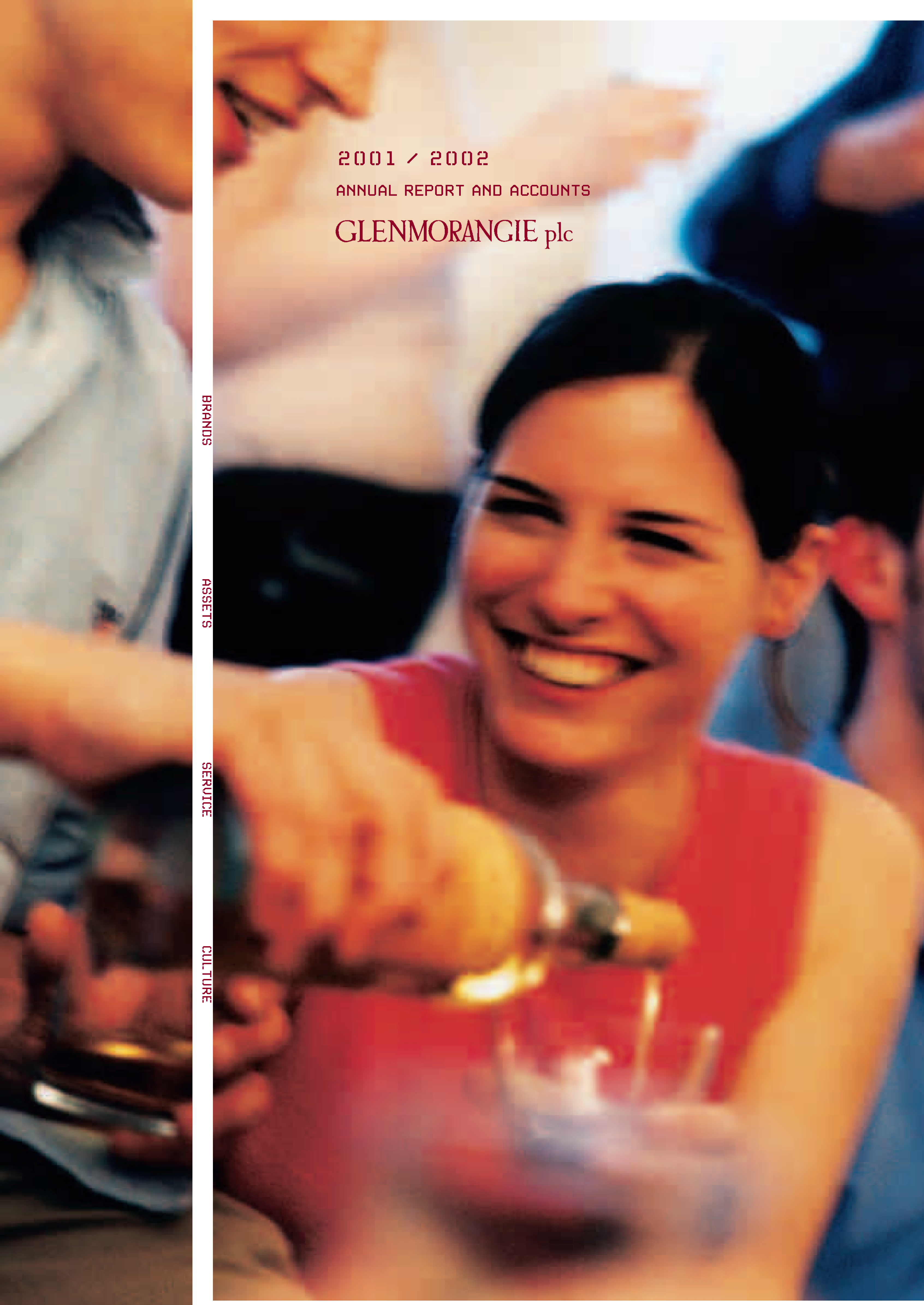
2001 / 2002

ANNUAL REPORT AND ACCOUNTS

GLENMORANGIE plc



BRANDS

ASSETS

SERVICE

CULTURE

OUR VISION

We are the leading provider of branded malt whiskies giving pleasure to a growing number of consumers around the world.

OUR STRATEGIC OBJECTIVES

Glenmorangie plc aims to achieve consistent growth in profit and shareholder value over the long term through:

/ DEVELOPING AND GROWING OUR PREMIUM MALT BRANDS.

/ ACHIEVING BEST USE AND VALUE FROM OUR ASSETS, IN PARTICULAR FROM OUR STOCKS, DISTILLERIES AND BROXBURN FACILITY, TO SUPPORT THE GROWTH OF OUR BRANDS.

/ BEING A CUSTOMER FOCUSED ORGANISATION SUPPORTED BY THE BEST PEOPLE, SYSTEMS AND PROCESSES.

/ HAVING A CULTURE WHICH ENABLES SKILLED, ENTHUSIASTIC AND CREATIVE PEOPLE TO REACH THEIR FULL POTENTIAL.

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BRANDS
ASSETS
SERVICE
CULTURE


sharing
with
close
friends

FINANCIAL HIGHLIGHTS

TURNOVER	£58.7m	an increase of 12%
PROFIT BEFORE TAX	£8.29m	an increase of 13%
OPERATING MARGIN	17.6%	down from 19.0%
* EARNINGS PER 'A' ORDINARY SHARE (BASIC)	43.08p	an increase of 20%
EARNINGS PER 'B' ORDINARY SHARE (BASIC)	21.33p	an increase of 20%
* TOTAL DIVIDEND PER 'A' ORDINARY SHARE	18.00p	an increase of 6%
TOTAL DIVIDEND PER 'B' ORDINARY SHARE	9.00p	an increase of 6%
GEARING	46%	down from 48%

* LIMITED VOTING RIGHTS

CONTENTS

CHAIRMAN'S STATEMENT

I am delighted to be able to report another year of excellent progress against our strategic plan. Sales and profits rose strongly and all three of our malt brands performed well with the benefits of our strategic sales and marketing partnership with the Brown-Forman Corporation starting to come through in their support. Our new joint venture supply chain partnership with The Drambuie Liqueur Company was successfully integrated into the Broxburn facility, with the full benefits of this partnership to be gained over the medium term.

STRATEGY AND PERFORMANCE

Our strategy is based on increasing shareholder value progressively over the long term through a clear focus on developing and growing our premium malt brands and through gaining a consistent improvement in returns from our asset base, namely our stocks, distilleries and Broxburn facility.

The strategic partnership with Brown-Forman is important in supporting the development of our premium malt brands, particularly in Continental Europe. The flagship Glenmorangie brand achieved very good results in most of its key markets. The tragic events of 'September 11' inevitably impacted the brand's performance in the USA and more evidently in the global Duty Free/'Travel Retail' sector. The Glen Moray brand again grew substantially, as it achieved higher rates of sale in the UK; whilst the Ardbeg brand achieved strong growth as the Ten Years Old expression gained wider trade and consumer support in its key markets. Importantly, we continue to invest strongly in marketing behind our brands to build brand share ahead of the malt category.

With regard to the other strategic priority of gaining increasing value from our assets, our joint venture supply chain partnership with The Drambuie Liqueur Company, announced in April 2001, is now firmly established at our Broxburn facility. We have gained the initial benefits of this partnership, in line with expectations, and look forward to further benefits being progressively realised over the next few years.

Increases in our cased sales volumes have delivered both improved value from our stocks and, supported by the introduction of Drambuie, increased utilisation of our Broxburn facility, together generating further funds to invest in brand marketing.

OVERVIEW OF FINANCIAL RESULTS

Turnover for the year grew by 12.4% to £58.7 million, as cased sales increased by 8.7% and both bulk sales and other income rose by 35%. Consumer sales of our brands grew well in all key markets, except the USA and global Duty Free which, as explained elsewhere, were affected by 'September 11'.

Operating profit rose by 4.5% to £10.35 million. This increase reflected good growth in branded malt volumes and in blended and bulk whisky sales. Overall margins as a percentage of turnover reduced from 19.0% last year to 17.6% as a result of increased marketing investment and the relatively lower margins realised from sales of blended and bulk whisky.

During the year we disposed of our remaining associate interests in China and of farmland adjacent to Glenmorangie House. We, additionally, made provision for costs of rationalising our distributor network. After taking exceptional items into account, profit before tax grew by 12.8% to £8.29 million.

With the tax charge representing 29.8% of profit before tax against a comparable 2001 charge of 33.9%, basic earnings rose by 19.7% to 43.08p per 'A' Ordinary Share (limited voting rights) and by 19.8% to 21.33p per 'B' Ordinary Share.

DIVIDEND

The Board is recommending an increase of 6.1% in the final dividend to 14.00p per 'A' Ordinary share (limited voting rights) and 7.00p per 'B' Ordinary Share, payable on 26th July 2002 to shareholders on the register on 12th July 2002. The total dividend for the year increases by 5.9%, once again well ahead of inflation, reflecting the Board's continued confidence in the Group's prospects.

THE BOARD AND EMPLOYEES

On 16th May 2002, we announced the appointment of Keith Edelman to the Board as a non-executive director. We warmly welcome Keith to the Group. He brings the benefit of wide experience across different industry sectors and will immediately make an important contribution. His profile is set out on page 17.

As a Board we are particularly grateful to all employees for their continued commitment, flexibility and effort. This was amply demonstrated in achieving significant progress against our key objectives and in the rapid integration of Drambuie. We were especially pleased that the Group gained external recognition of what can be achieved from a real focus on people through its inclusion in the 2002 UK's '100 Best Companies to Work For' list.

PROSPECTS

We are a highly focused business, with a well tried and tested strategy and a strong management team. As such, we remain fully confident of making continued strong progress in strategic terms and of delivering improved financial performance in 2002/3 and beyond.

Our key assets and primary focus remain our malt brands. We anticipate increasing growth in branded sales, supported by investment in marketing and our Brown-Forman partnership. We also expect future benefits to come through from our joint venture with Drambuie.

In short, we are well positioned both in the short and long term to deliver increasing value for our shareholders.

GEOFFREY MADDRELL
NON-EXECUTIVE CHAIRMAN
22nd May 2002


discussing
views and
tastes

CHIEF EXECUTIVE'S REVIEW

NO. 1

Glenmorangie
Glenmorangie ended the year as the UK's No 1 volume and value brand in the Off Trade.

+7%

Glenmorangie
Globally, sales of the Glenmorangie Wood Finish Range and other premium expressions increased by +7%.

We continue to make strong progress against our primary objective of developing and growing our premium malt brands. Despite business in the USA and in global Duty Free/'Travel Retail' being impacted by the events of September 11, 2001, the Glenmorangie brand grew consumer sales in all its main markets. Ardbeg had another successful year with increasing distribution of the Ten Years Old being achieved. Glen Moray performed very strongly in the UK market.

STRATEGY

We have continued to invest strongly in marketing behind our brands, rising from 23% of cased sales value last year to 24% this year. For Glenmorangie, we are now investing 34 pence in every £ of sales in marketing against 32 pence last year. We are investing ahead of sales in several Continental European markets to accelerate brand development.

We have just completed the second year of our strategic sales and marketing partnership with the Brown-Forman Corporation which will enable us, over the medium term, to accelerate the growth of our malt brands in international markets. Brown-Forman's large global network of sales and marketing professionals works with our local distributors to promote and support our brands. Glenmorangie and Ardbeg continue to make good progress in Continental Europe, which is the key focus region, to accelerate market share growth; also, we continue 'to seed' our brands in the emerging malt markets of Eastern Europe, the Far East and South America, seeking to develop them for the long term. The second year of this important partnership has been spent implementing our marketing plans in Continental Europe and appointing and training new distributors in some emerging malt markets. Our new partnership continues to develop with strong levels of commitment and enthusiasm from both parties. We remain confident that the full benefits of this partnership will progressively be realised.

Consistent with our second strategic objective of driving improved utilisation of our assets, in April 2001 we announced a joint venture supply chain partnership with The Drambuie Liqueur Company Limited ('Drambuie'). This cost sharing joint venture manages the full supply chain needs for both Drambuie and ourselves. It is based at our Broxburn facility and is fully operated by Glenmorangie plc. Following the announcement, we spent the subsequent six months installing and commissioning the requisite vatting, blending, compounding and bottling infrastructure, culminating in the first bottlings of Drambuie and shipments from our Broxburn facility during September. Operation of this full supply chain, which includes purchasing of all Scotch whiskies used in our own brands and in Drambuie, the sourcing of packaging materials, warehousing and logistics, is now firmly bedded in. This partnership is an exciting development for the Group. The expected operational benefits of this new link-up, which represents a step change in making best use of our assets, have been realised to date. It has brought together two Scottish premium branded companies. Drambuie has obtained access to a modern, highly automated production facility. We have achieved higher volume throughput, leading to increased utilisation of our Broxburn site and significant purchasing synergies. We remain confident of accruing additional value from this partnership over the medium term.

During the year, our bottling facilities handled a 6% increase in our own cased volumes. This was augmented by the initial Drambuie activity. We continue to obtain the benefits of our investment in automated bottling production.

Our mainland distilleries, Glenmorangie and Glen Moray, operated at full capacity throughout the year and Ardbeg Distillery increased utilisation as demand for this excellent and distinctive spirit grew within a growing Islay Scotch malt whisky sector.

Our visitor centres performed very well against a difficult backdrop for Scottish tourism. Sales increased, year on year, by 15% and contributed increasing profitability to our overall business, whilst playing a key role in brand development with the consumer.

We strive to be a customer focused organisation supported by the best people, systems and processes. We have invested much time and funds in understanding and satisfying the needs of the premium spirits consumer and of our country distributors and retail partners. We continue to invest in and obtain strong benefits from our management information systems.

OUR STRATEGIC OBJECTIVES

Glenmorangie plc aims to achieve consistent growth in profit and shareholder value over the long term through:

/ DEVELOPING AND GROWING OUR PREMIUM MALT BRANDS.

/ GLENMORANGIE HAS GROWN AHEAD OF THE CATEGORY IN MOST OF ITS KEY MARKETS AND ARDBEG AND GLEN MORAY HAVE ALSO PERFORMED VERY WELL.

/ OUR SALES AND MARKETING PARTNERSHIP WITH BROWN-FORMAN CONTINUES TO SUPPORT FURTHER BRAND GROWTH.

/ WE CONTINUE TO SUPPORT OUR BRANDS WITH HIGHER LEVELS OF ADVERTISING AND PROMOTIONAL SUPPORT.

VALENTINA SIMEONE, MARKET LIAISON EXECUTIVE AND HAMISH TORRIE, INTERNATIONAL MARKETING MANAGER.

BRANDS

+24%

Glen Moray
The brand's volume increased by +24%.

7TH

Glen Moray
Glen Moray is the 7th largest brand in the UK Off Trade.

The development of employee skills and motivation remains central to our strategy. We strive to develop a strong and positive Group culture which enables skilled, enthusiastic and creative people to reach their full potential. We continue to focus on all employees' understanding of the Group's vision and strategic objectives and on two-way communication. We conduct internal, and participate in external, training and development programmes to enhance the skill base of our employees. In an area which can be difficult to measure and benchmark, we were delighted to be included in the 2002 list of the 'Top 100 UK Best Companies to Work For' and to achieve the No 2 position in this survey for Scottish based companies.

BRANDS AND MARKETS

For the market as a whole, as recorded by the Scotch Whisky Association, global shipments in 2001 of all Scotch whisky grew by 0.2%, while the total Scotch malt whisky market declined by 6%.

Glenmorangie total shipments were nearly 1.5 million cases (9 litre), an increase of 6% on last year. At the same time, turnover of cased products grew by 9% reflecting an improved mix of products sold. In Scotch malt whisky, our shipments grew by 5% in volume and 9% in value and in blended Scotch by 6% in volume and 7% in value. The latter success reflected further new contracts gained in the retail exclusive and buyers' own brand sector. All our premium malt brands saw growth in the year supported by a 14% increase in marketing investment, reflecting product and pack developments and highly targeted marketing and sales programmes.

Overall, Glenmorangie brand shipments grew by 2% with value ahead by 6% reflecting continued growth of the brand's premium expressions. The brand continues to strengthen its consumer sales in both domestic and export markets. In most of its key markets – UK, USA, France, Canada and Japan – the brand either maintained or increased its market share of the malt category.

The Glenmorangie Wood Finish Range continues to perform well, adding value to the brand and the malt whisky category. The range had a strong performance in particular in the UK, France and Germany and now represents 19% of total brand volume. As a limited edition, 'guest' Finish we introduced Glenmorangie Côte de Beaune, further exploiting our expertise in wood management. This is Ten Years Old Glenmorangie which has undergone a further two year period of maturation in casks previously containing premier cru Burgundy wine from the Côte de Beaune region of France.

In the UK, total Scotch malt whisky grew by 5.7%. The Glenmorangie brand grew by 7%, growing its market share and significantly narrowing the gap with the overall UK brand leader. Glenmorangie has now become the market leader in both volume and value in the very important UK off trade channel for the first time in its history and further strengthened its position as 'Scotland's favourite malt'. We continued our successful, award winning, 'Glen of Tranquillity' television advertising campaign and expanded our very effective relationship marketing programmes. The Glenmorangie brand website was also enhanced to further develop relationships with consumers via the internet. The Wood Finish Range was supported by new press advertising; additionally this directed consumers into a dedicated 'on line' internet area which included a cyber tasting of the range. Working with Bacardi-Martini, our UK distributor, we pursued a highly focused consumer and trade development strategy to widen distribution and obtain prominent display for our brand range across the year in both the off and on-trades.

In the USA, the events of 'September 11' together with economic slowdown have combined to slow the growth of the overall malt category. The Glenmorangie brand was impacted by lower consumer sales in the upscale hotels, restaurants and bars. In difficult market conditions Brown-Forman, our global strategic partner and long-standing US distributor, has performed very well to hold our market share. The fundamentals for the appeal of Scotch malt whisky in that market remain intact and with continued investment we anticipate brand growth increasing in the short term. In Canada, consumer sales grew by 12%, almost twice the growth of the Scotch malt whisky category. Canada is now one of the brand's largest export markets. Sales in Japan grew well and, despite this country's economic slowdown, we extended distribution and increased share in the on-trade. The brand was supported by new press advertising in that market.

In the Duty Free/'Travel Retail' outlets across the world, brand sales were severely impacted by the rapid reduction in airline passengers after 'September 11'. We were able, to some extent, to mitigate this unforeseeable decline through increased activity in domestic markets. Air passenger numbers are now gradually returning to more normal levels and we can, consequently, expect a recovery and return to growth in the coming year.

In Continental Europe, consumer sales of Glenmorangie performed strongly across most domestic markets. In France, Glenmorangie out-performed a buoyant Scotch malt category by a factor of four. In Germany, the brand grew ahead of the premium category of the malt market, while in Sweden, we enjoyed double digit growth.

We continue to seed Glenmorangie in emerging malt markets, mainly in Eastern Europe, Asia and South America. Although this will not bring substantial sales in the short to medium term, these markets provide increased international exposure for the brand and should have longer term potential.

ASSETS

OUR STRATEGIC OBJECTIVES

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/ ACHIEVING BEST USE AND VALUE FROM OUR ASSETS, IN PARTICULAR FROM OUR STOCKS, DISTILLERIES AND BROXBURN FACILITY, TO SUPPORT THE GROWTH OF OUR BRANDS.

ASSETS

/ THE DRAMBUIE SUPPLY CHAIN PARTNERSHIP ANNOUNCED IN APRIL 2001 IS NOW FULLY INTEGRATED INTO OUR BROXBURN SITE.

/ ACROSS THE YEAR OUR BOTTLING FACILITIES HANDLED A 6% INCREASE IN TOTAL GLENMORANGIE VOLUMES (EXCLUDING DRAMBUIE VOLUMES).

/ BOTH GLENMORANGIE AND GLEN MORAY DISTILLERIES CONTINUE TO OPERATE AT MAXIMUM CAPACITY AND ARDBEG DISTILLERY OPERATED AT 80% UTILISATION.

/ OUR EXTENSIVE CASK WAREHOUSING FACILITIES OPERATE CLOSE TO CAPACITY.

DOUGIE MURRAY, STILLMAN AT
THE GLENMORANGIE DISTILLERY.

ASSETS

+14%

Ardbeg
Volume sales of Ardbeg Ten Years Old increased by +14%.

+18%

Ardbeg
Volume sales of Ardbeg premium expressions grew by +18% worldwide.

Glen Moray is positioned as a high quality, attractively packaged, Speyside Scotch malt whisky. The further 'mellowing' of the spirit in Chardonnay or Chenin Blanc wine casks provides a unique aspect of differentiation. The focus for the brand is the off trade in the UK, France and USA. Glen Moray shipments grew by 24% last year. In the UK, the main market for Glen Moray, we are the 7th largest brand in the supermarket sector of the off trade, enjoying increased rate of sale and supported by national press advertising.

The Islay sector, renowned for its robust peaty malts, was once again the fastest growing sector of the Scotch malt whisky market. The Ardbeg spirit combines the highest level of peatiness of all the Islay whiskies, balanced by a unique sweetness. We unashamedly position Ardbeg as 'The Ultimate Islay Malt' brand reflecting the character and quality of the spirit. Ardbeg continues to out-perform the dynamic Islay sector with shipments up 15% on last year.

The Ten Years Old expression of Ardbeg, bottled at 46% ABV and non-chill filtered, continues to grow rapidly. In the UK, it is achieving wider distribution and a growing rate of sale supported by new press advertising. In its key international markets, the USA, France and Germany, we are achieving good levels of growth. In November 2001, we introduced Ardbeg 'Lord of the Isles' as a super-premium expression of the brand. This 25 years old Ardbeg was inspired by the history of Somerled, the first 'Lord of the Isles' in the 12th Century and celebrates the role of Islay in the development of early Scottish history. The prestigious Whisky Magazine proclaimed of Ardbeg 1977 Vintage that as *"one of our highest-scoring whiskies ever, it came as little surprise that this distinctive expression of a truly great whisky should be a favourite with the discerning readers".* We are supporting brand growth with increasing marketing funds, including the highly effective and award winning 'Ardbeg Committee' relationship marketing programme which has been widened by increased internet activity. We also made available to 'Committee' members 'hand bottlings' of some of our rarer casks.

Consumer sales of Martin's Deluxe, our super-premium blended Scotch, fell below last year's level in Portugal, its key market. We can, however, take some comfort that, against a general consumer malaise in the key Christmas period, we out-performed nearly all premium spirit brands in this market. The Bailie Nicol Jarvie, our premium blend, grew substantially in the UK. 'BNJ', with its very high malt whisky content, continues to be discovered as one of, if not *the* best, premium blended Scotches and a high quality alternative to more established blends available in the market. Sales of our branded blends Highland Queen and Martin's VVO were, as expected, below last year as they continued to face tough market conditions in Africa, the Middle East and South America.

Business with UK and European grocery retail partners, grew by 16%. We continue to win new contracts in this area in which we have established very important relationships. By taking an ECR (Efficient Consumer Response) approach, these relationships assist our malt brand performance; they also drive an overall strong cost control and customer service culture throughout the Group and, most importantly, contribute to fixed overhead recovery at our distilleries and Broxburn production facility.

BROXBURN OPERATIONS

The key focus in Operations in the first half of the fiscal year was on the rapid integration of Drambuie production at the Broxburn site. Following the creation in April 2001 of Glenaird Ltd, our supply chain partnership with Drambuie, the first bottlings and shipments from Broxburn took place in September. The integration of the core Drambuie product range is now complete; we will be repatriating Drambuie Cream Liqueur for production at Broxburn from July 2002. The joint investment in bottling, spirit supply and warehousing equipment, made as part of the integration process, has given us a stronger platform to enhance productivity across the total Broxburn facility. In the medium term, this partnership will facilitate a further step change in asset utilisation and cost reduction.

Providing superb customer service is a key objective for the Group. The integration of Drambuie had some impact on customer service levels in the second half of the year. Overall, the number of orders delivered on time and in full was held at a satisfactory level, with service being maintained throughout the critical peak season. Service levels have now returned to normal and we expect them to continue to improve going forward. Our extensive cask warehousing facilities continued to operate close to capacity.

Supplier performance has been enhanced generating both material cost savings and improved vendor performance ratings. The purchasing process is increasingly facilitated by e-commerce information transfer between the Group and its supply base.

Standards in health and safety, environmental and Customs & Excise remain an important focus. We have maintained our British Retail Consortium food hygiene and quality accreditation. Working with the Scottish Environmental Protection Agency (SEPA) and the Health & Safety Executive (HSE) we have completed and submitted our Safety Report to the competent Authority as part of the Control of Major Accident Hazards (COMAH) legislation.

DISTILLERIES

Both Glenmorangie and Glen Moray continued to operate at maximum capacity to supply malt spirit for our single malt brands and, in the case of Glen Moray, for our increasing blended Scotch business. At Ardbeg we increased the utilisation of the distillery to 80% of capacity, representing the largest annual production volume at the distillery since we re-opened it in 1997.

At Glenmorangie Distillery we authorised capital investment to expand distillery capacity from three to four million litres of spirit per annum. This will involve extending part of the Distillery buildings and adding more 'washbacks' (fermentation vessels).

SERVICE

OUR STRATEGIC OBJECTIVES

Glenmorangie plc aims to achieve consistent growth in profit and shareholder value over the long term through:

/ BEING A CUSTOMER FOCUSED ORGANISATION SUPPORTED BY THE BEST PEOPLE, SYSTEMS AND PROCESSES.

SERVICE

/ PROVIDING SUPERB CUSTOMER SERVICE IS A KEY OBJECTIVE FOR THE GROUP.

/ WE HAVE INVESTED MUCH TIME AND FUNDS IN UNDERSTANDING AND SATISFYING THE NEEDS OF THE PREMIUM SPIRITS CONSUMER AND OF OUR COUNTRY DISTRIBUTORS AND RETAIL PARTNERS.

/ SUPPLIER PERFORMANCE HAS BEEN ENHANCED GENERATING BOTH MATERIAL COST SAVINGS AND IMPROVED VENDOR PERFORMANCE RATINGS.

MAURO SALMI, BRAND CUSTOMER ADMINISTRATOR AND TARA MACDONALD, HEAD OF CUSTOMER SERVICES.

SERVICE

+57%

Blends
Sales of The Bailie Nicol Jarvie rose by +57% in the year.

+12%

Blends
Martin's Deluxe cased sales increased by +12% year-on-year.

At all our distilleries, the focus is on spirit quality first and foremost, production efficiency and legislative compliance. Additionally, we operate a strict wood management policy to ensure that high quality spirit is filled into high quality casks to meet the exacting standards we set. In terms of legislation, we have upgraded selected parts of the distilleries to improve further our health and safety and environmental compliance.

We continue to innovate and experiment with different cask types for maturation to ensure consistency of supply and an on-going stream of new product expressions for our brands.

Against a tough environment for Scottish tourism, with foot and mouth in UK agriculture and 'September 11', the distillery visitor centres performed very well receiving overall higher visitor numbers and achieving higher revenues.

Glenmorangie House, located close to the Glenmorangie Distillery, last year welcomed an increased level of internal and external guests. The House has attained a prestigious 5-Star Scottish Tourist Board rating. (There are special offers available for shareholders to stay at the House and more details of these can be found in the Shareholder Offer brochure.)

EMPLOYEES

Our continued objective remains to create an employee skill base and culture in the Group which best facilitates brand development, volume growth, innovation, cost competitiveness and superb customer service, all aimed at delivering sustainable growth in profit and shareholder value.

The Board would like to acknowledge the efforts and commitment of everyone involved in the integration of Drambuie production and its supporting information technology and management services infrastructure.

Our business continues to grow and more employees are now working shift patterns. Once again, we thank our employees and their families for the flexibility shown in meeting the changing needs of the business.

To meet the need for a more flexible approach to training and development activities, we have installed a new computer based 'Learning Centre' at our Broxburn facility. This will provide a cost effective approach to academic and skills learning and encourage personal development both within and outwith normal working hours.

The Group was very proud to be included in the 2002 UK's 'Top 100 Best Companies to Work For' list published by the Sunday Times. Alongside our own internal employee survey, this allows us to benchmark ourselves against other organisations, highlighting many strengths but also new focus areas for consideration in the coming years.

PROSPECTS

Within a rapidly consolidating drinks industry, Glenmorangie plc is a niche, focused player with a clear and robust strategy. We are successfully operating in the growth sectors of the Scotch whisky market.

Our Scotch malt whisky brands represent our key assets. We will continue to develop and grow these brands, supported by strong and effective marketing investment. Glenmorangie remains the prime focus, followed by Ardbeg and then Glen Moray. Our geographic focus is the UK, Continental Europe, the USA and selective parts of Asia. Our strategic partnership with Brown-Forman has enhanced our ability to access these markets and the prospects for our malt brands. As a long-term business we remain confident in the growth prospects for all our key brands.

Sterling remains strong against the Euro and is currently strengthening against the US dollar. There exists increasing buying power amongst the global and European major retailers. There remains continued uncertainty around economic recovery in the USA. With that backdrop we see the potential for price increases remaining limited and trading conditions in the UK and export markets to be less certain. Margin improvement, once again, will be driven by market share gains and by continued strong control over our cost base. We continue to gain benefits from our investments in automated bottling and our recent link-up with Drambuie will further improve the utilisation of our Broxburn facility.

Our focus for the coming year will be on growing our malt brands, reinforced by a strong distribution network and anticipated increasing benefits from our Brown-Forman partnership. Now that Drambuie is integrated within our Broxburn facilities we will focus on achieving maximum efficiencies and synergy benefits within our joint supply chain, with other costs also being stringently controlled. We will continue to develop the culture and skill base of our people within our business.

Overall, we remain confident that the strong progress achieved over the last two years in sales, profits and shareholder value growth can be further developed over the medium to long term.

PAUL A. NEEP
CHIEF EXECUTIVE
22nd May 2002

CULTURE

OUR STRATEGIC OBJECTIVES

Glenmorangie plc aims to achieve consistent growth in profit and shareholder value over the long term through:

/ HAVING A CULTURE WHICH ENABLES SKILLED, ENTHUSIASTIC AND CREATIVE PEOPLE TO REACH THEIR FULL POTENTIAL.

CULTURE

/ OUR EMPLOYEES CONTINUE TO SHOW COMMITMENT AND FLEXIBILITY IN ACHIEVING PROGRESS AGAINST OUR STRATEGIC OBJECTIVES AND ESPECIALLY IN THE RAPID INTEGRATION OF DRAMBUIE INTO OUR BROXBURN FACILITY.

/ WE WERE PROUD TO BE INCLUDED IN THE 2002 UK'S 'TOP 100 BEST COMPANIES TO WORK FOR' LIST.

/ WE ARE INTRODUCING A NEW 'LEARNING CENTRE' TO PROVIDE A COST EFFECTIVE AND FLEXIBLE APPROACH TO TRAINING AND DEVELOPMENT.

ALEX WILSON, ROBERT SORMAN AND SHAUN BOYLE, WHISKY SUPPLY.

CULTURE

FINANCE DIRECTOR'S REVIEW

PROFIT AND LOSS ACCOUNT

Turnover for the year increased by 12.4% to £58.7 million. This reflected excellent progress in most business areas. Warehouse rental income declined slightly as, with our cased sales continuing to grow strongly, we use more space to accommodate our own casks. Operating profit rose by 4.5% to £10.35 million being 17.6% of turnover.

The analysis of turnover is as follows:

	2002 £m	2001 £m	%
Cased	48.7	44.8	+8.7
Bulk	5.7	4.2	+35.0
Warehouse rents	1.7	1.8	-3.0
Other	2.6	1.4	+79.2
	58.7	52.2	+12.4

Operating profit reflected growth of our malt brands with improved sales mix towards premium expressions of Glenmorangie, increased marketing investment behind our brands, rising from 23% of cased turnover last year to 24% this year, and continued growth in lower margin cased blended and bulk Scotch whisky sales. The benefits of our bottling line investments continue to be realised in production where the main focus this year was the integration of Drambuie. Overhead costs were, once again, well controlled.

Interest costs fell by 1% to £2.39 million due to marginally reduced borrowings and reduced rates payable. Excluding exceptional items, interest cover (the ratio of profit before interest and taxation to net interest payable) increased to 4.55 times this year from 4.06 times in 2001. Excluding associate impacts, the comparison is 4.34 times this year against 4.11 times in 2001. We would again expect to be mildly cash positive this year and would, therefore, anticipate upward progress in this ratio once again against that figure, exclusive of associates.

The associate result reflected a final trading gain in China where we disposed of our remaining interests thus capping our exposures. A loss of £148,000 on disposal of our investment was included in exceptional items.

In addition to the loss noted above, exceptional items also incorporated a provision of £135,000 taken against the costs of rationalising our distribution network and a gain of £106,000 realised on part disposal of farmland adjacent to Glenmorangie House.

Profit before taxation rose by 12.8% to £8.29 million. As required by Financial Reporting Standard 19 we have restated the tax charge for last year to incorporate the impact of deferred taxation. With the overall charge this year representing 29.8% of pre-tax profit against 33.9% last year, basic earnings per share have increased by 19.7% to 43.08p per 'A' Ordinary Share (limited voting rights) and by 19.8% to 21.33p per 'B' Ordinary Share against restated figures for last year of 35.99p and 17.80p respectively.

The Board is recommending that the final dividend be increased by 6.1% to 14.00p per 'A' Ordinary Share (limited voting rights) and 7.00p per 'B' Ordinary Share. This represents a 5.9% increase in the total dividend for the year and is covered 2.37 times by earnings, raised from 2.09 times last year.

CASH FLOW AND FUNDING

The Group's net borrowings at the year end were £33.8 million reflecting, as expected, a small reduction of £0.1 million from last year's level. This has been achieved as a result of the continued improvement in trading performance and despite a requirement, as highlighted last year, to invest in infrastructure behind our Drambuie supply chain partnership and in bulk whisky stocks to facilitate future expected cased sales growth. Gearing (the ratio of borrowings to shareholders' funds) decreased to 46% from 48% (as restated reflecting Financial Reporting Standard 19) in 2001. £12 million of acceptance credits were rolled over in mid 2001 without difficulty and we anticipate no problems in rolling over £32.5 million of such credits due for renewal in mid 2002.

SHAREHOLDERS' FUNDS

Total shareholders' funds increased to £73.9 million from £70.6 million (again as restated to incorporate an opening deferred tax liability of £3.2 million) reflecting the retained profit for the year.

During the year, the Company's 'A' Ordinary Shares (limited voting rights) traded within a range of 570p to 802.5p and at the end of the fiscal year stood at 707.5p. The 'B' Ordinary Shares traded within a range of 857.5p to 1175p and at the end of the fiscal year stood at 1150p.

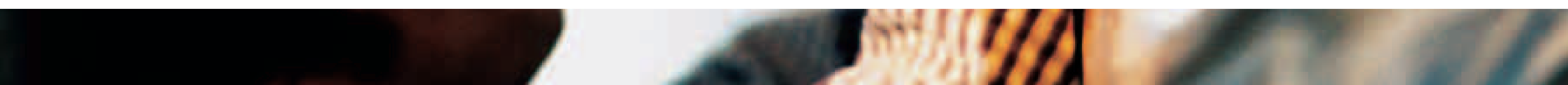
SUMMARY

This has been another year of good progress against our strategic objectives despite the impact on trading of 'September 11'. Sales growth has been strong in almost all aspects of our activity led again by our brands which have been supported by increased investment in marketing for their future growth. The disposal of our remaining associate interests in China improves Group focus on its key objectives of brand building in the principal Scotch malt whisky markets and obtaining maximum advantage from our assets and infrastructure, whilst still allowing access for our brands to this emerging whisky market.

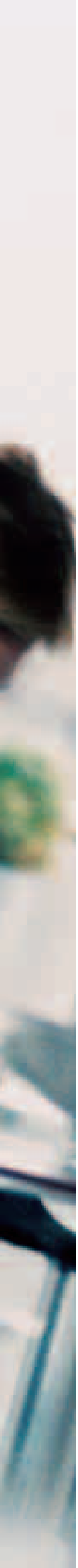
Our key assets remain our malt brands and the whisky stocks laid down to facilitate their growth. With prospects for growth in sales remaining good, our strategic partnerships with Brown-Forman and Drambuie expected to deliver progressively increasing benefits and our strong financial base in place to support our progress, we remain well positioned to deliver increasing growth in shareholder value over the long term.

IAIN L. HAMILTON
FINANCE DIRECTOR
22nd May 2002

in 'The Glen
of Tranquillity'




enjoy
the special
moment




ESTD 1815
Established 1815
Ardbeg
The Ultimate
SINGLE ISLAY MALT
SCOTCH WHISKY
TEN
NON CHILL-FILTERED
TEN YEARS
SINGLE HIG
MALT SCOTCH
TEN YE
DISTILLERY CO

LIST OF DIRECTORS

1 2 3 4 5
6 7 8 9 10

1 GEOFFREY K. MADDRELL,
NON-EXECUTIVE CHAIRMAN

Appointed to the Board in January 1994. Non-Executive Chairman of the Unite Group plc, Westbury plc, LDV Ltd, ProShare (UK) Limited, Ivory and Sime ISIS Trust plc, Integem PLC and Buildstore Limited. Appointed a Civil Service Commissioner in March 2001. Formerly Chief Executive of Tootal Group PLC. Age 65.

2 PAUL A. NEEP,
CHIEF EXECUTIVE

Appointed to the Board as Marketing Director in February 1997 from the Forte Hotels division of Granada plc, where he held the posts of Marketing Director and Strategic Planning Director. Appointed Managing Director in June 1998 and Chief Executive in November 2000. He has previous extensive sector experience with United Distillers. He has also held marketing positions at Sterling Drug Inc and Bowater Scott Corporation. Age 48.

3 MICHAEL V. CHEEK,
NON-EXECUTIVE DIRECTOR

Appointed to the Board in June 2000, he is currently Executive Vice President of Brown-Forman Beverages Worldwide being President of the Global Spirits Group. Joined Brown-Forman Corporation in 1992 and has also held senior positions with Heublein Wines, Coca-Cola USA and E & J Gallo Winery. Age 58.

4 KEITH G. EDELMAN,
NON-EXECUTIVE DIRECTOR

Appointed to the Board in May 2002, he is currently Managing Director of Arsenal Football Club Plc. He has previously held the Chief Executive position with Storehouse plc and executive director positions at Carlton Communications plc and Ladbroke Group plc. He has broad experience at a senior level in a wide range of industries and is currently a non-executive director of Eurotunnel Plc. Age 51.

5 SIMON D. ERLANGER,
SALES DIRECTOR

Joined the Group in 1993 and appointed to the Board in April 1996. He has previous sector and retail experience gained in a variety of Sales and Marketing roles with United Distillers and Marks & Spencer plc respectively. Age 42.

6 IAIN L. HAMILTON,
FINANCE DIRECTOR/
DEPUTY CHIEF EXECUTIVE

Appointed to the Board in January 1997 from SCI Europe where he held the posts of UK Finance Director and European Financial Controller. He has extensive experience within the electronics and consumer goods industries and previous exposure to the whisky industry gained in professional practice. In addition to Finance, has overall responsibility for distillery and whisky stocks management. Appointed Deputy Chief Executive in January 2001. Age 47.

7 LESLEY M. S. KNOX,
NON-EXECUTIVE DIRECTOR

Appointed to the Board in April 1999. A Founder Director of British Linen Advisers, she was a director of investment bankers Kleinwort Benson for 17 years. She is a non-executive director of The Alliance Trust Plc, MFI Group Plc, HMV Group, Hays Group and New Fulcrum Investment Trust plc. Age 48.

8 DR PETER J. NELSON,
OPERATIONS DIRECTOR

Joined the Group in 1997 and appointed to the Board in January 2001. He has played a major role in the planning and implementation of the Group's operations strategy and investment. He previously held production roles with the Dow Chemical Corporation in France and the USA and with Monsanto. Age 42.

9 DR PETER J. WILLIAMSON,
NON-EXECUTIVE DIRECTOR

Appointed to the Board in December 1995. He is professor of International Management at the INSEAD Euro-Asia Centre and has assisted numerous multi-national companies on strategic issues and international expansion. Age 44.

10 ALISON E. MACDONALD,
COMPANY SECRETARY

CORPORATE GOVERNANCE

The Group is committed to, and the Board is accountable for, high standards of corporate governance. This statement describes how the principles of corporate governance are applied to the Group and outlines the Group's compliance with the provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

Throughout the year ended 31st March 2002 the Group has been in compliance with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange except that during the year independent non-executive directors did not constitute a majority of the non-executive directors on the Board and the appointments of some of the executive directors reflected contracts requiring the giving of more than twelve months notice of intention to terminate by the Company. The Remuneration Committee believes that such notice period is often required to attract high calibre executives to serve on the Company's Board. The procedures necessary to implement the guidance of the Turnbull Committee (Internal Control: Guidance for Directors on the Combined Code) were in place throughout the year.

BOARD

The Board currently comprises the Non-Executive Chairman, four other non-executive directors, the Chief Executive and three other executive directors. Three of the non-executive appointments are considered independent, being Dr P. J. Williamson (senior non-executive director), Mr K. G. Edelman and Mrs L. M. S. Knox. Biographies appear on page 17 which demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. Non-executive directors are appointed on a three year rolling basis or until age 65, as appropriate. The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the accounts is set out on page 48 and a statement on going concern is given on page 26.

The Board has a formal schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Non-Executive Chairman, in conjunction with the Human Resources department, ensures that the directors receive appropriate training as necessary.

The Board meets at least six times per year, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and examining major acquisition possibilities. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all directors in advance of Board Meetings. The Non-Executive Chairman ensures that the directors take independent professional advice as required.

REMUNERATION COMMITTEE

This Committee, comprised entirely of non-executive directors, meets at least twice a year. It is responsible for reviewing and endorsing the senior management and organisational structure, reviewing and being satisfied with the arrangements for succession planning and management development, determining the remuneration of the executive directors and reporting where appropriate to the Board. For these purposes, "remuneration" means all terms of an employment package, including contractual terms, salary, pension arrangements, participation in share option schemes, profit sharing, and incentive remuneration schemes and all other bonuses and benefits. The Committee is advised by a leading firm of remuneration consultants.

Further details of the Group's policies on remuneration, service contracts and compensation payments are given in the Remuneration Report on pages 22 to 25.

AUDIT COMMITTEE

This Committee is appointed by the Board from amongst the non-executive directors and normally meets twice a year. It provides a forum for reporting by the Group's external and internal auditors. Meetings are also attended, by invitation, by the Finance Director.

The Committee assists the Board in observing its responsibility for ensuring that the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position, and that the Group's published financial statements present a true and fair reflection of this position. It ensures that appropriate accounting policies, controls and compliance procedures are in place, advises the Board on the appointment of external auditors and on their remuneration, and discusses the nature, scope and results of the audit with external auditors. It also keeps under review the cost effectiveness and the independence and objectivity of the external and internal auditors.

NOMINATION COMMITTEE

This Committee is responsible for nominating for the approval of the Board candidates for appointment to the Board, having regard to the balance and structure of the Board. It comprises the Non-Executive Chairman, the Chief Executive of the Group and other directors as deemed appropriate for any given nomination having regard to the need for the majority to be non-executive. In appropriate cases, recruitment consultants are used to assist the process.

Members of the above Committees are detailed on page 27.

RELATIONS WITH SHAREHOLDERS

Communications with shareholders are given high priority. The Finance Director's Review on page 12 includes a detailed review of the business and future developments. There is regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the year end results and at the half year.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Non-Executive

Chairman aims to ensure that the Chairmen of the Audit and Remuneration Committees are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 28th June 2002 can be found in the Notice of Meeting enclosed with this Report, which, in accordance with the Combined Code, has been issued to shareholders at least 20 working days in advance of such Meeting. In line with the requirements of the Combined Code, the results of proxies are disclosed at the Annual General Meeting.

INTERNAL CONTROLS

The Board has overall responsibility for establishing, maintaining and reviewing the effectiveness of the system of internal control. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has established processes to ensure that all material risks are identified and thereafter systematically managed.

Throughout the year and up to the date of approval of the accounts, the Group has continued to operate procedures which were established to comply with the Turnbull Committee's Final Guidance on Internal Control issued on 27th October 1999. The Company Secretary is responsible for ensuring that risk and control matrices are established, updated and reviewed on an annual basis. As head of Internal Audit, the Company Secretary also ensures that an internal audit programme is operated and the results reported regularly to the Audit Committee and senior executive directors.

The Audit Committee has reviewed the effectiveness of the system of internal control as it has operated during the year and reported its conclusions to the Board.

The principal features of the internal control system and the process applied in reviewing its effectiveness are as follows:

- a clearly defined organisation structure and limits of authority;
- corporate policies for financial reporting, accounting, financial risk management, information security, project appraisal and corporate governance;
- terms of reference for the Board and its sub-committees, including a schedule of matters reserved for the Board and an agreed annual programme of fixed agenda items for Board approval;
- Group-wide policy manuals setting out agreed standards and control procedures. These include personnel-related policies, a code of ethics, an environmental policy and guidelines for dealings by directors and relevant employees;
- annual budgets and long-term business plans, identifying key risks and opportunities, underpinned by a 5-year strategic plan;
- risk and control matrices which are approved by the Board on an annual basis as part of the annual planning process;
- review by the Board annually of the Group risk assessment report;
- review by the Board of the role of insurance in managing risk across the Group;
- regular reporting and monitoring of financial performance, using weekly operating statistics and monthly management accounts which highlight key performance indicators and variances on budgets and forecasts, with regular reports to the Board at its meetings;
- regular reporting on operational performance against targets; and
- an Audit Committee which approves audit plans and deals with significant control issues raised in the external audit and internal audits and reports the outcome of its meetings to the Board with the Board receiving minutes of such meetings.

ENVIRONMENTAL POLICY

The Group is committed to producing high quality spirit products and will, at all times, endeavour to do so with minimum adverse impact on the environment.

- All Group operations will be conducted within appropriate laws, environmental regulations and codes of practice.
- The Group will communicate to and educate employees and, where appropriate, contractors on the requirements of preserving and improving the environment.
- Systems/procedures will be maintained to ensure that production effluent is stored and treated according to appropriate legislation.
- Vapour and dust particles to the air will be reduced to the lowest practicable levels. Odours necessarily associated with Scotch whisky production will be kept to a minimum.
- Hazardous materials will be handled and stored safely compatible with not causing injury to people or contamination to land or water.
- Water courses associated with Group operations will be protected from contamination by careful control of drains and effluent streams.
- The Group will conserve energy and other natural resources, whilst minimising waste and promoting re-cycling where appropriate.
- All new products, investment and processes will be fully evaluated prior to approval to assess their likely environmental impact.
- The Group will reduce packaging through exploring new technologies, and use recycled/recyclable materials where appropriate.
- The Group will regularly conduct environmental audits of all its sites and operations to ensure compliance with the Policy.

CORPORATE SOCIAL RESPONSIBILITY

During the year, Glenmorangie plc was included in the new FTSE4Good Index for socially responsible investors. This new index measures corporate social responsibility and provides a focus for investment in those companies that meet stringent criteria. Inclusion in this index is based on the Group's policies and operations in three main areas:

- working towards environmental sustainability;
- developing positive relationships with all stakeholders; and
- up-holding and supporting universal human rights.

The Group will continue to pursue policies which meet the criteria for inclusion in this index.

REPORT OF THE DIRECTORS

The directors submit their report together with the accounts for the year ended 31st March 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of the distillation, warehousing, blending, bottling and marketing of Scotch Whisky. A review of the business and its future development is included in the Chairman's Statement and Chief Executive and Finance Directors' Reviews on pages 2 to 12.

PROFITS AND DIVIDENDS

The profit for the year available to shareholders amounts to £5,819,000 and, subject to approval of the proposed final dividend, is dealt with as shown in the consolidated profit and loss account. The directors are recommending a final dividend, payable on 26th July 2002, of 14.00p per share on the 'A' Ordinary Shares (limited voting rights) and 7.00p per share on the 'B' Ordinary Shares making 18.00p per share and 9.00p per share respectively for the year.

SUPPLY CHAIN PARTNERSHIP WITH THE DRAMBUIE LIQUEUR COMPANY LIMITED ('DRAMBUIE')

As reported last year, on 30th March 2001 the Group formed a supply chain partnership (Glenaird Limited) with Drambuie. Although Glenaird is a joint venture company with each partner holding 50% of the equity, the Group fully controls its day to day management and holds a majority of the voting rights in it. All production of Drambuie Liqueur transferred to our Broxburn site to anticipated schedule during September 2001 and we gained the initial benefits of this partnership in reduced operating costs and from amalgamated purchasing and warehousing activities during the second half of this financial year. We remain fully confident in the medium term value of this new relationship to both partners with benefits accruing expected to progressively increase over the next few years.

DISPOSAL OF ASSOCIATED UNDERTAKING IN CHINA

The Group disposed of its remaining interests in China during the year. The Group continues to have access to the Chinese market via the associate infrastructure put in place and otherwise, but has eliminated any ongoing requirement to finance investment in such infrastructure for the future.

GLOBAL SALES AND MARKETING PARTNERSHIP WITH THE BROWN-FORMAN CORPORATION

This partnership is progressing to expectation with benefits beginning to be realised particularly in improved sales focus in Continental Europe and in seeding our main malt brands in the emerging malt markets of Eastern Europe, the Far East and South America.

Synergistic benefits to be gained from this relationship are maximised where distribution in market is effected by a distributor partner shared by the Group and Brown-Forman. The Group consequently has reviewed its sales distribution relationships on a market by market basis with a view to aligning them with Brown-Forman where appropriate. The Group currently operates through high quality distributors worldwide and this process focused only on these markets where potential synergistic benefits manifestly justify change. The Group has taken a provision of £135,000 in these accounts against anticipated distributor rationalisation costs arising through any change consequent to this review process.

TANGIBLE ASSETS

During the course of the year, the Group incurred capital expenditure of £2.9 million. Within that figure, the Group invested £1.5 million in effecting equipment, computer and general infrastructure improvements at Broxburn which included the creation of a learning centre onsite to facilitate a further increased investment behind our employee skill base. Some £0.9 million of that Broxburn figure was spent on integrating Drambuie production within our operations. We spent some £1.0 million behind the Group's ongoing cask purchase programme and £0.2 million on general upgrading work at our distilleries. Disposals during the year reflected ongoing disposals for replacement of casks and motor vehicles and the part disposal of farm land at Cadboll in the environs of Glenmorangie House, our country house near Glenmorangie Distillery, which was held peripheral to our main activities.

SHARE AND OTHER INTERESTS

The directors holding office at the year end held interests in the share capital of the Company at 1st April 2001 and 31st March 2002 as detailed in the Remuneration Report on pages 22 to 25.

The directors were aware of the following holdings in excess of 3% of either class of ordinary share capital at 3rd May 2002.

'A' Shares		
Brown-Forman Corporation	2,962,904	25.4%
R. S. Macdonald Charitable Trust	1,384,266	11.9%
Hansa Trust	605,000	5.2%
Royal & Sun Alliance Insurance Group	568,702	4.9%
Axa Sun Life Investment Management	512,304	4.4%
Trustees of Mr and Mrs R. H. Fitzgerald Wells	430,305	3.7%
Finsbury Growth Trust	420,000	3.6%
Miss S. C. Macdonald	372,593	3.2%
Scottish Mutual	355,767	3.1%
'B' Shares		
R. S. Macdonald Charitable Trust	1,004,350	25.1%
D. W. A. Macdonald	984,787	24.6%
Trustees of Mr and Mrs R. H. Fitzgerald Wells	337,380	8.4%
Miss S. C. Macdonald	337,197	8.4%
Royal & Sun Alliance Insurance Group	285,535	7.1%
Securities Trust of Scotland	244,000	6.1%
Finsbury Growth Trust	142,520	3.6%

CHANGE OF DIRECTOR

Mr K. G. Edelman was appointed to the Board on 16th May 2002 as a non-executive director. He is currently Managing Director of Arsenal Football Club Plc and has held senior executive positions at Grand Metropolitan plc, Ladbroke Group plc, Carlton Communications plc and Storehouse plc.

CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group has made gifts during the year of the following amounts:

For Charitable and Education purposes	£5,400
For Political purposes	£ Nil

SUPPLIERS

The Group recognises the importance of maintaining good business relationships with its suppliers and is committed to paying all invoices within 60 days of invoice date or otherwise within agreed terms. Payment days for trade creditors at the year end was 32 days (2001 – 26 days).

CAPITAL GAINS TAX

The price of the 'A' Ordinary Shares (limited voting rights) and 'B' Ordinary Shares ruling at 31st March 1982 was 70p.

AUDITORS

Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint Ernst & Young LLP as the Group's auditor will be put to the Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 28th June 2002 at noon at Macdonald House, 18 Westerton Road, Broxburn, West Lothian, EH52 5AQ. The Notice of Meeting is contained within the separate Chairman's letter accompanying this Report.

MISS A. E. MACDONALD
SECRETARY
Macdonald House
18 Westerton Road
Broxburn
West Lothian
EH52 5AQ

REMUNERATION REPORT

The Group's Remuneration Committee is chaired by Mr G. K. Maddrell and its other members during the year were Mrs L. M. S. Knox, Dr P. J. Williamson and Mr M. V. Cheek. Mr K. G. Edelman joined the Board and this Committee on 16th May 2002.

The policy of the Committee is to draw on advice of independent remuneration consultants where appropriate to determine executive director remuneration. Whilst the Committee determines the remuneration and contractual conditions of the executive directors, the Board as a whole determines the remuneration of non-executive directors.

REMUNERATION POLICY

The policy objectives of the Remuneration Committee are to seek to ensure that executive directors and senior executives are fairly rewarded for their contribution and that the Group is able to recruit and retain highly qualified and motivated executives. These objectives similarly pertain for all other Group employees. The Group aims to meet these objectives through a remuneration package which includes salary, benefits in kind, and annual and long-term incentives, as well as other elements as provided in the service contract or Group policy. The components of the remuneration package are described below.

SALARY AND BENEFITS

The salaries of directors and other senior executives are established on the basis of market comparisons with positions of similar responsibility and scope in companies with similar industrial characteristics. The Committee uses salary surveys conducted by external remuneration consultants as a source of market information. Individual salaries of directors and other senior executives are reviewed annually and adjusted by reference to individual performance and market factors. Details of the emoluments of the directors are set out on page 23. Benefits in kind include the provision of a fully expensed company car and private health insurance.

ANNUAL INCENTIVES

During the year, the executive directors participated in two annual incentive schemes, under which they may receive up to an aggregate maximum of 40% of their base salary. Under the cash scheme, the performance measures used to determine the level of any incentive earned are partly based on the corporate measure being profit before tax and partly on the achievement of personal objectives. Executive directors also qualify, along with other eligible employees, for an award under the Share Incentive Plan (formerly the All Employee Share Ownership Plan) which was introduced with shareholder approval at the 2001 Annual General Meeting. This Plan complies with the provisions in Schedule A of the Combined Code.

SHARE OPTIONS

The Group continues to operate the 1987 Employee Share Option Plan. Additionally, the 1999 Share Option Plan is intended to encourage a more focused performance from certain key employees and generate added value for shareholders by linking the options granted to performance targets set by the Remuneration Committee. Options, which are only issued at full current market prices, are granted in any year based upon individual performance and upon an appropriate level of incentivisation required to encourage focused performance for the future.

1999 SAVINGS RELATED SHARE OPTION PLAN

This Plan was established to encourage all employees of the Group to hold shares in the Company through a tax-efficient regular savings plan. The Board considers that increased employee ownership of shares will incentivise the employees of the Group and encourage them to take a direct interest in its performance.

PENSIONS

The executive directors are members of the Glenmorangie plc Pension Scheme which is a defined benefit scheme. Contributions by executive directors and other employees amount to 4% of base salary and the Group is responsible for any additional cost. Base salary only qualifies for pension purposes.

Retirement benefits will provide the executive directors, at normal retirement age, with a pension of up to two-thirds of their pensionable salary, subject to Inland Revenue limits and other statutory rules. Non-executive directors are not members of the Glenmorangie plc Pension Scheme.

SERVICE CONTRACTS

All of the executive directors of the Group have service contracts with the Group. All such contracts may be terminated by the director giving six months' notice of intention to terminate or by the Group giving either one or two years' notice of intention to terminate as dictated in each individual's contract.

All new executive directors will have contracts requiring the Group to give one year's notice of intention to terminate. The Committee will keep this and further developments under review in order to retain and recruit directors of an appropriate calibre.

Each non-executive director has been provided with a letter of appointment.

Messrs G. K. Maddrell and P. A. Neep and Dr P. J. Williamson retire from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election. In addition, the appointment of Mr K. G. Edelman requires confirmation at the Annual General Meeting.

EXECUTIVE DIRECTORS - OUTSIDE APPOINTMENTS

The Group recognises the benefits to the individual and to the Group of involvement by executive directors of the Group as non-executive directors in companies not associated with Glenmorangie plc. Such appointments must be approved by the Board. The executive director is permitted to retain any fees for service in relation to one such outside appointment. A second non-executive directorship is permitted unpaid. No such outside appointments are currently in force.

NON-EXECUTIVE DIRECTORS - REMUNERATION POLICY

The remuneration for non-executive directors consists of fees for their services in connection with Board and Board Committee meetings. Their fees are determined by the Board as a whole and are reviewed annually. Non-executive directors' fees were last increased in October 2000. The non-executive directors do not take part in discussions on their remuneration, are not eligible for pension fund membership and do not participate in any of the Group's annual or long-term incentive schemes.

	2002	2001
	£000	£000
Directors' Emoluments		
Summary for Year		
Directors' Remuneration		
Total remuneration:		
- Fees as directors	**100**	104
- Salaries and other benefits	**579**	430
- Performance related pay	**110**	64
	789	598
Pension contributions	**15**	15
	804	613

Individual Details of Directors' Emoluments for the Year Ended 31st March 2002

	Fees £000	Basic Salary £000	Performance Related Pay £000	Benefits £000	**2002 Total £000**	2001 Total £000
G. K. Maddrell	60	-	3	1	**64**	64
P. A. Neep	-	172	31	24	**227**	191
M. V. Cheek	-	-	-	-	**-**	-
S. D. Erlanger	-	108	20	14	**142**	125
I. L. Hamilton	-	143	40	19	**202**	154
L. M. S. Knox	20	-	-	-	**20**	17
Dr P. J. Nelson	-	89	16	9	**114**	20
Dr P. J. Williamson	20	-	-	-	**20**	20

The performance related pay of £3,000 reflected in Mr G. K. Maddrell's remuneration as outlined above represents the value of bonus shares issued in final satisfaction of a Long Term Incentive Plan granted when Mr Maddrell performed the duties of Executive Chairman of the Group.

REMUNERATION REPORT (CONTINUED)

The pension entitlements of the directors are as follows:

	Increase, excluding inflation, in accrued pension during the year £	Transfer value of increase £	Accumulated total accrued pension at 1st April 2001 £	**Accumulated total accrued pension at 31st March 2002 £**
P. A. Neep	3,458	34,450	12,495	**16,165**
S. D. Erlanger	2,723	18,750	21,663	**24,754**
I. L. Hamilton	3,463	31,650	12,750	**16,430**
Dr P. J. Nelson	3,541	25,000	5,994	**9,637**

The pension contributions made on behalf of the Chairman were £15,000 (2001 – £15,000). This was paid to an outside fund on his behalf. These arrangements are defined contribution by nature.

Directors' Interests:

Ordinary Shares

The directors at 31st March 2002 and their interests in the share capital of the Company were as follows:

	31st March 2002			31st March 2001		
	'A' Shares	**'A' Shares issued under Employee Share Scheme**	**'B' Shares**	'A' Shares	'A' Shares issued under Employee Share Scheme	'B' Shares
Beneficial						
G. K. Maddrell	**15,431**	**-**	**-**	14,937	-	-
M. V. Cheek	**100**	**-**	**-**	100	-	-
S. D. Erlanger	**2,618**	**408**	**-**	2,372	246	-
I. L. Hamilton	**7,250**	**501**	**-**	6,974	276	-
L. M. S. Knox	**-**	**-**	**-**	-	-	-
P. A. Neep	**9,280**	**637**	**-**	8,257	273	-
Dr P. J. Nelson	**151**	**283**	**-**	-	151	-
Dr P. J. Williamson	**2,300**	**-**	**-**	2,300	-	-

There were no changes in the holdings of the above-named directors between 31st March 2002 and 3rd May 2002.

Share Options:

The undernoted options with respect to 'A' Ordinary Shares (limited voting rights) were exercised during the year:

	Options exercised during year	Exercise price	Market price at date of exercise	Date of exercise	Gross gain on exercise £000
S. D. Erlanger	5,000	490p	775p	27.9.01	14

The interests of directors in options with respect to 'A' Ordinary Shares (limited voting rights) were as follows:

	No. of options at 1st April 2001	Options exercised during the year	Granted during the year (1999 Share Option Plan – 4th Tranche)	Lapsed during the year	**No. of options at 31st March 2002**
P. A. Neep	101,515	-	43,620	-	**145,135**
S. D. Erlanger	79,333	(5,000)	29,042	-	**103,375**
I. L. Hamilton	82,395	-	38,111	-	**120,506**
Dr P. J. Nelson	35,791	-	23,629	-	**59,420**

The number of options held at 1st April 2001 was as follows:

	1987 Share Option Plan	1999 Savings Related Share Option Plan	1999 Share Option Plan - 1st Tranche	1999 Share Option Plan - 2nd Tranche	1999 Share Option Plan - 3rd Tranche	No. of Options at 1st April 2001
P. A. Neep	-	2,814	10,683	36,702	51,316	101,515
S. D. Erlanger	13,500	2,814	6,573	22,341	34,105	79,333
I. L. Hamilton	-	2,814	8,765	30,000	40,816	82,395
Dr P. J. Nelson	-	2,814	3,891	13,165	15,921	35,791

The number of options held at 31st March 2002 was as follows:

	1987 Share Option Plan	1999 Savings Related Share Option Plan	1999 Share Option Plan - 1st Tranche	1999 Share Option Plan - 2nd Tranche	1999 Share Option Plan - 3rd Tranche	1999 Share Option Plan - 4th Tranche	**No. of Options at 31st March 2002**
P. A. Neep	-	2,814	10,683	36,702	51,316	43,620	**145,135**
S. D. Erlanger	8,500	2,814	6,573	22,341	34,105	29,042	**103,375**
I. L. Hamilton	-	2,814	8,765	30,000	40,816	38,111	**120,506**
Dr P. J. Nelson	-	2,814	3,891	13,165	15,921	23,629	**59,420**

The options granted under the 1987 Share Option Plan are exercisable between 20th June 1997 and 19th June 2004. The exercise price for these options is 490p.

The options granted under the 1999 Savings Related Share Option Plan are exercisable between 27th June 2003 and 26th December 2003 at an exercise price of 344.2p.

Of the options granted under the 1999 Share Option Plan, 1st Tranche, the undernoted are exercisable between 29th June 2002 and 28th June 2009 at an exercise price of 547.5p:

P. A. Neep	5,023
S. D. Erlanger	913
I. L. Hamilton	3,105

The balance of 1st Tranche options issued is exercisable between 10th July 2002 and 9th July 2009 at an exercise price of 530p.

The options granted under the 1999 Share Option Plan, 2nd Tranche, are exercisable between 24th November 2002 and 23rd November 2009. The exercise price for these options is 470p.

The options granted under the 1999 Share Option Plan, 3rd Tranche, are exercisable between 7th June 2003 and 6th June 2010. The exercise price for these options is 380p.

Of the options granted under the 1999 Share Option Plan, 4th Tranche, the undernoted are exercisable between 28th May 2004 and 27th May 2011 at an exercise price of 702.5p:

P .A. Neep	27,758
S. D. Erlanger	20,270
I. L. Hamilton	28,028

The balance of 4th Tranche options issued is exercisable between 29th June 2004 and 28th June 2011 at an exercise price of 725p.

Exercise of options issued under the 1999 Share Option Plan is subject to the meeting of performance criteria with respect to any period of three consecutive financial years of the Group commencing with the financial year of option grant, being growth in earnings per share of at least retail price index plus 9%.

The market price of the 'A' Ordinary Shares (limited voting rights) at the end of the year, together with the range during the year, are disclosed in the Finance Director's Review on page 12.

OTHER FINANCIAL MATTERS

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group's principal financial instruments other than derivatives, comprise bank loans and acceptance credits, finance leases, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, that arise directly from its operations.

The Group also enters into derivative transactions (principally interest rate caps and swaps and forward currency contracts). The purpose is to manage the interest rate and currency risks arising from its operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have been followed by the Group for many years.

FORWARD FOREIGN CURRENCY CONTRACTS:

The Group has transaction currency exposures arising from sales in currencies other than Sterling, notably in US Dollars, Canadian Dollars and Euros. To reduce the exposure to foreign currency exchange rate movements the Group periodically reviews future cashflows in foreign currencies and enters into forward contracts to hedge a proportion of any such exposure over varying timescales up to 24 months ahead, both as deemed appropriate based upon best advice at such time and as approved by the Board.

INTEREST RATE CONTRACTS:

Periodically the Group enters into interest rate cap, swap and other contracts to minimise exposure to fluctuation in interest rates for periods up to 10 years ahead. Such contracts are implemented based upon best advice taken and as approved by the Board.

BORROWINGS:

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loan and overdraft facilities and finance leases. Core borrowings are covered by longer term multi-option facilities and short-term flexibility is achieved through acceptance credit and overdraft facilities.

GOING CONCERN

After making enquiries, the Board has full confidence that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the accounts.

CORPORATE INFORMATION

BOARD

AUDIT COMMITTEE
L. M. S. Knox, CHAIRMAN
K. G. Edelman
G. K. Maddrell
Dr P. J. Williamson

REMUNERATION COMMITTEE
G. K. Maddrell, CHAIRMAN
M. V. Cheek
K. G. Edelman
L. M. S. Knox
Dr P. J. Williamson

NOMINATION COMMITTEE
G. K. Maddrell, CHAIRMAN
P. A. Neep
Plus one other non-executive director as deemed appropriate

SECRETARY
A. E. Macdonald

PRINCIPAL BANKERS
Clydesdale Bank PLC

AUDITORS
Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

SOLICITORS
Semple Fraser W.S.
10 Melville Crescent
Edinburgh
EH3 7LU

REGISTRARS
Computershare Investor Services PLC
PO Box 435
Owen House
8 Bankhead Crossway North
Edinburgh
EH11 4BR

CORPORATE BROKERS
Bell Lawrie White
48 St Vincent Street
Glasgow
G2 5TF

MERCHANT BANKERS
J P Morgan Chase & Co
125 London Wall
London
EC2Y 5AJ

REGISTERED OFFICE
Glenmorangie plc
Macdonald House
18 Westerton Road
Broxburn
West Lothian
EH52 5AQ

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st March 2002

	Note	2002 £000	2002 £000	2001 £000 (restated)
Turnover	2/3		**58,710**	52,219
Operating costs	4		**48,362**	42,320
Operating Profit	5(a)		**10,348**	9,899
Share of operating (profit)/loss of Associated Undertakings			**(506)**	140
Total Operating Profit: Group and Associated Undertakings			**10,854**	9,759
Exceptional items:				
Loss on disposal of Associated Undertaking		**148**		
Distributor rationalisation costs		**135**		
Gain on part disposal of farm land		**(106)**		
			177	-
Net interest payable	7		**2,384**	2,407
Profit on Ordinary Activities before Taxation			**8,293**	7,352
Taxation	8		**2,474**	2,494
Profit Attributable to Members of the Parent Undertaking	9		**5,819**	4,858
Ordinary dividends on equity shares	10		**2,457**	2,320
Retained Profit	24		**3,362**	2,538
Earnings per Ordinary Share	11			
Basic				
'A' Ordinary Share (limited voting rights) of 10p			**43.08p**	35.99p
'B' Ordinary Share of 5p			**21.33p**	17.80p
Diluted				
'A' Ordinary Share (limited voting rights) of 10p			**42.90p**	35.92p
'B' Ordinary Share of 5p			**21.33p**	17.80p

All activities relate to continuing operations.

BALANCE SHEETS

as at 31st March 2002

	Note	Group 2002 £000	Group 2001 £000 (restated)	Company 2002 £000	Company 2001 £000
Fixed Assets					
Intangible assets	12	**295**	295	**-**	-
Tangible assets	13	**40,464**	40,554	**-**	-
Investments	14	**449**	322	**866**	866
		41,208	41,171	**866**	866
Current Assets					
Stocks	15	**72,109**	68,800	**-**	-
Debtors	16	**11,977**	8,346	**6,667**	6,536
Cash at bank and in hand	17	**9,650**	7,119	**-**	-
		93,736	84,265	**6,667**	6,536
Creditors – amounts falling due within one year					
Trade and other creditors	18	**11,726**	7,523	**-**	-
Acceptance credits	17	**32,500**	12,000	**-**	-
Corporation Tax payable		**707**	1,359	**6**	6
Proposed ordinary dividend	10	**1,911**	1,801	**1,911**	1,801
		46,844	22,683	**1,917**	1,807
Net Current Assets		**46,892**	61,582	**4,750**	4,729
Total Assets less Current Liabilities		**88,100**	102,753	**5,616**	5,595
Creditors – amounts falling due after one year	19	**10,343**	28,455	**-**	-
Provisions for Liabilities and Charges	22	**3,833**	3,736	**-**	-
Total Assets less Liabilities		**73,924**	70,562	**5,616**	5,595
Capital and Reserves					
Called up share capital	23	**1,365**	1,365	**1,365**	1,365
Share premium account	24	**340**	340	**340**	340
Revaluation reserve	24	**13,411**	13,678	**-**	-
Capital redemption reserve fund	24	**400**	400	**400**	400
Profit and loss account	24	**58,408**	54,779	**3,511**	3,490
Equity shareholders' funds	25	**73,924**	70,562	**5,616**	5,595

G. K. MADDRELL
NON-EXECUTIVE CHAIRMAN

I. L. HAMILTON
FINANCE DIRECTOR

22nd May 2002

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st March 2002

Total recognised gains and losses are comprised as follows:

	Group	
	2002	2001
	£000	£000
Profit attributable to members of the parent undertaking		
- as reported	**5,819**	-
- as previously reported	**-**	5,032
Prior year adjustment to incorporate the provisions of Financial Reporting Standard 19	**(3,053)**	(174)
	2,766	4,858

NOTE OF HISTORICAL COST PROFITS AND LOSSES

for the year ended 31st March 2002

	Group	
	2002	2001
	£000	£000
		(restated)
Reported profit on ordinary activities before taxation	**8,293**	7,352
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	**267**	269
Historical cost profit on ordinary activities before taxation	**8,560**	7,621
Historical cost profit for the year retained after taxation and dividends	**3,629**	2,807

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st March 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Net Cash Inflow from Operating Activities	5(b)		**9,535**		10,342
Returns on Investments and Servicing of Finance					
Net interest paid on bank loans		**(1,814)**		(2,044)	
Interest element of finance lease rentals		**(210)**		(233)	
Net Cash Outflow for Returns on Investments and Servicing of Finance			**(2,024)**		(2,277)
Taxation			**(2,655)**		(2,466)
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets (excluding finance leases)	13	**(2,940)**		(2,215)	
Sale of tangible fixed assets		**488**		83	
Sale of other investments	14(b)	**4**		3	
Purchase of own shares	14(c)	**(61)**		(116)	
Sale of own shares		**162**		45	
Net Cash Outflow for Capital Expenditure and Financial Investment			**(2,347)**		(2,200)
Acquisitions and Disposals					
Loans granted to Associated Undertakings			**(151)**		-
Equity dividends paid			**(2,347)**		(2,212)
Cash Inflow before Financing	21		**11**		1,187
Financing					
- Increase/(Decrease) in debt (due in less than 1 year)	21		**20,500**		(8,000)
- (Decrease)/Increase in debt (due after 1 year)	21		**(17,500)**		2,500
- Capital element of finance lease rental payments	21		**(575)**		(653)
Increase/(Decrease) in Cash in the Year	17		**2,436**		(4,966)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
for the year ended 31st March 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Increase/(Decrease) in Cash in the Year		**2,436**		(4,966)	
Cash (inflow)/outflow from increase/(decrease) in debt		**(2,425)**		6,153	
Change in Debt Resulting from Cash Flows			**11**		1,187
Effect of foreign exchange rate changes on net debt	17		**95**		315
Movement in Net Debt in the Year			**106**		1,502
Net Debt at Beginning of the Year	21		**(33,911)**		(35,413)
Net Debt at End of the Year	21		**(33,805)**		(33,911)

NOTES ON THE ACCOUNTS
at 31st March 2002

1 ACCOUNTING POLICIES

As required by Financial Reporting Standard 18, the Group has reviewed its accounting policies to ensure that they are the most appropriate for its particular circumstances. This review has resulted in no change being effected to policies adopted.

In December 2000 the Accounting Standards Board issued Financial Reporting Standard 19 and the Group has adopted its requirements for the disclosure of taxation aspects in these accounts. The effects of this change upon current and prior year profits and liabilities and upon reserves are disclosed in the profit and loss account, balance sheets and Notes 8, 22 and 24 to these accounts.

The Group has applied the transitional arrangements under Financial Reporting Standard 17 with appropriate information regarding retirement benefits being disclosed in Note 27 to these accounts.

Subject to the foregoing, the accounting policies outlined have been applied consistently throughout the periods under review and are in accordance with applicable Accounting Standards in the United Kingdom.

BASIS OF PREPARATION
The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION
The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings for the year ended 31st March 2002. Undertakings, other than subsidiary undertakings, in which the Group has an investment and over which it is in a position to exercise a significant influence, are treated as associated undertakings. The consolidated accounts include the appropriate share of those undertakings' results and reserves based on audited accounts to 31st March 2002.

ACCOUNTING FOR ACQUISITIONS
On acquisition, fair values are attributed to the net assets acquired and the accounting policies of the businesses acquired are brought into alignment with those of the Group. Previously goodwill, being the difference between the purchase consideration and the fair value of net assets acquired, was set off directly against retained profits. Such goodwill has not been reinstated on implementation of Financial Reporting Standard 10. In the event of any disposal where related acquisition goodwill was taken to reserves, any amount still in reserves will be taken into account in calculating any gain or loss on disposal. As required by Financial Reporting Standard 10 any goodwill arising on future acquisitions will be capitalised, classified as an asset in the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years.

DEPRECIATION
Land is not depreciated. The cost or valuation less estimated residual value of other tangible fixed assets is written off in equal quarterly instalments over their expected useful lives as follows:

Buildings	50 years
Plant, machinery and motor vehicles	5 to 20 years
Casks	20 years

Assets under construction are not depreciated.

TANGIBLE FIXED ASSETS
Land and buildings are shown at cost or at modified historic cost which represents valuations undertaken prior to adopting Financial Reporting Standard 15. Other tangible assets are disclosed at cost.

INTANGIBLE FIXED ASSETS
The fair value of brand intangible assets purchased is recognised in the accounts, and is reviewed annually with a view to write down should impairment loss occur. Brands add value to businesses for the long term. The Board is of the opinion that the brands valued in these accounts are in the early stages of long term substantial growth and value enhancement rendering any amortisation inappropriate.

INVESTMENT IN OWN SHARES

Shares in the Company held by the Trustee of the Company's Employees' Share Ownership Plan Trust are classified as fixed assets and any permanent diminution in their value, together with the costs of administration, are charged to profit and loss account.

Where shares are held under option to employees the difference between book value, determined after taking account of any permanent diminution in value, and the option value is charged to profit and loss account over the period from the date of the grant of the option until the first eligible exercise date.

STOCKS

Stocks of whisky are valued at the lower of cost and net realisable value. In the case of the Group's own production, cost comprises direct materials, direct labour and attributable overheads, and in the case of other whisky stocks, purchase price plus distillers' rents where applicable. Other stocks are valued at the lower of purchase price and net realisable value.

TAXATION

Financial Reporting Standard 19 was issued on 7th December 2000 and is mandatory for years ending on or after 23rd January 2002. The tax charge for the year consequently incorporates the impact of deferred taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Group's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

No deferred tax provision is incorporated in the accounts in respect of capital gains rolled over nor potential tax payable were revaluation surpluses realised on disposal of land and buildings, unless a binding agreement exists at the balance date which would crystallise such liabilities.

Previously the provision for deferred tax was accounted for on the partial provisioning basis required by Statement of Standard Accounting Practice 15. The effect of this change in accounting policy on the results and net assets of the current and previous financial years is disclosed in note 8.

Comparative figures have been restated in the profit and loss account, balance sheet and notes.

DERIVATIVES AND FOREIGN CURRENCIES

Foreign currencies: Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions or, where hedging contracts are in place, at the rates reflecting such contracts; monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange as amended to take account of hedging contracts in place. All exchange differences thus arising are included in the result for the year.

Interest rate caps: The premium on interest rate caps is capitalised at the time of purchase and amortised on a straight line basis over the life of each respective cap.

LEASING COMMITMENTS

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

PENSION COSTS

Contributions, based on percentages of members' pay as recommended by actuaries, are charged to the profit and loss account in order to spread the cost over the expected remaining service lives of current employees in the Group's Pension Scheme. The Group has applied the transitional arrangements available under Financial Reporting Standard 17, the effect of which is disclosed in Note 27.

NOTES ON THE ACCOUNTS
at 31st March 2002

2 TURNOVER

Turnover consists of the net amount invoiced to customers in respect of goods supplied and services rendered during the year which fall within the Group's ordinary activities, all of which are continuing, excluding both excise duty and VAT.

3 ANALYSIS OF TURNOVER BETWEEN MARKETS

	2002 £000	2001 £000
UK	**36,108**	30,199
Export		
Europe	**11,442**	10,383
North and South America	**6,063**	6,910
Africa and Middle East	**3,141**	3,238
Asia	**1,361**	1,267
Australasia	**595**	222
	58,710	52,219

In the opinion of the directors any further segmental disclosure would be seriously prejudicial to the interests of the Group.

4 OPERATING COSTS

	2002 £000	2001 £000
These costs may be analysed as follows:		
Raw materials and consumables	**24,664**	23,329
Operating charges	**16,952**	13,289
Employee costs (Note 6)	**8,216**	7,046
Depreciation of owned assets	**1,251**	1,067
Depreciation of assets held under finance leases	**610**	685
Exchange gain	**(22)**	(618)
	51,671	44,798
Increase in stocks	**(3,309)**	(2,478)
	48,362	42,320

5 OPERATING PROFIT

		2002 £000	2001 £000
(a) This is stated after charging:			
Operating lease rentals	- plant and machinery	**141**	107
Auditors' remuneration	- audit services UK	**45**	45
	- audit services overseas	**5**	5
	- non audit services (all taxation advice related)	**46**	38

	2002 £000	2001 £000
(b) Reconciliation of operating profit to cash flow from operating activities:		
Operating profit	**10,348**	9,899
Depreciation (including amounts charged to stock)	**2,678**	2,610
Profit on disposal of tangible fixed assets	**(30)**	(25)
(Increase)/Decrease in debtors	**(3,847)**	3,323
Increase in stocks	**(3,309)**	(2,478)
Increase/(Decrease) in creditors (including deferred creditor)	**4,022**	(2,882)
(Decrease)/Increase in provision for diminution in value of own shares	**(232)**	210
Effect of foreign exchange rate changes on net debt	**(95)**	(315)
Net Cash Inflow from Operating Activities (all continuing)	**9,535**	10,342

6 EMPLOYEE COSTS

	2002 £000	2001 £000
Wages and Salaries	**7,000**	5,878
Social Security costs	**520**	468
Other pension costs (Note 27)	**696**	700
	8,216	7,046

Details of directors' emoluments in aggregate and for each director, pension entitlements, and share options are included on pages 23 to 25.

Number of Employees:
The average number of persons employed by the Group, including directors, during the year was as follows:

	2002	2001
Administration	**61**	58
Production	**188**	160
Sales and Marketing	**26**	24
	275	242

7 NET INTEREST PAYABLE

	2002 £000	2001 £000
Loans and overdrafts wholly repayable within five years	**2,391**	2,666
Finance charges payable under finance leases	**210**	238
	2,601	2,904
Interest received	**(217)**	(497)
	2,384	2,407

NOTES ON THE ACCOUNTS
at 31st March 2002

8 TAXATION

	2002 £000	2001 £000 (restated)
(a) Analysis of charge for year:		
Current tax:		
UK Corporation Tax at 30% (2001 – 30%)	**2,137**	2,225
Adjustments in respect of previous years	**(134)**	90
Total current tax charge for year (note (b))	**2,003**	2,315
Deferred tax:		
Origination of timing differences	**368**	200
Adjustments in respect of previous years	**103**	(21)
Total tax charge for year	**2,474**	2,494

(b) Factors affecting the tax charge for year:
The tax assessed for the year is lower (2001 – higher) than the standard rate of Corporation Tax in the UK. The differences are comprised as follows:

	2002 £000	2001 £000
Profit on ordinary activities before tax	**8,293**	7,352
Profit on ordinary activities at the standard rate of Corporation Tax in the UK of 30% (2001- 30%)	**2,488**	2,206
Effect:		
Disallowed expenses and non-taxable income	**17**	219
Capital allowances in excess of depreciation	**(233)**	(288)
Other timing differences	**(135)**	88
Adjustments in respect of previous periods	**(134)**	90
Total current tax charge for year (note (a))	**2,003**	2,315

(c) Factors that may affect future tax charges:
The Group is unaware of any factor outwith normal business activities which will have a material impact on future tax charges. The potential exposure on a disposal of the Group's revalued land and buildings assessed as at 31st March 2002 is disclosed in Note 22 as is the quantum of capital gains rolled over.

(d) Change in accounting policy:
Financial Reporting Standard 19 requires full provision to be made for deferred tax liabilities, subject to certain exceptions. Previously the provision for deferred tax was accounted for on the partial provision basis required by Statement of Standard Accounting Practice 15. The effect of this change in accounting policy on the previously reported results and net assets is as follows:

	2001 £000
Retained profit:	
As previously reported	2,712
Effect of implementing new accounting policy	(174)
As restated	2,538
Total assets less liabilities:	
As previously reported	73,789
Effect of implementing new accounting policy	(3,227)
As restated	70,562

As a result of the change in accounting policy, the retained profit for the year ended 31st March 2002 has been decreased by £471,000.

9 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

In accordance with the exemptions allowed by Section 230 of the Companies Act 1985 the Company has not presented its own profit and loss account. £2,478,000 (2001 – £2,343,000) of the profit on ordinary activities after taxation has been dealt with in the accounts of the Company.

10 ORDINARY DIVIDENDS ON EQUITY SHARES

	2002 £000	2001 £000
Interim		
4.00p per 'A' Ordinary Share (limited voting rights) (3.80p)		
2.00p per 'B' Ordinary Share (1.90p)		
paid on 11th January 2002	**546**	519
Proposed Final		
14.00p per 'A' Ordinary Share (limited voting rights) (13.20p)		
7.00p per 'B' Ordinary Share (6.60p)		
payable on 26th July 2002	**1,911**	1,801
	2,457	2,320

11 EARNINGS PER ORDINARY SHARE

'B' Ordinary Shares vest for 50% of the dividend of 'A' Ordinary Shares (limited voting rights). The profit attributable to members of the parent undertaking of £5,819,000 (2001 – £4,858,000) may thus be attributed to 'A' Ordinary Shares (limited voting rights) and 'B' Ordinary Shares in the sums of £4,966,000 (2001 – £4,146,000) and £853,000 (2001 – £712,000) respectively. The calculation of basic earnings per 'A' Ordinary Share is thus based on such attributable profit and on 11,526,993 (2001 – 11,520,857) 'A' Ordinary Shares (limited voting rights) with the share quantum calculated as follows:

	2002	2001
Weighted average number of shares	**11,647,500**	11,647,500
Weighted average number of shares held by the ESOP	**(120,507)**	(126,643)
	11,526,993	11,520,857

The calculation of basic earnings per 'B' Ordinary Share reflects the above attributable profits and 4,000,000 (2001 – 4,000,000) 'B' Ordinary Shares.

The calculation of diluted earnings per 'A' Ordinary Share (limited voting rights) is based on attributable profit as above and on 11,575,841 (2001 – 11,543,262) 'A' Ordinary Shares (limited voting rights) with the share quantum calculated as follows:

	2002	2001
Basic weighted average number of shares	**11,526,993**	11,520,857
Dilutive potential: weighted average employee share options impact	**48,848**	22,405
	11,575,841	11,543,262

'B' Ordinary Shares are not subject to earnings dilution.

12 INTANGIBLE FIXED ASSETS

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Brands:				
At 1st April 2001 and 31st March 2002	**295**	295	**-**	-

The above reflects the cost attributable to the Ardbeg and Lord of the Isles Whisky brands.

NOTES ON THE ACCOUNTS
at 31st March 2002

13 TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant, machinery and motor vehicles £000	Casks £000	Total £000
All Group:				
Cost or valuation				
At 1st April 2001	26,081	19,005	9,762	54,848
Additions during year	5	1,887	1,048	2,940
Cost or valuation of disposals	(301)	(171)	(26)	(498)
At 31st March 2002	**25,785**	**20,721**	**10,784**	**57,290**
Whereof:				
At 1st April 2001:				
Cost	3,374	19,005	9,762	32,141
Valuation at 31st March 1991	500	-	-	500
Valuation at 31st March 1997	22,207	-	-	22,207
	26,081	19,005	9,762	54,848
At 31st March 2002:				
Cost	**3,078**	**20,721**	**10,784**	**34,583**
Valuation at 31st March 1991	**500**	**-**	**-**	**500**
Valuation at 31st March 1997	**22,207**	**-**	**-**	**22,207**
	25,785	**20,721**	**10,784**	**57,290**
Depreciation				
At 1st April 2001	1,960	8,980	3,354	14,294
Charge for year	484	1,692	502	2,678
Relating to disposals	-	(139)	(7)	(146)
At 31st March 2002	**2,444**	**10,533**	**3,849**	**16,826**
Net book amounts at 31st March 2002	**23,341**	**10,188**	**6,935**	**40,464**
Net book amounts at 31st March 2001	24,121	10,025	6,408	40,554

The net book amount of plant, machinery and motor vehicles includes £3,171,000 (2001 – £3,781,000) in respect of assets held under finance leases.

The total depreciation charge for the year has been allocated as follows:

	2002 £000	2001 £000
Stocks (including depreciation on distillery leased assets)	**817**	858
Operating costs - owned assets	**1,251**	1,067
- leased assets	**610**	685
	2,678	2,610

The date of the last full valuation of land and buildings was 31st March 1997. The valuations of these assets have not been updated because the Group has adopted the transitional requirements of Financial Reporting Standard 15.

If assets had not been revalued they would have been carried in the balance sheet at the undernoted values:

	Land and buildings £000	Plant, machinery and motor vehicles £000	Casks £000	Total £000
Cost	12,742	20,721	10,784	44,247
Accumulated depreciation	2,812	10,533	3,849	17,194
Net book amount	9,930	10,188	6,935	27,053

14 FIXED ASSET INVESTMENTS

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Associated Undertakings (a)	**-**	-	**-**	-
Other Investments (b)	**30**	34	**866**	866
Own Shares (c)	**419**	288	**-**	-
	449	322	**866**	866

(a) Associated Undertakings

1 A subsidiary undertaking owns 50% of the share capital of Macdonald Mohan Distillers Limited, registered in India which is involved in the Scotch Whisky sector, with a total issued capital of Rupees 89 million (approximately £1.35 million) and a year end accumulated deficit of Rupees 89 million.

2 At 1st April 2001 a 50% owned associated undertaking, Macdonald Martin (China) Limited, owned 78% of the share capital of Macdonald Martin (Tianjin) Spirits Co. Limited and of Macdonald Martin (Tianjin) International Trading Co. Limited, both of which are registered in China and involved in both the Scotch Whisky and Chinese White Spirit sectors, and in distribution activities into and within China. During the year the Group disposed of its interest in that associated undertaking.

	2002	2001
	India	India
	£000	£000
Investments:		
At 1st April 2001 and 31st March 2002	**871**	871
Provisions:		
At 1st April 2001 and 31st March 2002	**871**	871
Net Book Value:		
At 1st April 2001		-
At 31st March 2002	**-**	

	Group	Company
		Subsidiary
	Unlisted	Undertakings
	£000	£000
(b) Other Investments		
Cost:		
At 1st April 2001	**34**	**882**
Disposal of investment	**(4)**	**-**
At 31st March 2002	**30**	**882**
Amounts written off:		
At 1st April 2001 and 31st March 2002	**-**	**16**
Net Book Value at 31st March 2002	**30**	**866**
Net Book Value at 1st April 2001	34	866

The above unlisted investment reflects the Group's investment in the Preferred Ordinary Shares of the Scotch Whisky Heritage Centre in Edinburgh.

The principal subsidiary undertaking, which is wholly-owned and registered in Scotland, is Macdonald & Muir Limited, including Glenmorangie Distillery, Tain, Glen Moray-Glenlivet Distillery, Elgin, and Ardbeg Distillery, Islay. The Company holds all of the voting rights in this undertaking. Macdonald & Muir Limited holds 50% of the share capital in Glenaird Limited being a joint venture with the Drambuie Liqueur Company Limited. As the Group holds a majority of the voting rights in that Company, it is dealt with as a subsidiary in these accounts.

NOTES ON THE ACCOUNTS
at 31st March 2002

14 FIXED ASSET INVESTMENTS (CONTINUED)

	2002 £000	2001 £000
(c) Own shares		
Cost:		
At 1st April 2001	**1,032**	992
Additions	**61**	116
Disposals	**(184)**	(76)
At 31st March 2002	**909**	1,032
Provision for diminution in value:		
At 1st April 2001	**744**	565
(Decrease)/Increase in provision	**(232)**	210
Released on disposals	**(22)**	(31)
At 31st March 2002	**490**	744
Net carrying value at 31st March 2002	**419**	288

The investment in own shares represents 'A' Ordinary Shares (limited voting rights) held by the Employees' Share Ownership Plan ('ESOP') Trust which was established in February 1991 with the prime objective of providing incentives and motivation to employees through share ownership. The ESOP Trust is in the form of a discretionary trust for the benefit of employees in conformity with the definition of an "employees' share scheme" contained in Section 743 of the Companies Act 1985. The ESOP Trust has a Trustee independent of the Group and its prime function is to acquire and facilitate the provision of shares required for the purposes of profit sharing, long-term incentive and share option schemes. The Group assists with the funding of the ESOP Trust within reasonable limits, and costs of administration of the ESOP are charged to the profit and loss account.

At 31st March 2002, the ESOP held 116,353 (2001 – 132,228) 'A' Ordinary Shares (limited voting rights) with a market value of £823,000 (2001 – £760,000). All shares so held were under option to employees of the Group at both 31st March 2001 and 2002.

15 STOCKS

	2002 £000	2001 £000
All Group:		
Whisky	**71,159**	67,189
Other stocks	**950**	1,611
	72,109	68,800

16 DEBTORS

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Amounts owed by subsidiary undertakings	**-**	-	**6,667**	6,536
Trade debtors	**10,269**	6,429	**-**	-
Prepayments and accrued income	**1,408**	1,452	**-**	-
Other debtors	**300**	465	**-**	-
	11,977	8,346	**6,667**	6,536

All debtors fall due within one year.

17 CASH AND SHORT TERM BORROWINGS

Analysis of balances as shown in the balance sheet and changes during the current and previous year:

	2002 £000	Change in year £000	2001 £000	Change in year £000
All Group:				
Cash at bank and in hand	**9,650**	**2,531**	7,119	(4,651)
Acceptance credits	**(32,500)**	**(20,500)**	(12,000)	8,000

The cash at bank and in hand change figure is further analysed:

	2002 £000	2001 £000
Cash flow	**2,436**	(4,966)
Exchange	**95**	315
	2,531	(4,651)

18 TRADE AND OTHER CREDITORS

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Trade creditors	**2,844**	875	**-**	-
Accruals	**5,671**	4,837	**-**	-
Taxation and social security	**215**	181	**-**	-
Obligations under finance leases (Note 20)	**612**	575	**-**	-
Deferred creditor	**-**	250	**-**	-
Other creditors	**2,384**	805	**-**	-
	11,726	7,523	**-**	-

19 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £000	2001 £000
All Group:		
Bank loans	**7,500**	25,000
Obligations under finance leases (Note 20)	**2,843**	3,455
	10,343	28,455

£7,500,000 of the bank loans (2001- £ nil) is repayable between two and five years after the year end. The £25,000,000 due in 2001 was repayable in more than one year but not more than two years.

NOTES ON THE ACCOUNTS
at 31st March 2002

20 OBLIGATIONS UNDER FINANCE LEASES

	2002 £000	2001 £000
Amounts repayable:		
Within one year	**796**	796
Within two to five years	**2,467**	2,788
After five years	**859**	1,334
	4,122	4,918
Less: finance charges allocated to future periods	**(667)**	(888)
	3,455	4,030
Finance leases are analysed as follows:		
Current obligations (Note 18)	**612**	575
Non-current obligations (Note 19)	**2,843**	3,455
	3,455	4,030

21 ANALYSIS OF NET DEBT

	At 1st April 2001 £000	Cash Flow £000	Non Cash Changes £000	Exchange Movement £000	**At 31st March 2002 £000**
Cash at bank and in hand	7,119	2,436	-	95	**9,650**
Acceptance credits	(12,000)	(20,500)	-	-	**(32,500)**
Debt due after 1 year	(25,000)	17,500	-	-	**(7,500)**
Finance leases due after 1 year	(3,455)	-	612	-	**(2,843)**
Finance leases due within 1 year	(575)	575	(612)	-	**(612)**
	(33,911)	11	-	95	**(33,805)**

22 PROVISIONS FOR LIABILITIES AND CHARGES

	2002 £000	2001 £000 (restated)
This is comprised as follows:		
All Group:		
Deferred taxation (a)	**3,698**	3,227
Provision for losses of Associated Undertakings (b)	**-**	509
Provision for distributor rationalisation costs	**135**	-
	3,833	3,736

	Provided		Not Provided	
	2002 £000	2001 £000 (restated)	**2002 £000**	2001 £000 (restated)
(a) Deferred taxation:				
Capital allowances in advance of depreciation	**3,881**	3,696	**-**	-
Other timing differences	**(183)**	(469)	**-**	-
Undiscounted provision for deferred taxation	**3,698**	3,227	**-**	-
Capital gain rolled over	**-**	-	**236**	236
	3,698	3,227	**236**	236

If the Group's land and buildings had been disposed of for their book value at 31st March 2002, the resultant tax liability arising would have been £938,000 (2001 – £1,088,000).

The deferred taxation liability moves as follows:

	£000
Asset at 1st April 2000 as previously stated	(5)
Prior year adjustment for Financial Reporting Standard 19	3,053
Provision at 1st April 2000 as restated	3,048
Deferred tax charge for year ended 31st March 2001	179
Provision at 1st April 2001 as restated	3,227
Deferred tax charge for year ended 31st March 2002	471
Provision at 31st March 2002	**3,698**

	China	
	2002	2001
	£000	£000
(b) Provision for losses of Associated Undertakings:		
At 1st April 2001	**509**	369
Movement on balance of deficit for the year	**(509)**	140
At 31st March 2002	**-**	509

23 CALLED-UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
14,000,000 'A' Ordinary Shares (one vote per share) of 10p each	**1,400**	1,400	**1,165**	1,165
4,000,000 'B' Ordinary Shares (5 votes per share) of 5p each	**200**	200	**200**	200
400,000 unclassified shares of £1 each	**400**	400	**-**	-
	2,000	2,000	**1,365**	1,365

At 31st March 2002 options granted and outstanding under the 1987 Employee Share Option Plan amounted to 31,000 (2001 – 36,000) 'A' Ordinary Shares (limited voting rights) of 10p. These options are exercisable over seven year periods expiring on dates between 28th June 2002 and 1st December 2004 at prices ranging from 490p to 700p per share.

Options granted and outstanding under the 1999 Share Option Plan amounted to 743,348 (2001 – 522,783) 'A' Ordinary Shares (limited voting rights) of 10p. These options were issued in four tranches. Of the first tranche of 63,116 (2001 – 65,307) options, 13,869 (2001 – 13,869) are exercisable between 29th June 2002 and 28th June 2009 at a price of 547.5p whilst the balance is exercisable between 10th July 2002 and 9th July 2009 at an exercise price of 530p. The second tranche of 151,801 (2001 – 154,272) options is exercisable between 24th November 2002 and 23rd November 2009 at a price of 470p. The third tranche of 293,640 (2001 – 303,204) options is exercisable between 7th June 2003 and 6th June 2010 at a price of 380p. Of the fourth tranche of 234,791 (2001 – nil) options, 200,074 are exercisable between 28th May 2004 and 27th May 2011 at a price of 702.5p whilst the balance is exercisable between 29th June 2004 and 28th June 2011 at an exercise price of 725p. All options granted are exercisable only on meeting of performance criteria as set out on page 25 in the Remuneration Report.

Options granted and outstanding under the 1999 Savings Related Share Option Plan were issued in three tranches. The first tranche of 23,810 (2001 – 27,284) 'A' Ordinary Shares (limited voting rights) of 10p is exercisable between 27th August 2002 and 26th February 2003 at an exercise price of 415.2p. The second tranche of 64,426 (2001 – 72,866) 'A' Ordinary Shares (limited voting rights) of 10p is exercisable between 27th June 2003 and 26th December 2003 at an exercise price of 344.2p. The third tranche of 12,148 (2001 – nil) 'A' Ordinary Shares (limited voting rights) of 10p is exercisable between 1st August 2004 and 31st January 2005 at an exercise price of 632p.

On a winding up of the Company, the surplus assets remaining after payment of liabilities would be distributed among the holders of the 'A' Ordinary Shares (limited voting rights) and the 'B' Ordinary Shares rateably according to the amounts paid up on such shares held by them respectively.

NOTES ON THE ACCOUNTS
at 31st March 2002

24 RESERVES

	Share Premium Account £000	Revaluation Reserve £000	Capital Redemption Reserve Fund £000	Profit and Loss Account £000
Group:				
At 1st April 2000 – as previously reported	340	13,947	400	55,025
Prior year adjustment	-	-	-	(3,053)
At 1st April 2000 – restated	340	13,947	400	51,972
Amount included in depreciation charge for year transferred to retained profits	-	(269)	-	269
Retained profit for the year (restated)	-	-	-	2,538
At 31st March 2001 – restated	340	13,678	400	54,779
Amount included in depreciation charge for year transferred to retained profits	-	(267)	-	267
Retained profit for the year	-	-	-	3,362
At 31st March 2002	**340**	**13,411**	**400**	**58,408**
Company:				
At 1st April 2001	340	-	400	3,490
Retained profit for the year	-	-	-	21
At 31st March 2002	**340**	**-**	**400**	**3,511**

The cumulative amount of positive goodwill written off at 31st March 2002 is £1,170,000 (2001- £1,170,000)

The prior year adjustment reflects the Group's adoption of Financial Reporting Standard 19.

25 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000 (restated)
Profit attributable to members of the parent undertaking	**5,819**	4,858
Ordinary dividends on equity shares	**(2,457)**	(2,320)
Net additions to shareholders' funds	**3,362**	2,538
Opening shareholders' funds	**70,562**	68,024
Closing shareholders' funds	**73,924**	70,562

26 CAPITAL COMMITMENTS

	2002 £000	2001 £000
The directors have authorised future expenditure which amounts to:		
Contracted	**375**	39

27 COMMITMENTS TO PENSION SCHEME

The pension cost figures used in these accounts comply with the requirements of Statement of Standard Accounting Practice 24. The provisions of a new pension cost accounting standard, Financial Reporting Standard 17, must be adopted for the accounts at 31st March 2004 and subsequent years. Under transitional arrangements the Group is required to disclose the following information about the Scheme and the figures that would have been shown under Financial Reporting Standard 17 in the current balance sheet.

The Group operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out at 1st April 1999 disclosing a market value at that time of £14.6 million estimated to be sufficient to cover accrued liabilities (some 109% thereof). The actuarial method used in that valuation was the projected unit method, with the main assumptions being:

Investment returns	6/6.5% per annum
Pay inflation	4.5% per annum
Pension increases	3.0% per annum

That valuation was updated at 31st March 2002 using the projected unit credit method by a qualified independent actuary. The major assumptions used by the actuary were:

Rate of increase in salaries	4.5% per annum
Rate of increase of pensions in payment	3.0% per annum
Discount rate	6.0% per annum
Inflation assumption	3.0% per annum

The assets in the Scheme and the expected rates of return were:

	Long-term rate of return expected at 31st March 2002	**Value at 31st March 2002 £000**
Equities	7.25%	**12,445**
Bonds	5.25%	**2,440**
Insured pensions		**515**
Total market value of assets		**15,400**
Present value of Scheme liabilities		**17,100**
Deficit in the Scheme		**1,700**
Related deferred tax asset		**(510)**
Net pension liability		**1,190**

If the above amount had been recognised in these accounts, the Group's total assets less liabilities and profit and loss account reserve at 31st March 2002 would have been as follows:

	2002 £000
Total assets less liabilities excluding pension liability	**73,924**
Net pension liability	**(1,190)**
Total assets less liabilities including pension liability	**72,734**
Profit and loss reserve excluding pension liability	**58,408**
Net pension liability	**(1,190)**
Profit and loss reserve including pension liability	**57,218**

Following the actuarial valuation at 31st March 1999 and reflecting the recommendations emanating therefrom, the Group agreed with the Trustees that contributions would be 15% of pensionable salaries. Contributions at that rate have been effected from that time. Having reviewed the Scheme at 31st March 2002, the actuary is of the opinion that, subject to future circumstances not varying materially from the assumptions outlined above, no requirement exists to significantly change the current level of contributions payable to the Scheme.

The pension costs charged to profit and loss for the year were £696,000 (2001 – £700,000).

28 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found on page 26. Short term debtors and creditors, other than those related to bank financing and finance leases, have been excluded from the table below as allowed by Financial Reporting Standard 13.

(a) Interest rate and liquidity risk of financial liabilities at 31st March 2002:

	Fixed Rate Financial Liability 2002 £000	**Floating Rate Financial Liability 2002 £000**	Fixed Rate Financial Liability 2001 £000	Floating Rate Financial Liability 2001 £000
Falling due within one year:				
Bank loans and acceptance credits	**15,000**	**17,500**	-	12,000
Obligations under finance leases	**128**	**484**	119	456
Falling due in more than one year but not more than two years:				
Bank loans and acceptance credits	**-**	**-**	5,000	20,000
Obligations under finance leases	**-**	**515**	128	484
Falling due in more than two years but not more than five years:				
Bank loans and acceptance credits	**-**	**7,500**	-	-
Obligations under finance leases	**-**	**1,546**	-	1,643
Falling due after five years:				
Obligations under finance leases	**-**	**782**	-	1,200
	15,128	**28,327**	5,247	35,783

All of the financial liabilities are denominated in Sterling.

The floating rate bank loans and acceptance credits bear interest at rates fixed in advance for periods ranging from three to six months by reference to LIBOR.

The floating rate finance leases bear interest based on 12 month LIBOR.

The weighted average interest rate payable on the fixed rate obligations under finance leases is 7.62% per annum (2001 – 7.62%) and this lease will be repaid within 1 year.

The fixed rate bank loan reflects interest swaps of £5 million and £10 million bearing interest at 6.36% and 5.47% per annum respectively.

The Group does not hold financial liabilities on which no interest is paid.

The undrawn committed borrowing facilities available to the Group at 31st March in respect of which all conditions precedent had been met at such date are as follows:

	2002 £000	2001 £000
Expiring in one year or less	**18,500**	18,000

(b) Interest rate risk of financial assets at 31st March 2002:
All cash at bank balances are converted to Sterling after taking account of forward exchange contracts and all accrue interest at floating rates by reference to LIBOR (see Note 17). Other financial assets consist of other investments and trade and other debtors as disclosed in notes 14 and 16 respectively. These assets earn no interest.

(c) Currency exposure:
As explained on page 26 the Group has transaction currency exposures arising from sales and purchases in currencies other than Sterling, notably in US Dollars, Canadian Dollars and Euros. The Group periodically enters into forward contracts to hedge a proportion of any exposure.

The table below shows the Group's currency exposure (transactional exposures that may give rise to net gains and losses in the profit and loss account). Such exposures comprise monetary assets and liabilities of the Group that are not denominated in Sterling. As at 31st March these exposures were as follows:

Net foreign currency monetary assets:

	2002	2001
	£000	£000
US Dollars	**526**	96
Canadian Dollars	**369**	759
Deutschmarks	**-**	1,780
Italian Lire	**-**	315
Euros	**1,188**	16
Other	**452**	73
Total	**2,535**	3,039

The amounts shown in the table above take into account the effect of any forward currency contracts and other derivatives entered into to manage these currency exposures.

(d) Fair value of financial assets and liabilities:
This does not materially differ from the values disclosed in these accounts.

29 RELATED PARTY TRANSACTIONS

The Group undertook related party transactions with Brown-Forman Corporation during the year. Brown-Forman Corporation, which acts as distributor in the USA for our malt brands and has entered into an agreement to represent our brands in certain other export markets, owned 25.4% of the 'A' Ordinary Shares (limited voting rights) of the Company throughout the year and Mr M. V. Cheek, Executive Vice President of Brown-Forman Beverages Worldwide and President of their Global Spirits Group, sits on our Board as a non-executive director. The related party transactions were:

	2002	2001
	£000	£000
Purchases as distributor	**3,881**	4,577
Costs reimbursed	**61**	63
Trade debtors at 31st March	**942**	604

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable it to ensure that the accounts comply with the Companies Act 1985. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHAREHOLDER SERVICES

Computershare Investor Services PLC, our registrar, has introduced a facility where shareholders in Glenmorangie plc are able to access details of their shareholding over the internet, subject to passing an identity check. You can access this service on their website at – http://www.computershare.com. The site also includes information on recent trends in our share price. Alternatively, shareholder information can be obtained by telephoning 0870 702 0010.

Additionally, Computershare Investor Services PLC has installed textphones in its call centre which allow speech and hearing impaired people who have their own textphone to contact Computershare directly without the need for an intermediate operator. Specially trained operators are always available during normal business hours to answer queries via this service. Telephone: 0870 702 0005.

Glenmorangie plc has recently set up a low cost dealing service for employees and other shareholders in conjunction with Stocktrade, a wholly owned subsidiary of Brewin Dolphin Securities Ltd. Details of the company-specific telephone dealing service, a postal dealing service and internet facility are available from the Company on request.
Telephone: 0845 601 0995 (quote reference LOW C0082).

FINANCIAL DIARY

28TH JUNE 2002
Annual General Meeting

26TH JULY 2002
Payment of Final Dividend on Ordinary Shares in respect of year ended 31st March 2002 (Ex Dividend Date 10th July 2002; to shareholders on the register on 12th July 2002).

14TH NOVEMBER 2002
Announcement of unaudited results for six months to 30th September 2002 and declaration of Interim Dividend on Ordinary Shares in respect of year ended 31st March 2003.

10TH JANUARY 2003
Payment of Interim Dividend (Ex Dividend Date 18th December 2002; to shareholders on the register on 20th December 2002).

15TH MAY 2003
Announcement of results for the year to 31st March 2003 and declaration of Final Dividend on Ordinary Shares.

27TH JUNE 2003
Annual General Meeting

25TH JULY 2003
Payment of Final Dividend on Ordinary Shares in respect of year ended 31st March 2003 (Ex Dividend Date 9th July 2003; to shareholders on the register on 11th July 2003).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLENMORANGIE PLC

We have audited the Group's accounts for the year ended 31st March 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Note of Historical Cost Profit and Losses and the related notes 1 to 29. These accounts have been prepared on the basis of the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Group 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 or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Group's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises, the Financial Highlights, Corporate Information, Chairman's Statement, Chief Executive's Review, Finance Director's Review, List of Directors, Report of the Directors, Remuneration Report, Other Financial Matters and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Notes:

1. The maintenance and integrity of the XYZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ERNST AND YOUNG LLP
REGISTERED AUDITOR
Edinburgh
22nd May 2002

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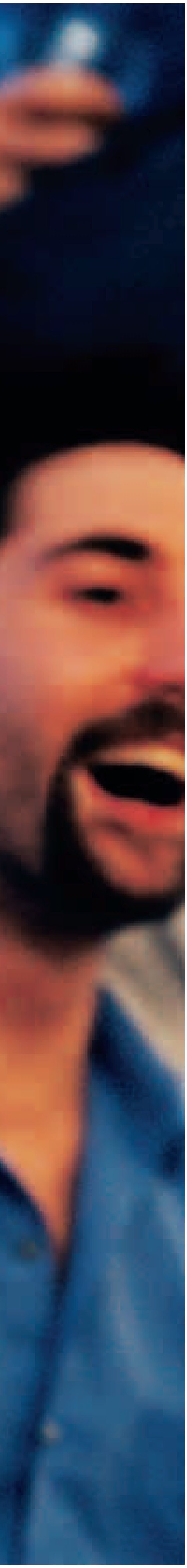

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