST JAMES'S STREET, LONDON, S.W.1.

DIRECTORS

J. R. RUDD, Chairman
F. C. D. BERRY GREEN
K. J. MANSFIELD, Secretary
J. B. McGOWAN
J. H. N. WRIGHT
A. A. BERRY
D. L. M. ROBERTSON

AUDITORS

ERNST & WHINNEY
Chartered Accountants,
Becket House,
1, Lambeth Palace Road,
London, SE1 7EU



BERRY BROS & RUDD LIMITED

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Berry Bros. & Rudd Limited will be held at 3, St. James's Street, London, S.W.1, on Tuesday 29th September, 1987 at 12.45 p.m.

1. To receive and consider the Report of the Directors and the Statement of Accounts for the year ended 31st March, 1987.
2. To declare a final dividend on the Ordinary Shares.
3. To re-elect three Directors.
4. To re-appoint the Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

By order of the Board

K. J. MANSFIELD
Secretary

3, St. James's Street, London, S.W.1.
4th September, 1987.

NOTES

1. Under the provisions of the Articles of Association of the Company only holders of Ordinary Shares are entitled to attend and vote at the above-mentioned meeting. Members holding only Preference Shares are not entitled to attend or vote at General Meetings.

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

2. Dividend Warrants in respect of the final dividend on the Ordinary Shares will be posted on 29th September, 1987 to Ordinary Shareholders on the Register as at that date.

3. The Company is a Close Company within the meaning of the Finance Act 1965.

REPORT OF THE DIRECTORS

The Directors submit their Report with the Accounts of the Company for the year ended 31st March, 1987. The business of the Company continues to be that of wine and spirit merchants.

The Profit and Loss Account shows that the profit for the year after taxation was £1,390,963. An interim dividend of 60% on the Ordinary Shares was paid on 13th February, 1987 and the Directors recommend a final dividend of 120% which will be payable on 29th September, 1987. The total cost of dividends, including the Preference Dividend, amounts to £231,563 leaving £1,159,400 to be retained as Reserves.

A review of the business during the year and the Directors' opinion of future prospects is included in the Chairman's Review on page 4.

Movements of fixed tangible assets, and the Directors' valuation of Freehold and Leasehold Property may be seen in Note 1.

Charitable contributions made during the year amounted to £714. There were no political contributions during the year.

The present Directors are listed on page 1. Mr J. B. McGowan and Mr J. H. N. Wright were appointed directors on 22nd July 1987. Mr A. R. T. Peebles was also a director until his resignation on 27th June 1986.

In accordance with the Articles of Association Mr. A. A. Berry retires by rotation and, being eligible, offers himself for re-election. Mr J. B. McGowan and Mr J. H. N. Wright, having been appointed since the last Annual General Meeting, also retire from office and, being eligible, offer themselves for re-election.

Directors' Interests in the Ordinary Share Capital of the Company were:—

	31st March, 1987		31st March, 1986	
	Interests as beneficial owners or as life tenants	Interests through family ownership or as trustees	Interests as beneficial owners or as life tenants	Interests through family ownership or as trustees
A. A. Berry	6,250	—	6,250	—
F. C. D. Berry Green	3,757	24,435	3,332	24,435
K. J. Mansfield	1,575	—	1,150	—
A. R. T. Peebles	—	—	850	—
D. L. M. Robertson	100	—	100	—
J. R. Rudd	30,815	47,822	30,815	47,822

No Director had any interest in the Preference Shares of the Company.

A resolution will be proposed to re-appoint Ernst & Whinney as auditors until the next Annual General Meeting.

By order of the Board
K. J. MANSFIELD
Secretary

3, St. James's Street, London, S.W.1.
4th September, 1987.

BERRY BROS & RUDD LIMITED

CHAIRMAN'S REVIEW

Sales for the year to 31st March 1987 rose by a further 9% to £43.3 million but the profit before tax was lower at £2,159,248 due to a reduction in investment income when compared with last year, which was caused by the greater use of funds in stocks and working capital.

The Directors are recommending a final dividend of 120% which, when added to the increased interim of 60% paid in February, gives a total of 180% for the year, the same as last year.

The world-wide spirits industry now consists mainly of large multi-national corporations who are increasing their dominance of the marketplace by the creation of combined distribution arrangements in many of the larger markets. The much-publicised formation of the United Distillers Group out of the former Guinness and Distillers Company businesses is merely one instance of the kind of groupings now being established. We recognise that "Cutty Sark", as an independent brand, can compete successfully only by better marketing and a stronger presence in the markets through effective and loyal distributors and we have recently appointed several senior sales and marketing executives to give more impetus to the development of "Cutty Sark" and its associated brands around the world.

In the U.S.A., sales of distilled spirits, including Scotch Whisky, have continued to decline, linked mainly to concern about alcohol consumption and abuse, tougher application of drink and driving laws, under-age drinking and to social attitudes generally. The increase in Federal Excise Tax in October 1985, the first such increase on distilled spirits for many years, appears likely to be followed by further increases as efforts to reduce the U.S. Federal budget deficit are renewed. Whilst shipments of "Cutty Sark" were satisfactory during last year, the declining consumption in this most important market compels us to look vigorously for opportunities elsewhere, particularly in Europe where the Scotch Whisky market is continuing to grow. We are, nevertheless, striving to improve our position in the United States and to build on the good reputation that "Cutty Sark" enjoys.

"Cutty Sark" has made progress in some areas within the U.K. and there are indications that our new marketing strategy of using an independent distributor is having some effect. We are financing a new advertising campaign during the current year in an effort to gain a realistic share of this very large Scotch Whisky market. However, with the fierce competition amongst whisky brands to sell to the large firms in the grocery trade, each of whom has a successful "own-label" brand, the prospect of a profitable U.K. market for "Cutty Sark" is unlikely in the near future.

Our home trade retail wine business achieved a further 11% increase in sales but at a reduced margin. Growth in the U.K. market for wine is now more gradual than during the buoyant conditions of recent years and the number of competitors in all sectors of the trade continues to rise. The Company made significant investments in the 1985 vintage, which proved to be an excellent one in all the classic wine-growing regions of Europe. We continue to search further afield for wines of quality and interest, and have successfully introduced some of the lesser known wine-growing areas to our customers.

In April this year we acquired the freehold of an office building in Pall Mall. Apart from its value as an investment, the situation of this building, adjacent to our existing premises in the same area, will provide much-needed additional space for our expanding export and wine trade departments.

I am very pleased to welcome to the Board two members of our management team. Mr. Jack McGowan, now Export Director, was previously responsible for the sales and marketing of "Cutty Sark" within the North American and European regions. Mr. Nicholas Wright continues in his role as Home Trade Director, responsible for all activities within our U.K. retail wine and spirit business. Their appointments took effect from 22nd July 1987 and they will automatically come up for re-election at the Annual General Meeting.

In the first four months of the current financial year sales are ahead of the same period last year. It is difficult to predict what effect the many changes in the Scotch Whisky industry will have on "Cutty Sark" but I feel confident that with an enlarged sales and marketing team we are now in a much stronger position to monitor what is happening in the marketplace and to take advantage of opportunities as they emerge from the inevitable upheavals.

JOHN R. RUDD

Chairman

BERRY BROS & RUDD LIMITED

BALANCE SHEET

31st March, 1987

	1987		1986	
	£	£	£	£
FIXED ASSETS				
Tangible assets (Note 1)	2,236,457		2,073,794	
Investments				
— listed in the United Kingdom, at cost	42,335		42,335	
Market value £346,896 (1986; £418,176)				
— unlisted, at cost (Note 2)	10,000		10,000	
Directors' valuation £10,000 (1986; £10,000)				
		2,288,792		2,126,129
CURRENT ASSETS				
Stocks (Note 3)	13,486,910		10,816,685	
Trade debtors	4,052,396		2,601,957	
Other debtors	141,954		99,168	
Prepayments and accrued income	63,695		65,288	
Investments in Short-term Government Securities				
— listed in the United Kingdom, at cost	5,198,026		5,198,026	
Market value £5,712,192 (1986; £5,394,825)				
Short-term deposits and cash	1,329,278		3,758,453	
		24,272,259		22,539,577
		<u>£26,561,051</u>		<u>£24,665,706</u>

	1987	1986
	£	£
SHARE CAPITAL AND RESERVES		
Called-up share capital (Note 4)	250,000	250,000
Profit and loss account (Note 5)	19,212,122	18,052,722
	<u>19,462,122</u>	<u>18,302,722</u>

PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation (Note 6)	211,081	205,331
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CREDITORS — amounts falling due within one year

Bank overdraft	778,887	1,064,740
Payments received on account	528,686	651,398
Trade creditors	4,325,264	2,747,895
Amount owed to related company	209,850	405,479
Other creditors	132,226	248,038
Taxation and social security	762,935	877,603
Proposed final dividend	<u>150,000</u>	<u>162,500</u>
	6,887,848	6,157,653

J. R. RUDD

F. C. D. BERRY GREEN

18th August 1987

Directors

£26,561,051

£24,665,706

The notes referred to are on pages 10 and 11.

BERRY BROS & RUDD LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 1987

	1987		1986	
	£	£	£	£
Turnover, excluding VAT, less discounts and allowances (Note 7)		43,394,402		39,853,855
Cost of sales		36,870,413		34,114,587
Gross Profit		6,523,989		5,739,268
Other operating costs (Note 8)		4,654,403		4,073,548
Operating Profit (after charges shown in Note 9)		1,869,586		1,665,720
Other income (Note 10)		289,662		880,399
Profit on ordinary activities before taxation		2,159,248		2,546,119
Taxation (Note 11)		768,285		771,222
Profit on ordinary activities after taxation		1,390,963		1,774,897
Dividends				
Preference Shares		6,563		6,563
Ordinary Shares:				
Interim 60% (1986, — 50%)		75,000		62,500
Proposed final 120% (1986, — 130%)		150,000		162,500
		231,563		231,563
Retained profit for the year (Note 5)		£1,159,400		£1,543,334

The notes referred to are on pages 11 to 13.

BERRY BROS & RUDD LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31st March, 1987

	1987		1986	
	£	£	£	£
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		2,159,248		2,546,119
Adjustment for items not involving the movement of funds:				
Depreciation of fixed tangible assets		142,994		118,544
Loss on sale of fixed tangible assets		7,096		20,012
Total generated from trading		<u>2,309,338</u>		<u>2,684,675</u>
Funds from other sources				
Disposal of fixed tangible assets		37,326		52,037
		<u>£2,346,664</u>		<u>£2,736,712</u>
<i>Less:</i>				
APPLICATION OF FUNDS				
Dividends paid		244,063		181,563
Purchase of fixed tangible assets		350,079		301,459
Taxation paid		877,203		1,122,602
Increase/(Decrease) in working capital				
Stocks	2,670,225		179,908	
Debtors	1,491,632		706,547	
Creditors	(1,143,216)		(1,055,515)	
		<u>3,018,641</u>		<u>(169,060)</u>
		<u>£4,489,936</u>		<u>£1,436,564</u>
Resulting in:				
INCREASE/(DECREASE) IN NET LIQUID FUNDS				
Bank overdraft		285,853		(363,034)
Short term deposits and cash		429,175		841,386
Short term Government securities		-		821,796
		<u>£715,028</u>		<u>£1,300,148</u>

BERRY BROS & RUDD LIMITED

NOTES ON THE ACCOUNTS

1. FIXED TANGIBLE ASSETS

Cost	Freehold Land & Buildings £	Leasehold Buildings over 50 yrs. £	Leasehold Buildings under 50 yrs. £	Plant Equipment & Motor Cars £	Total £
At 1st April, 1986	1,212,302	647,778	113,466	876,132	2,849,678
Additions	1,215	5,338	—	343,526	350,079
	<u>1,213,517</u>	<u>653,116</u>	<u>113,466</u>	<u>1,219,658</u>	<u>3,199,757</u>
Disposals	—	—	—	(74,264)	(74,264)
At 31st March, 1987	<u>£1,213,517</u>	<u>£653,116</u>	<u>£113,466</u>	<u>£1,145,394</u>	<u>£3,125,493</u>
Accumulated depreciation					
At 1st April, 1986		318,704	39,433	417,747	775,884
Amount provided in year		26,125	4,539	112,330	142,994
		<u>344,829</u>	<u>43,972</u>	<u>530,077</u>	<u>918,878</u>
Disposals		—	—	(29,842)	(29,842)
At 31st March, 1987		<u>£344,829</u>	<u>£43,972</u>	<u>£500,235</u>	<u>£889,036</u>
Net book value					
At 31st March, 1987	<u>£1,213,517</u>	<u>£308,287</u>	<u>£69,494</u>	<u>£645,159</u>	<u>£2,236,457</u>
At 31st March, 1986	<u>£1,212,302</u>	<u>£329,074</u>	<u>£74,033</u>	<u>£458,385</u>	<u>£2,073,794</u>

The net book value of freehold land and buildings amounting to £1,213,517 at 31st March, 1987 includes a freehold residence owned by the Company which was let to a Director, Mr. F. C. D. Berry Green, under a 5-year lease expiring on 1st June, 1988 at an annual rent of £600.

In the Directors' opinion the market value of the freehold and leasehold land and buildings shown above at the net book value of £1,591,298 at 31st March, 1987 was in the region of £5 million. As in the past, no depreciation is charged on freehold buildings; this is not in accordance with the provisions of the Companies Act 1985, but the amount involved is not significant.

Other fixed tangible assets are depreciated on a straight line basis at the following rates: leasehold buildings 4%, plant 10%, office furniture and equipment 5% and motor cars 20%.

The company had authorised at the year-end capital expenditure on freehold land and buildings amounting to £2,815,000. Contracts were signed on 9 April 1987. There were no other capital commitments at the balance sheet date (1986: Nil).

2. FIXED ASSET — UNLISTED INVESTMENT

This investment is both a related company and an associated company and consists of a holding of 50% of the ordinary share capital of Cutty Sark (Scotch Whisky U.K.) Ltd., a company registered in Scotland. The Company's share of the results of this company for the year ended 31st December, 1986 is as follows: —

	1987 £	1986 £
Loss on ordinary activities before taxation	(45,728)	(19,057)
Taxation	—	3,388
Retained loss for the year	<u>£(45,728)</u>	<u>£(13,669)</u>

	1987 £	1986 £
Company's share of share capital and reserves:		
Called-up share capital	10,000	10,000
Profit and loss account	36,839	82,568
	<u>£46,839</u>	<u>£92,568</u>

The Company has guaranteed overdraft facilities of the above company up to £4,400,000 jointly and severally with Robertson and Baxter Ltd. (1986, £4,400,000).

3. STOCKS

	1987 £	1986 £
Bulk stocks — U.K. and abroad	3,977,890	3,111,244
Bottled stocks	8,644,379	6,784,030
Other	864,641	921,411
	<u>£13,486,910</u>	<u>£10,816,685</u>

Stocks are valued at the lower of cost and net realisable value including all direct expenditure.

Estimated value on a replacement cost basis is £15,975,000 (1986, £13,232,000).

	Authorised		Issued and fully paid	
	1987 £	1986 £	1987 £	1986 £
4. CALLED-UP SHARE CAPITAL				
7½% (now 5¼% plus tax credit) Cumulative Preference Shares of £1 each	150,000	150,000	125,000	125,000
Ordinary Shares of £1 each	150,000	150,000	125,000	125,000
	<u>£300,000</u>	<u>£300,000</u>	<u>£250,000</u>	<u>£250,000</u>

5. PROFIT AND LOSS ACCOUNT

	1987 £	1986 £
Reserves at beginning of the year	18,052,722	16,509,388
Add: Retained profit for the year	1,159,400	1,543,334
Reserves at end of the year	<u>£19,212,122</u>	<u>£18,052,722</u>

6. DEFERRED TAXATION

Provision is made for deferred taxation but only to the extent that there is a possibility of actual liability in the foreseeable future.

	1987 £	1986 £
Movements during the year were as follows:—		
Provision at beginning of the year	205,331	215,939
Deferred Tax for the year (Note 11)	(5,145)	7,552
Advance corporation tax	10,895	(18,160)
Provision at end of the year	<u>£211,081</u>	<u>£205,331</u>

BERRY BROS & RUDD LIMITED

NOTES ON THE ACCOUNTS (continued)

Deferred Taxation as shown in the Balance Sheet is made up as follows:—

	1987 £	1986 £
Capital allowances	201,600	194,600
Accrued interest receivable	652	12,797
Capital gain "rolled over"	64,308	64,308
	<u>266,560</u>	<u>271,705</u>
Less: Advance Corporation Tax	55,479	66,374
	<u>£211,081</u>	<u>£205,331</u>

There are no other potential liabilities for Deferred Taxation.

7. TURNOVER

Turnover by geographical market area is not disclosed as, in the opinion of the Directors, such disclosure would be detrimental to the interests of the Company.

8. OTHER OPERATING COSTS

	1987 £	1986 £
Administration expenses	3,871,026	3,405,597
Distribution costs	783,377	667,951
	<u>£4,654,403</u>	<u>£4,073,548</u>

9. OPERATING PROFIT

This is arrived at after charging:

	1987 £	1986 £
Depreciation of fixed tangible assets	142,994	118,544
Auditors' remuneration	24,000	19,000
Directors' remuneration (see below)	251,147	292,761
Supplementary payment to pension fund	—	250,000
	<u>—</u>	<u>—</u>

Directors' and employees' remuneration

Directors' remuneration:

	1987 £	1986 £
Fees	400	200
As executives including pension contributions	250,747	292,561
	<u>£251,147</u>	<u>£292,761</u>

The Directors were paid as follows (excluding pension contributions):

	1987 £	1986 £
Chairman	63,057	47,763
Highest paid director	63,057	52,976

Other directors

	Number of directors	
	1987	1986
Nil to £5,000	—	1
£5,001 to £10,000	2	—
£10,001 to £15,000	1	—
£15,001 to £20,000	—	1
£20,001 to £25,000	—	2
£25,001 to £30,000	1	—
£30,001 to £35,000	1	—

4 Directors waived their entitlement to fees amounting in total to £700 (1986, 5 Directors £950).

The number of employees of the Company other than Directors whose emoluments, excluding pension contributions, exceeded £30,000 was as follows:

	Number of employees	
	1987	1986
£30,001 to £35,000	1	—
Employment costs, including Directors, amounted to:—	1987	1986
	£	£
Wages and salaries	1,691,076	1,386,193
Social security costs	138,063	102,181
Pension scheme costs	362,671	301,669
	<u>£2,191,810</u>	<u>£1,790,043</u>

All employees were engaged in the wine and spirit trade and the average weekly number of employees during the year was 124 (1986, 117).

10. OTHER INCOME

	1987	1986
	£	£
Income from listed investments	191,307	684,314
Interest receivable	109,277	196,227
Agency income	31,667	23,050
Miscellaneous income	4,100	12,600
	<u>336,351</u>	<u>916,191</u>
Interest on overdraft, repayable within five years	(46,689)	(35,792)
	<u>£289,662</u>	<u>£880,399</u>

11. TAXATION

	1987	1986
	£	£
The taxation charge is made up as follows:—		
U.K. Corporation Tax for the year at 35% (1986, 40%)	769,203	821,213
Deferred Tax for the year (Note 6)	(5,145)	7,552
Tax on dividends received	4,227	4,032
	<u>768,285</u>	<u>832,797</u>
Overprovision of Corporation tax in previous year	—	(61,575)
	<u>£768,285</u>	<u>£771,222</u>

12. FOREIGN CURRENCIES

Assets, liabilities, revenue and costs denominated in foreign currencies during the year were recorded at rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. All exchange differences thus arising have been included in the profit for the year.

BERRY BROS & RUDD LIMITED

REPORT OF THE AUDITORS

Report of the Auditors to the Members

We have audited the accounts set out on pages 6 to 13 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st March, 1987 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ERNST & WHINNEY
Chartered Accountants.

London.

18th August, 1987.

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BERRY BROS & RUDD LIMITED
Wine and Spirit Merchants

Report & accounts
for nine months ended
31st December 1987

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BERRY BROS & RUDD LIMITED
3, ST JAMES'S STREET, LONDON, S.W.1.

DIRECTORS

J. R. RUDD, Chairman
F. C. D. BERRY GREEN
K. J. MANSFIELD, Secretary
J. B. MCGOWAN
J. H. N. WRIGHT
A. A. BERRY
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AUDITORS

ERNST & WHINNEY
Chartered Accountants,
Becket House,
1, Lambeth Palace Road,
London, SE1 7EU

BERRY BROS & RUDD LIMITED

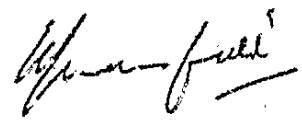
NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Berry Bros. & Rudd Limited will be held at 3, St. James's Street, London, S.W.1, on Wednesday 29th June, 1988 at 12.45 p.m.

1. To receive and consider the Report of the Directors and the Statement of Accounts for the nine months ended 31st December, 1987.
2. To declare a final dividend on the Ordinary Shares.
3. To re-elect two Directors.
4. To re-appoint the Auditors.
5. To authorise the Directors to fix the remuneration of the Auditors.

By order of the Board
K. J. MANSFIELD
Secretary

3, St. James's Street, London, S.W.1.
6th June, 1988.



NOTES

1. Under the provisions of the Articles of Association of the Company only holders of Ordinary Shares are entitled to attend and vote at the above-mentioned meeting. Members holding only Preference Shares are not entitled to attend or vote at General Meetings.

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

2. Dividend Warrants in respect of the final dividend on the Ordinary Shares will be posted on 29th June, 1988 to Ordinary Shareholders on the Register as at that date.

3. The Company is a Close Company within the meaning of the Finance Act 1965.

REPORT OF THE DIRECTORS

The Directors submit their Report with the Accounts of the Company for the nine months ended 31st December, 1987. The business of the Company continues to be that of wine and spirit merchants.

The Profit and Loss Account shows that the profit for the period after taxation was £856,054. An interim dividend of 60% on the Ordinary Shares was paid on 19th February, 1988 and the Directors recommend a final dividend of 75% which will be payable on 29th June, 1988. The total cost of dividends, including the Preference Dividends, amounts to £172,031 leaving £684,023 to be retained as Reserves.

A review of the business during the period and the Directors' opinion of future prospects is included in the Chairman's Review on page 4.

Movements of fixed tangible assets, and the Directors' valuation of Freehold and Leasehold Property may be seen in Note 1.

Charitable contributions made during the period amounted to £476. The only political contribution was £1,000 to the Conservative and Unionist Party.

The present Directors are listed on page 1. In accordance with the Articles of Association Mr. F. C. D. Berry Green and Mr. K. J. Mansfield retire from office and, being eligible, offer themselves for re-election.

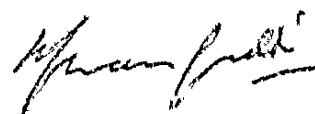
Directors' Interests in the Ordinary Share Capital of the Company were:—

	31st December, 1987		31st March, 1987	
	Interests as beneficial owners or as life tenants	Interests through family ownership or as trustees	Interests as beneficial owners or as life tenants	Interests through family ownership or as trustees
A. A. Berry	5,250	—	6,250	—
F. C. D. Berry Green	4,757	1,445	3,757	24,435
K. J. Mansfield	1,575	—	1,575	—
J. B. McGowan	100	—	—	—
D. L. M. Roberts	100	—	100	—
J. R. Rudd	30,615	47,822	30,615	47,822
J. H. N. Wright	100	—	—	—

No Director had any interest in the Preference Shares of the Company.

A resolution will be proposed to re-appoint Price & Whinney as auditors until the next Annual General Meeting.

By order of the Board
K. J. MANSFIELD
Secretary



1, St. James's Street, London, S.W.1.
6th June, 1988.

BERRY BROS & RUDD LIMITED

CHAIRMAN'S REVIEW

As a consequence of the change in our financial year, the results shown are for the 9-month period ended 31st December 1987 which is compared in the Accounts to the previous 12-month period.

Sales for the nine months to 31st December, 1987 were £31.7 million and the profit before tax amounted to £1,169,383. Taking into account the shorter trading period and higher expenditure on export sales and marketing, the Directors consider this a satisfactory result as against £2,159,248 for the 12-month period ended March last year.

The Directors are recommending a final dividend of 75% which, when added to the interim of 60% paid in February, gives a total of 135% for the 9-month period, the same on a pro-rata basis as the total paid for the year to 31st March, 1987. In future it is planned to pay an interim dividend during November each year and the final dividend during the following June.

Our "Cutty Sark" business operates in an environment dominated increasingly by giant multi-national corporations who live in a different world both in terms of their business philosophy and their financial strength. However, this everchanging scene does present companies like ours with opportunities to strengthen, where necessary, our distribution arrangements around the world, and various changes are now taking place.

Over the years we have been able to attract an exceptionally loyal and enthusiastic network of distributors, many of whom are also independent businesses and whose specialized knowledge of the local market will, I feel confident, produce a sound basis for the future development of our brands. I am grateful to them all for their efforts on behalf of "Cutty Sark".

In the U.S.A., where ownership of a wholesaler by a supplier is unlawful, a few corporations still dominate the distribution system by the weight of their brand portfolios. This leaves "Cutty Sark" and other independent brands with a diminishing choice of key wholesalers. The consumption of distilled spirits in the U.S.A. continues to decline, due mainly to the vociferous efforts of the several anti-alcohol lobbies and the continuing trend for consumers to change to other beverages. Against this difficult background "Cutty Sark" has maintained its position as one of the four leading Scotch Whisky brands.

We are making good progress in Europe, where Scotch Whisky is a growing and fashionable drink. "Cutty Sark" has done particularly well in Greece and Portugal and our sales have continued to improve in the very large French market.

"Cutty Sark" is strongly established in Japan and I believe there are excellent opportunities for expansion in this market, especially if the Japanese Government finally agrees to make very necessary reductions in the taxation on imported spirits. At present this seems by no means certain.

In many other countries throughout the world our enlarged marketing team has been very active with encouraging results in several areas.

"Cutty Sark" has yet to gain more than a small presence in the second largest world market for Scotch Whisky, the United Kingdom. This is both frustrating and disappointing, so the Board has been considering alternative plans for the brand in the light of "Cutty Sark's" growing success and importance within Europe as a whole.

Our home trade retail wine business continued to develop during the 9-month trading period which ended with record sales leading up to Christmas, despite fears that the stock market collapse last October might have had an adverse effect. Our warehouse at Basingstoke was built some 20 years ago and we have now almost completed the expensive task of renewing the cooling plant so necessary for the proper maturing of our stocks. In May of this year we published for the first time a more informative style of price list and initial reactions from our customers have been most encouraging. We continue to search for wines of quality and value from most of the world's wine-producing regions and we look forward to increased activity during the remainder of this year.

The sales for the first four months of this year compare favourably with a year ago, apart from the U.S.A. where shipments have been curtailed to reduce unnecessarily high stocks held at wholesale level.

Looking to the future, I believe there are many opportunities for independent firms such as ours in the rapidly changing conditions of today, to some of which I have already referred. As always, I am grateful to our staff, and in particular to the senior management, for their untiring efforts on behalf of the Company.

JOHN R. RUDD

Chairman

BERRY BROS & RUDD LIMITED

BALANCE SHEET

31st December, 1987

	31.12.1987	31.3.1987
	£	£
FIXED ASSETS		
Tangible assets (Note 1)	2,367,659	2,236,457
Investments		
— listed in the United Kingdom, at cost	42,335	42,335
Market value £361,152 (31.3.87: £346,896)		
— unlisted, at cost (Note 3)	10,000	10,000
Directors' valuation £10,000 (31.3.87: £10,000)		
	<u>2,419,994</u>	<u>2,288,792</u>
CURRENT ASSETS		
Stocks (Note 4)	14,098,992	13,486,910
Trade debtors	3,738,256	4,052,396
Other debtors	110,492	141,954
Prepayments and accrued income	338,450	63,695
Investments in Short-term Government Securities		
— listed in the United Kingdom, at cost	5,480,860	5,198,026
Market value £5,863,124 (31.3.87: £5,712,192)		
Short-term deposits and cash	<u>1,148,572</u>	<u>1,329,278</u>
	<u>24,915,622</u>	<u>24,272,259</u>
	<u><u>£27,335,616</u></u>	<u><u>£26,561,051</u></u>

	31.12.1987		31.3.1987	
	£	£	£	£
SHARE CAPITAL AND RESERVES				
Called-up share capital (Note 2)		250,000		250,000
Profit and loss account (Note 5)		19,896,145		19,212,122
		<u>20,146,145</u>		<u>19,462,122</u>
 PROVISION FOR LIABILITIES AND CHARGES				
Deferred taxation (Note 6)		211,391		211,681
 CREDITORS — amounts falling due within one year				
Bank overdraft	1,091,164		778,887	
Payments received on account	764,527		528,686	
Trade creditors	3,756,029		4,325,264	
Amount owed to related company	12,523		209,850	
Other creditors	127,040		132,226	
Taxation and social security	1,057,747		762,935	
Dividends paid and proposed	<u>168,750</u>		<u>150,000</u>	
		<u>6,978,080</u>		<u>6,887,848</u>

J. R. RUDD

F. C. D. BERRY GREEN

1st June, 1988


Directors



£27,335,616

£26,861,051

The notes referred to are on pages 10 to 12.

BERRY BROS & RUDD LIMITED

PROFIT AND LOSS ACCOUNT for the 9 months ended 31st December, 1987

	31.12.1987 (9 months) £	£	31.3.1987 (12 months) £	£
Turnover, excluding VAT, less discounts and allowances (Note 7)		31,799,614		43,394,402
Cost of sales		27,173,590		36,870,413
Gross Profit		4,626,024		6,523,989
Other operating costs (Note 8)		3,962,968		4,654,403
Operating Profit (after charges shown in Note 9)		663,056		1,869,586
Other income (Note 10)		506,327		289,662
Profit on ordinary activities before taxation		1,169,383		2,159,248
Taxation (Note 11)		313,329		768,285
Profit on ordinary activities after taxation		856,054		1,390,963
Dividends				
Preference Shares		3,281		6,563
Ordinary Shares:				
Interim 60% (1986/7 - 60%)		75,000		75,000
Proposed final 75% (1986/7 - 120%)		93,750		150,000
		172,031		231,563
Retained profit for the period (Note 5)		£684,023		£1,159,400

The notes referred to are on pages 12 to 14.

BERRY BROS & RUDD LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the 9 months ended 31st December, 1987

	31.12.1987 (9 months)	31.12.1987 (12 months)
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	1,169,383	2,189,248
Adjustment for items not involving the movement of funds:		
Depreciation of fixed tangible assets	119,170	142,994
(Profit)/Loss on sale of fixed tangible assets	(467)	7,096
Total generated from trading	1,288,086	2,309,338
 FUNDS FROM OTHER SOURCES		
Disposal of fixed tangible assets	42,418	37,326
	<u>£1,330,504</u>	<u>£2,346,664</u>
 <i>Less:</i>		
APPLICATION OF FUNDS		
Dividends paid	153,281	244,063
Purchase of fixed tangible assets	292,323	350,079
Taxation paid	120,894	877,203
Increase/(Decrease) in working capital		
Stocks	612,082	2,670,225
Debtors	(70,847)	1,491,632
Creditors	432,920	(1,143,216)
	<u>974,155</u>	<u>3,018,641</u>
	<u>£1,540,653</u>	<u>£4,489,986</u>
 Resulting in:		
INCREASE/(DECREASE) IN NET LIQUID FUNDS		
Bank overdraft	(312,277)	285,883
Short term deposits and cash	(180,706)	(2,429,175)
Short term Government securities	282,834	
	<u>£(210,149)</u>	<u>£(2,143,322)</u>

BERRY BROS & RUDD LIMITED

NOTES ON THE ACCOUNTS

1. FIXED TANGIBLE ASSETS

	Freehold Land & Buildings £	Leasehold Buildings over 50 yrs. £	Leasehold Buildings under 50 yrs. £	Plant Equipment & Motor Cars £	Total £
Cost					
At 1st April, 1987	1,213,517	653,116	113,466	1,145,394	3,125,493
Additions	29,657	19,533	—	243,133	292,323
	<u>1,243,174</u>	<u>672,649</u>	<u>113,466</u>	<u>1,388,527</u>	<u>3,417,816</u>
Disposals	—	—	—	(93,041)	(93,041)
At 31st December, 1987	<u>£1,243,174</u>	<u>£672,649</u>	<u>£113,466</u>	<u>£1,295,486</u>	<u>£3,324,775</u>
Accumulated depreciation					
At 1st April, 1987		344,829	43,972	500,235	889,036
Amount provided in period		20,179	3,404	95,587	119,170
		<u>365,008</u>	<u>47,376</u>	<u>595,822</u>	<u>1,008,206</u>
Disposals		—	—	(51,090)	(51,090)
At 31st December, 1987		<u>£365,008</u>	<u>£47,376</u>	<u>£544,732</u>	<u>£957,116</u>
Net book value					
At 31st December, 1987	<u>£1,243,174</u>	<u>£307,641</u>	<u>£66,090</u>	<u>£750,754</u>	<u>£2,367,659</u>
At 31st March, 1987	<u>£1,213,517</u>	<u>£308,287</u>	<u>£69,494</u>	<u>£645,159</u>	<u>£2,236,457</u>

The net book value of freehold land and buildings amounting to £1,243,174 at 31st December, 1987 includes a freehold residence owned by the Company which was let to a Director, Mr. F. C. D. Berry Green, under a 5-year lease expiring on 1st June, 1988 at an annual rent of £600.

In the Directors' opinion the market value of the freehold and leasehold land and buildings shown above at the net book value of £1,616,905 at 31st December, 1987 was in the region of £5 million. As in the past, no depreciation is charged on freehold buildings; this is not in accordance with the provisions of the Companies Act 1985, but the amount involved is not significant.

Other fixed tangible assets are depreciated on a straight line basis at the following rates: leasehold buildings 4%, plant 10%, office furniture and equipment 5% and motor cars 20%.

The company had authorised at 31st March, 1987 capital expenditure on freehold land and buildings amounting to £2,815,000. Contracts were signed on 9th April, 1987 and a deposit of £211,000 paid, leaving £2,604,000 outstanding at 31st December, 1987. There were no other capital commitments at the balance sheet date (31.3.87: Nil).

2. CALLED-UP SHARE CAPITAL	Authorised		Issued and fully paid	
	31.12.1987 £	31.3.1987 £	31.12.1987 £	31.3.1987 £
7½% (now 5¼% plus tax credit) Cumulative Preference Shares of £1 each	150,000	150,000	125,000	125,000
Ordinary Shares of £1 each	150,000	150,000	125,000	125,000
	<u>£300,000</u>	<u>£300,000</u>	<u>£250,000</u>	<u>£250,000</u>

3. FIXED ASSET – UNLISTED INVESTMENT

This investment is both a related company and an associated company and consists of a holding of 50% of the ordinary share capital of Cutty Sark (Scotch Whisky U.K.) Ltd., a company registered in Scotland. The Company's share of the results of this company for the year ended 31st December, 1987 is as follows:—

	31.12.1987	31.3.1987
	£	£
Profit/(loss) on ordinary activities before taxation	3,193	(45,728)
Taxation	(746)	16,792
Retained profit/(loss) for the year	<u>£2,447</u>	<u>£(29,336)</u>
Company's share of share capital and reserves:		
Called-up share capital	10,000	10,000
Profit and loss account	<u>55,679</u>	<u>53,232</u>
	<u>£65,679</u>	<u>£63,232</u>

The Company has guaranteed jointly with others the liability of Cutty Sark (Scotch Whisky U.K.) Ltd. for excise duty payments to the extent of £3,400,000 (31.3.87; £3,400,000).

4. STOCKS

	£	£
Bulk stocks – U.K. and abroad	3,983,458	3,977,890
Bottled stocks	9,102,781	8,644,379
Other	<u>1,012,753</u>	<u>864,641</u>
	<u>£14,098,992</u>	<u>£13,486,910</u>

Stocks are valued at the lower of cost and net realisable value including all direct expenditure. Estimated value on a replacement cost basis is £16,935,000 (31.3.87; £15,975,000).

5. PROFIT AND LOSS ACCOUNT

	£	£
Reserves at beginning of the period	19,212,122	18,052,722
Add: Retained profit for the period	<u>684,023</u>	<u>1,159,400</u>
Reserves at end of the period	<u>£19,896,145</u>	<u>£19,212,122</u>

BERRY BROS & RUDD LIMITED

NOTES ON THE ACCOUNTS (continued)

6. DEFERRED TAXATION

Provision is made for deferred taxation but only to the extent that there is a possibility of actual liability in the foreseeable future.

Movements during the period were as follows:—

Provision at beginning of the period
Deferred Tax for the period (Note 11)
Advance Corporation Tax

Provision at end of the period

31.12.1987	31.3.1987
£	£
211,081	205,331
3,820	(5,145)
(3,510)	10,895
<u>£211,391</u>	<u>£211,081</u>

Deferred Taxation as shown in the Balance Sheet is made up as follows:—

Capital allowances
Accrued interest receivable
Capital gain "rolled over"

Less: Advance Corporation Tax

£	£
206,000	201,600
72	652
64,308	64,308
<u>270,380</u>	<u>266,560</u>
58,989	55,479
<u>£211,391</u>	<u>£211,081</u>

There are no other potential liabilities for Deferred Taxation.

7. TURNOVER

Turnover by geographical market area is not disclosed as, in the opinion of the Directors, such disclosure would be detrimental to the interests of the Company.

8. OTHER OPERATING COSTS

Administration expenses
Distribution costs

31.12.1987 (9 months)	31.3.1987 (12 months)
£	£
3,407,337	3,871,026
555,631	783,377
<u>£3,962,968</u>	<u>£4,654,403</u>

9. OPERATING PROFIT

This is arrived at after charging:
Depreciation of fixed tangible assets
Auditors' remuneration
Directors' remuneration (see below)

£	£
119,170	142,994
24,000	24,000
259,233	251,147
<u>£</u>	<u>£</u>

Directors' and employees' remuneration

Directors' remuneration:

Fees

As executives including pension contributions

£	£
300	400
258,933	250,747
<u>£259,233</u>	<u>£251,147</u>

The Directors were paid as follows (excluding pension contributions):

Chairman and highest paid director

Other directors

Nil to £5,000

£5,001 to £10,000

£10,001 to £15,000

£15,001 to £20,000

£25,001 to £30,000

£50,001 to £55,000

£55,001 to £60,000

£60,001 to £65,000

31.12.1987
(9 months)

31.3.1987
(12 months)

£53,720

£63,057

Number of directors

2

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5 Directors waived their entitlement to fees amounting in total to £653 (31.3.87; 4 Directors £700).

The number of employees of the Company other than Directors whose emoluments, excluding pension contributions, exceeded £30,000 was as follows:

£30,001 to £35,000

Number of employees

-

1

Employment costs, including Directors, amounted to:—

Wages and salaries

Social security costs

Pension scheme costs

£

£

1,477,383

1,691,076

117,651

138,063

308,481

362,671

£1,903,515

£2,191,810

All employees were engaged in the wine and spirit trade and the average weekly number of employees during the period was 132 (31.3.87; 124).

10. OTHER INCOME

Income from listed investments

Interest receivable

Agency income

Miscellaneous income

£

£

426,465

191,307

58,644

109,277

17,646

31,667

13,992

4,100

516,747

336,351

(10,420)

(46,659)

£506,327

£289,692

Interest on overdraft, repayable within five years

BERRY BROS & RUDD LIMITED

NOTES ON THE ACCOUNTS (continued)

11. TAXATION

The taxation charge is made up as follows:—
 U.K. Corporation Tax at 35% (31.3.87; 35%)
 Deferred Tax for the period (Note 6)
 Tax on dividends received

Overprovision of Corporation Tax in previous period

31.12.1987 (9 months) £	31.3.1987 (12 months) £
312,500	769,203
3,820	(5,145)
1,195	4,227
<u>317,515</u>	<u>768,285</u>
(4,186)	
<u><u>£313,329</u></u>	<u><u>£768,285</u></u>

12. FOREIGN CURRENCIES

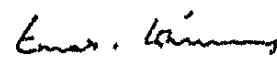
Assets, liabilities, revenue and costs denominated in foreign currencies during the period were recorded at rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at period-end rates of exchange. All exchange differences thus arising have been included in the profit for the period.

REPORT OF THE AUDITORS

Report of the Auditors to the Members

We have audited the accounts set out on pages 6 to 14 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31st December, 1987 and of the profit and source and application of funds for the period then ended and comply with the Companies Act 1985.



ERNST & WHINNEY
Chartered Accountants.

London.

1st June, 1988.