

Whyte and Mackay Limited

Directors' Report and Financial Statements

Year ended 31 December 2016

Registered number: SC014456

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Whyte and Mackay Limited
Directors' report and financial statements
Year ended 31 December 2016

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Whyte and Mackay Limited

Directors and advisers

Directors

W Co
J Cortes
J Domecq
B H Donaghey
Dr A Tan

Registered office

St Vincent Plaza
4th Floor
319 St Vincent Street
Glasgow
G2 5RG

Independent statutory auditors

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
110 Queen Street
Glasgow
G1 3BX

Solicitors

Wright, Johnston & Mackenzie LLP
302 St Vincent Street
Glasgow
G2 5RZ

Bankers

The Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Whyte and Mackay Limited

Strategic report for the year ended 31 December 2016

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Principal activities

During the year ended 31 December 2016, the company's principal activities were the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. Core brands include The Dalmore and Isle of Jura single malt whiskies, Vladivar vodka, Glayva liqueur, Whyte and Mackay, Claymore and John Barr blended scotch whiskies. The company also distributed Harvey's Bristol Cream Sherry under a distribution agreement with Bodegas Fundador.

Strategy

The company's overriding objective is to operate as a global branded drinks business which delivers sustainable rates of growth and returns that increase overall shareholder value. The company operates throughout the world both directly and through distribution partners.

The company will seek to continue to extend its global reach focusing primarily on its Scotch business but also developing in other alcoholic beverage categories.

Business review

With the previous year being one of transition 2016 saw the profit for the company increase with continued growth in our core brands. The Dalmore and Isle of Jura brands in particular performed strongly, supported by continued strategic marketing investment. Higher volumes through the company's production assets drove positive operational gearing which, coupled with tight control over supply chain costs and overheads, contributed to the profit for the period.

Operating profit is lower than the prior year due largely to the cessation of an agreement to distribute a third party brand in the UK. The operating profit of £12,683,000 (2015: £11,489,000) is after exceptional costs of £599,000 (2015: £5,239,000). The company's operating profit before exceptional costs was £13,282,000 in 2016 (2015: £16,728,000), with EBITA before exceptional costs (earnings before interest, tax, and amortisation) of £15,612,000 in 2016 (2015: £19,045,000). The company has returned a profit for the financial year of £25,480,000 (2015: £24,076,000)

The company is committed to research and development activities in order to secure its position as one of the market leaders in the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. This mainly manifests itself in the launch of new products but also extends to improving and optimising our production assets and processes.

Key performance indicators ("KPI's")

Turnover

Company turnover has fallen due to the cessation of an agreement to distribute a third party brand in the UK. Turnover for owned brands has increased.

EBITA margin (%)

EBITA margin before exceptional items is broadly flat with last year at 14%.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are set out below:

Competition

Whyte and Mackay faces competition from a number of international companies as well as local and regional companies in the countries in which it operates. This competition puts pressure on pricing, margins and ultimately market share, and impacts on overall results. In order to mitigate this risk, management monitor market prices on an on-going basis and take steps to safeguard the overall competitive position of the business.

Material costs

The raw materials used for the production of spirits are largely commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty and Government controls. If commodity price changes result in unexpected increases in raw materials cost or the cost of packaging materials, Whyte and Mackay may not be able to increase its selling prices to completely offset these increased costs without suffering reduced volume, turnover and operating profit. The company mitigates this risk through effective supplier selection, procurement practices and effective monitoring of commodity markets supplemented by making appropriate price increases wherever possible.

Inventory risk

Whyte and Mackay have a substantial inventory of aged stocks which mature over periods of up to 60 years. As at 31 December 2016 the historical cost of this stock amounted to £180,825,000 (2015: £159,527,000). The maturing inventory is stored in various locations across Scotland, and the loss through contamination, fire or other natural disaster of all or a portion of the stock could result in a significant reduction in supply of products. Consequently consumer demand for these products would not be met, and turnover and profitability would be adversely affected. This risk is partially mitigated by ensuring appropriate insurance coverage is in place and physical protection of the stock.

Whyte and Mackay Limited

Strategic report for the year ended 31 December 2016 (continued)

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

The company's principal financial instruments, other than derivatives, comprise interest bearing loans, cash and cash equivalents. The main purpose of these financial instruments is to manage the company's funding and liquidity requirements. The company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Risk management is carried out by the Finance Management Team approved by the Credit Committee. The Finance Management Team identifies, evaluates and hedges financial risks as follows:

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily in respect of the US dollar, Canadian dollar and Euros. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The company's treasury risk management policy is to hedge 75% of anticipated cashflows (mainly export sales and purchase of casks) in each major foreign currency for the subsequent 12 months.

Interest rate risk

The company has an exposure to interest rate fluctuations on its borrowings and can manage these by the use of interest rate swaps. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall. At the reporting date, the revolving credit facility is on a floating variable rate and the cashflow interest rate risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company manages liquidity risk by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The company has at its disposal additional undrawn facilities which further reduces liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet their contractual obligations and arises principally from amounts receivable from customers. The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and before accepting any new customer, the company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed and updated on a regular basis by the Credit Committee.

Concentrations of credit risk with respect to trade receivables are limited at the year end due to the company's customer base being large and unrelated. There were no significant concentrations of credit exposure at the year end relating to other aspects of credit. Management therefore believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

The carrying amount of financial assets disclosed at note 14, which includes trade receivables net of impairment losses, derivative financial instruments and cash represents the company's maximum exposure to credit risk.

Environmental policy

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

Employees

The company gives full and fair consideration to the employment of disabled persons for suitable jobs, as well as their training, career development and promotion within the company. Every effort is made to continue the employment of persons who become disabled whilst in the company's employment.

The company maintains its commitment to proactive programmes for involving its employees in its affairs. This is achieved in a variety of ways, including employee briefings, and by consultation with recognised trade unions.

The company's bonus schemes encourage employees at all levels to contribute to the company's short and long term goals.

Political and charitable donations

During the year the company gave no donation to any political organisation (2015: £nil). The company made charitable donations of £15,000 during the year (2015: £15,000).

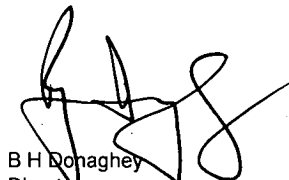
Whyte and Mackay Limited

Strategic report for the year ended 31 December 2016 (continued)

Going concern

As disclosed in these accounts the company has produced a profit for the financial year of £25,480,000 (2015: £24,076,000) and has net assets of £454,003,000 at 31 December 2016 (2015: £439,260,000). Based on the current trading projections and continued support through intercompany funding from Emperador UK Limited, the directors consider that it is appropriate for the accounts to be prepared on the going concern basis.

Approved by the board of directors and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'B H Donaghey', written over a horizontal line.

B H Donaghey
Director
30th August 2017

Whyte and Mackay Limited

Directors' report for the year ended 31 December 2016

The financial statements incorporating the results for the year ended 31 December 2016 are set out on pages 7 to 26. The Directors do not recommend the payment of a dividend in 2016 (2015: £nil) with the profit for the financial year of £25,480,000 (2015: £24,076,000) being taken to reserves.

Risk management objectives and policies including exposure to price, credit and liquidity risk have been disclosed within the Strategic Report.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:-

W Co
J Cortes
J Domecq
B H Donaghey
Dr A Tan

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

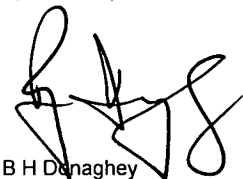
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the board of directors and signed on its behalf by:



B H Donaghey
Director
30th August 2017

Whyte and Mackay Limited

Independent auditor's report to the members of Whyte and Mackay Limited

We have audited the financial statements of Whyte and Mackay Limited for the year ended 31 December 2016 which comprise the balance sheet, the statement of income, the statement of cash flow, the statement of other comprehensive income, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Glasgow

1 SEPTEMBER 2017

Whyte and Mackay Limited
Income statement

	Notes	Year ended 31 December 2016 £ 000	Year ended 31 December 2015 £ 000
Revenue		169,818	227,819
Excise duties		(52,011)	(92,368)
Net revenue		117,807	135,451
Operating profit before exceptional items	2	13,282	16,728
Exceptional items	3	(599)	(5,239)
Operating profit		12,683	11,489
Finance income	6	20,701	18,845
Finance costs	6	(7,284)	(6,086)
Profit before income tax		26,100	24,248
Income tax expense	7	(620)	(172)
Profit for the period attributable to equity holders of the parent		25,480	24,076

Statement of other comprehensive income

	Notes	Year ended 31 December 2016 £ 000	Year ended 31 December 2015 £ 000
Profit for the period attributable to equity holders of the parent		25,480	24,076
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial (losses) / gains on retirement benefits	18	(12,871)	5,990
Tax on items taken directly to equity	7	2,188	(1,078)
		(10,683)	4,912
Currency translation differences	17	(54)	-
Other comprehensive (expense) / income for the period, net of tax		(10,737)	4,912
Total Comprehensive income for the period attributable to equity holders of the parent		14,743	28,988

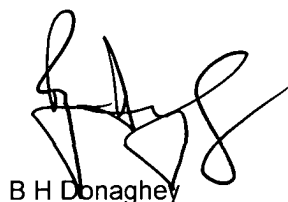
The above results relate to continuing operations.

The accounting policies and notes form an integral part of these financial statements.

Whyte and Mackay Limited
Registered number: SC14456
Balance sheet

		31 December 2016	31 December 2015
	Notes	£000	£000
Non-current assets			
Intangible assets	8	24,128	25,792
Property, plant and equipment	9	76,037	63,623
Available-for-sale financial assets	10	118	118
Deferred tax assets	7	4,499	2,934
		104,782	92,467
Current assets			
Inventories	11	192,098	169,585
Trade and other receivables	12	276,831	266,062
Derivative financial instruments	14	-	38
Cash and cash equivalents		10,485	7,343
		479,414	443,028
Total assets		584,196	535,495
Current liabilities			
Interest bearing loans and borrowings	13	(43,849)	(14,542)
Trade and other payables	15	(64,012)	(65,365)
Derivative financial instruments	14	(473)	-
Provisions for other liabilities	16	(969)	(3,442)
		(109,303)	(83,349)
Non-current liabilities			
Provisions for other liabilities	16	(6,908)	(7,988)
Retirement benefit obligations	18	(13,982)	(4,898)
		(20,890)	(12,886)
Total liabilities		(130,193)	(96,235)
Net assets		454,003	439,260
Equity			
Share capital	17	178,973	178,973
Retained earnings	17	275,030	260,287
Total equity		454,003	439,260

These financial statements were approved by the board of directors and were signed on its behalf by:



B H Donaghey
Director
30th August 2017

Whyte and Mackay Limited
Statement of changes in equity

	Share Capital £ 000	Retained Earnings £ 000	Total Equity £ 000
2015			
Balance as at 1 January 2015	178,973	231,299	410,272
Profit for the year	-	24,076	24,076
Other comprehensive income and expense	-	4,912	4,912
Balance as at 31 December 2015	178,973	260,287	439,260
2016			
Balance as at 1 January 2016	178,973	260,287	439,260
Profit for the year	-	25,480	25,480
Other comprehensive income and expense	-	(10,737)	(10,737)
Balance as at 31 December 2016	178,973	275,030	454,003

Whyte and Mackay Limited
Statement of cash flows

	Notes	Year ended 31 December 2016 £ 000	Year ended 31 December 2015 £ 000
Cash flows from operating activities			
Profit for the year		25,480	24,076
Income tax expense	7	620	172
Finance income and expense	6	(13,417)	(12,759)
Depreciation, amortisation and impairment		5,187	4,852
(Increase) / decrease in trade and other receivables		(10,731)	21,728
Increase in inventories		(21,212)	(20,745)
Increase / (decrease) in trade and other payables		10,313	(8,825)
Net retirement benefit cost	18	(3,902)	(3,902)
Other non-cash movements		-	(18)
Cash (expended) / generated from operations		(7,662)	4,579
Interest received		20	44
Interest paid		(935)	(459)
Net cash (expended) / generated from operating activities		(8,577)	4,164
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		64	11
Purchases of property, plant and equipment	9	(16,668)	(15,303)
Purchases of intangible assets	8	(666)	(679)
Net cash outflow from investing activities		(17,270)	(15,971)
Cash flows from financing activities			
Proceeds from borrowings	13	29,000	14,500
Proceeds from loan from parent company		-	20,915
Loan repayments to parent company		(11)	(5,650)
Net cash used in financing activities		28,989	29,765
Net increase in net cash and cash equivalents		3,142	17,958
Net cash and cash equivalents / (debt) at beginning of the period	14	7,343	(10,615)
Net cash and cash equivalents at end of the period		10,485	7,343
Cash and cash equivalents note to the financial statements:			
Cash and cash equivalents	14	10,485	7,343
Amounts advanced by invoice discounting	14	-	-
Cash and cash equivalents in the cash flow statement		10,485	7,343

Whyte and Mackay Limited

1. Significant accounting policies

General information

Whyte and Mackay Limited ("the company") produces, markets and distributes Scotch whisky, vodka, liqueurs and other alcoholic drinks in the UK, Europe and International markets. The company operates from five distilleries and a bottling hall in Scotland. The company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is St Vincent Plaza, 319 St Vincent Street, Glasgow, G2 5RG.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards as endorsed and adopted for use in the European Union (IFRS).

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for certain items of property, plant and equipment which were valued at fair value being deemed cost at date of transition to IFRS, derivative financial instruments and the assets and liabilities of the defined benefit pension scheme which are stated at fair value through profit or loss.

The company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements since the company is itself a wholly owned subsidiary of another company incorporated in the United Kingdom. The accounting policies below have been applied consistently to all periods presented in the financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, events or actions, ultimately actual results may differ from those estimates. The key estimates and assumptions used in these financial statements are set out below.

Retirement benefit obligations

A qualified independent actuary undertakes the estimation of the present value of the company's obligations under the defined benefit pension scheme using assumptions taken from a range of possible actuarial assumptions. These assumptions may not be borne out in practice, especially due to the long timescales involved. Details of assumptions employed to determine the liability at the balance sheet date are set out in the notes to the financial statements. The valuation of scheme assets is based on the fair value at the balance sheet date. As these assets are not intended to be sold in the short-term, their value may change significantly prior to realisation.

Taxation

Judgement is required in determining the provision for income taxes. There are many transactions and calculations whose ultimate tax treatment is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes are likely to be due. The company recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Where a change in circumstance occurs, or the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax balances in the year in which that change or outcome is known.

Testing intangible assets for impairment

The company tests whether intangible assets with an finite life have any impairment where there is an indication of impairment. The recoverable amounts of cash generating units are determined based on value-in-use calculations which require estimating future cash flows. If actual cash flows are lower than estimated there is a risk that future impairments would be necessary. In addition the Company reassesses the useful life of intangible assets with finite lives. Further details are set out in the relevant accounting policy note.

Property, plant and equipment

It is necessary for the company to make use of judgement when determining the useful life of the property, plant and equipment. Details of these estimates are set out in the relevant accounting policy note.

Whyte and Mackay Limited

1. Significant accounting policies

Standards, interpretations and amendments to published standards that are not yet effective

Management is in the process of assessing the impact of all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 December 2016, but not yet effective on that date. The most relevant standards that are applicable to the Group, but that were not implemented early, are the following:

- IFRS 9: Financial Instruments (effective date 1 January 2018)
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- Amendments to IFRS 10: Consolidated Financial Statements (effective 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Amendments to IAS 7: Statement of Cash Flows (effective 1 January 2017)
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (effective 1 January 2017)

Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The company forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within facilities available to it. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the company's borrowings are given at note 13.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from the sale of cased and bulk alcohol, and includes warehouse rents receivable. Revenue includes excise duties and is stated net of discounts, returns and sales taxes. Revenue is recognised depending upon individual customer terms at the time of despatch, delivery or some other specified point when the risk of loss transfers.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are material items of income and expense that have been shown separately due to the significance of their nature or amount.

Leasing

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases, with payments (net of any incentives received from the lessor) and receipts taken to the income statement on a straight-line basis over the period of the

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation. Historical cost includes purchase price and directly attributable costs of bringing the asset into the location and condition where it is capable for use. Borrowing costs are capitalised.

Whyte and Mackay Limited

1. Significant accounting policies

Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Buildings are depreciated on a straight-line basis over 50 years.

Other property, plant and equipment are depreciated on a straight-line basis at annual rates estimated to allocate the cost to residual value of each asset over its useful life from the date it is available for use. Assets in the course of construction are not depreciated until they are available for use. The principal useful lives used are as follows:

Plant and machinery: 10-20 years

Casks: 20 years

Vehicles, fittings and equipment: 3-15 years

Residual values and useful lives are reviewed on an annual basis with the effect of any changes in estimate being accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within cost of sales in the income statement.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Intangible assets acquired separately from a business are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets that are regarded as having indefinite useful economic lives are not amortised. Intangible assets that are regarded as having limited useful economic lives are amortised on a straight-line basis over those lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Separately acquired trademarks and distribution rights are shown at historical cost less accumulated amortisation and accumulated impairment losses. These brands are amortised over 20 years on a straight-line basis.

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 15 years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets or companies of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Value in use is calculated by discounting estimated future cash flows using an appropriate long-term pre-tax interest

1. Significant accounting policies

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes raw materials, direct labour and expenses, an appropriate proportion of production and other overheads (including depreciation), but not borrowing costs. Net realisable value is the estimated selling price for inventories in the normal course of business, less applicable variable selling expenses. Provision is made, where appropriate, for obsolete, slow moving and defective stocks.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle that obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions for restructuring are recognised for direct expenditure on business reorganisations where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken on or before the balance sheet date.

Employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the company. Where the company provides long-term employee benefits, the cost is accrued to match the rendering of the services by the employees concerned.

The company closed the Defined Benefit Pension Scheme to future accrual on 1 April 2012 and now operates a defined contribution pension plan. The defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The defined benefit plan defines the amount of pension benefit that the company's employees will receive on retirement, usually dependent on a number of factors including age, length of service and

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligations at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Past service costs and gains and losses on settlements and curtailments are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance income and expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Contributions under the defined contribution pension plan are charged to operating expenses in the income statement as they arise. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

Whyte and Mackay Limited

1. Significant accounting policies

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the income statement.

The current income tax charge is measured based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Current tax assets or liabilities on the balance sheet are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax liabilities arising from the initial recognition of goodwill and if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is measured, on an undiscounted basis, using tax rates and laws that are enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented net only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Financial assets

The company classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. Trade and other receivables are non-interest bearing and are stated at their nominal amount that is usually the original invoiced amount less any provision for impairment. Cash and cash equivalents comprise cash in hand and deposits held at call with banks with a maturity of three months or less. In the statement of cashflows, cash and cash equivalents includes bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Whyte and Mackay Limited

1. Significant accounting policies

Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of borrowings is recognised in the income statement over the term of the borrowings using the effective interest rate.

Trade payables are non-interest bearing and are stated at their nominal value.

Derivative Financial instruments

The activities of the company expose it directly to the financial risks of changes in foreign exchange rates. The company uses forward foreign exchange contracts to hedge these exposures. The company does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded and subsequently measured at fair value. The treatment of changes in fair value of derivatives depends on the derivative classification and whilst transactions may be effective hedges in economic terms they may not always qualify for hedge accounting. Due to the nature of the company's forward foreign exchange contracts hedge accounting is not adopted. Consequently, movements in fair value that do not qualify for hedge accounting are recognised as finance income and expense in the income statement as they arise.

Foreign currency translation

Items included in the financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the company's presentation currency.

Transactions in currencies other than sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at historical cost that are denominated in foreign currencies are translated at the rates prevailing at the date when the historical cost was determined. Gains and losses arising on retranslation are included in the income statement.

Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Other components of equity include the remeasurement of net defined benefit liability – comprises the actuarial gains and losses from changes in demographic and financial assumptions and the return on plan assets.

Retained earnings includes all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2016

2. Profit from operations

An analysis of the Company's profit from operations is as follows:

	December 2016	December 2016	December 2016	December 2015	December 2015	December 2015
	Normalised	Exceptional items	Total	Normalised	Exceptional items	Total
	£000	£000	£000	£000	£000	£000
Revenue	169,818	-	169,818	227,819	-	227,819
Excise duties	(52,011)	-	(52,011)	(92,368)	-	(92,368)
Net revenue	117,807	-	117,807	135,451	-	135,451
Cost of sales	(91,938)	-	(91,938)	(104,528)	-	(104,528)
Gross profit	25,869	-	25,869	30,923	-	30,923
Distribution costs	(1,547)	-	(1,547)	(2,100)	-	(2,100)
Selling and administration expenses	(11,040)	(599)	(11,639)	(12,095)	(5,239)	(17,334)
Profit from operations before exceptional items	13,282	(599)	12,683	16,728	(5,239)	11,489
Exceptional items	(599)	599	-	(5,239)	5,239	-
Profit from operations	12,683	-	12,683	11,489	-	11,489

	December 2016	December 2015
	£000	£000
Profit from operations is stated after charging / (crediting)		
Exceptional items	599	5,239
Depreciation of property, plant and equipment - owned assets	2,858	2,535
Gain on disposal of property, plant and equipment	(35)	(18)
Amortisation of definite life acquisition intangibles	2,285	2,285
Amortisation of software intangibles	45	32
Cost of inventories recognised as an expense	68,568	54,438
Operating lease rental expense - buildings	2,072	3,087
Operating lease rental income - buildings	(91)	(838)
Operating lease rental expense - other	355	363
Trade receivables impairment	(417)	114
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	15	15
Fees payable to the Company's auditor and its associates for other services:		
- Tax services	66	24
- All other services	-	12

The depreciation charged to the income statement includes depreciation charged direct from property, plant and equipment and that element of depreciation absorbed against inventory expensed through cost of sales.

3. Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate. During the year, the exceptional items as described below have been included in selling and administration expenses in the income statement.

Exceptional selling and administration expenses relate to the reorganisation of continuing operations and are categorised as follows:

	2016 Total	2015 Total
	£000	£000
Redundancy	1,717	529
Onerous lease provision	(662)	(1,054)
Dilapidations	417	838
Loss on disposal of fixed assets	-	127
Route to market restructuring	(1,132)	4,415
Other restructuring	259	384
	599	5,239

Redundancy

Redundancy and other employee costs reflects various restructuring initiatives in 2016.

Onerous lease provision

This provision was set up in relation to leasehold properties in Glasgow and Edinburgh, which are vacant or sublet at a discount. Movements in the provision take account of current market conditions and expected future vacant periods.

Dilapidations

Provisions for dilapidations reflect the estimated cost to return leased properties in Glasgow and Edinburgh under tenant repairing clauses, to the landlord at the end of the tenancy in a specified condition.

Route to market restructuring

Route to market restructuring relates to the (provision release) / costs associated with changes to route to market structures in both domestic and international markets.

NOTES TO THE FINANCIAL STATEMENTS
for the 12 months ended 31 December 2016

3. Exceptional items (continued)

Other restructuring

Other restructuring costs include non-recurring legal and professional fees and expenses incurred in relation to certain projects undertaken during the year.

4. Employees

The average number of people employed by the company is set out in the table below.

	December 2016	December 2015
By Activity	Number	Number
Sales, distribution and administration	160	165
Production	257	251
	417	416

The employee benefit expense recognised in the income statement is as follows:

	December 2016	December 2015
	£000	£000
Wages and salaries	18,141	17,101
Social security costs	2,034	1,940
Pension costs - defined contribution plans	2,155	2,328
	22,330	21,369

5. Directors emoluments

	December 2016	December 2015
	£000	£000
Aggregate emoluments	620	616
Highest paid director	620	616

There were no retirement benefits accruing to any directors in the current or prior period under the defined benefit pension scheme.

6. Finance income and expense

	December 2016	December 2015
	£000	£000
Finance income		
Interest receivable on cash and cash equivalents	20	44
Interest income on defined benefit pension scheme assets	5,722	5,172
Interest receivable on loans from related parties	14,959	13,591
Fair value gains on financial instruments at fair value through profit or loss	-	38
	20,701	18,845
Finance expense		
Interest payable on bank loans	373	42
Interest payable on secured invoice discounting	-	2
Interest payable on loans from related parties	-	15
Fair value losses on financial instruments at fair value through profit or loss	512	-
Provisions: unwinding of discount	130	84
Defined benefit scheme administration costs	432	335
Interest cost on defined benefit pension scheme liabilities	5,837	5,608
	7,284	6,086
Net finance income	13,417	12,759

7. Taxation

Taxation recognised in the income statement is as follows:

	December 2016	December 2015
	£000	£000
Deferred tax		
Origination and reversal of temporary differences	55	374
Adjustments in respect of prior years	426	(689)
Impact of change in UK tax rate	139	487
Total deferred tax	620	172
Income tax expense	620	172

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2016

7. Taxation (continued)

Tax reconciliation to UK statutory rate

The difference between the income statement expense and the standard rate of corporation tax in the UK is explained below:

	December 2016 £000	December 2015 £000
Profit before tax	26,100	24,248
Tax at the UK corporation tax rate of 20% (2015: 20.25%)	5,220	4,910
Tax effects:		
Expenses not deductible for tax purposes	427	365
Group relief	(5,592)	(4,901)
Remeasurement of deferred tax - change in the UK tax rate	139	487
Adjustment in respect of prior years deferred income tax	426	(689)
Income tax expense	620	172

The weighted average tax rate was 20% (2015: 20.25%). The decrease is caused by the impact of a reduction in the UK corporation tax rate from 21% to 20% on 1 April 2015.

A number of changes to the UK Corporation tax system were announced in the March 2015 Budget Statement, and substantively enacted as part of the Finance Act (No.2) 2015 on 26 October 2015, with the main rate of corporation tax reduced from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. The Finance Act (2016), substantively enacted on 15 September 2016, further reduced the corporation tax rate from 17% from 1 April 2020 and the recognised deferred tax balances have been re-measured to 17%.

In addition to the amounts recorded in the income statement, deferred tax relating to the remeasurement of retirement benefit obligations totalling £2,188,000 credit (2015: £1,078,000 charge) was recognised through other comprehensive income. The change in the UK statutory tax rate from 18% to 17% reduced the charge to equity in 2016 by £61,000.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 2016 £000	December 2015 £000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	4,499	2,934

The gross movement on the deferred income tax account is as follows:

	December 2016 £000	December 2015 £000
Balance at beginning of period	2,932	4,182
Adjustment in respect of prior years deferred income tax	(426)	689
Remeasurement of deferred tax - change in the UK tax rate	(139)	(487)
Accelerated capital allowances and other short term timing differences	(56)	(374)
Tax credit / (charge) relating to components of other comprehensive income	2,188	(1,078)
Balance at end of period	4,499	2,932

The following are the major deferred tax assets and liabilities recognised by the company without taking into consideration the offsetting of balances within the same tax jurisdiction, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation December 2016 £000	Retirement benefit obligations December 2016 £000	Other temporary differences December 2016 £000	Total December 2016 £000	Accelerated tax depreciation December 2015 £000	Retirement benefit obligations December 2015 £000	Other temporary differences December 2015 £000	Total December 2015 £000
Net deferred tax asset / (liability) at beginning of period	2,684	882	(632)	2,934	2,412	2,869	(1,099)	4,182
Income statement	315	(693)	(245)	(623)	272	(909)	467	(170)
Statement of recognised income and expense	-	2,188	-	2,188	-	(1,078)	-	(1,078)
Net deferred tax asset / (liability) at end of period	2,999	2,377	(877)	4,499	2,684	882	(632)	2,934

Deferred tax assets and liabilities have been offset where the company has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same tax jurisdictions.

A deferred tax asset of £4,499,000 (December 2015: £2,934,000) has been recognised in respect of these temporary differences as it is probable that the company will generate sufficient taxable profits in the future against which these temporary differences can be offset.

A deferred tax asset of £5,396,000 (December 2015: £5,469,000) which has not been recognised relates to capital losses.

Accelerated tax depreciation relates to plant and equipment and computer software.

NOTES TO THE FINANCIAL STATEMENTS
for the 12 months ended 31 December 2016

8. Intangible assets

	Goodwill	Trademarks	Distribution rights	Computer software	Total intangible assets
Cost	£000	£000	£000	£000	£000
At 1 January 2016	297,168	36,119	29,346	2,204	364,837
Additions	-	-	-	666	666
Disposals	-	-	-	(1,335)	(1,335)
At 31 December 2016	297,168	36,119	29,346	1,535	364,168
Accumulated amortisation and impairment					
At 1 January 2016	297,168	33,652	6,723	1,502	339,045
Charge for the year	-	819	1,466	45	2,330
Disposals	-	-	-	(1,335)	(1,335)
At 31 December 2016	297,168	34,471	8,189	212	340,040
Net book value					
At 31 December 2015	-	2,467	22,623	702	25,792
At 31 December 2016	-	1,648	21,157	1,323	24,128

Separately acquired trademarks and distribution rights are shown at historical cost less accumulated amortisation and accumulated impairment losses. These brands are amortised over 20 years on a straight-line basis. The estimated remaining useful life of separately acquired trademarks and distribution rights at 31 December 2016 ranges from 2 to 15 years.

Computer software is amortised on a straight-line basis over estimated useful lives ranging from 3 to 15 years.

9. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles, fittings and equipment	Total property, plant and equipment
Cost	£000	£000	£000	£000
At 1 January 2016	45,768	84,278	5,396	135,442
Additions	5,165	10,393	1,110	16,668
Disposals	(6)	(2,099)	(3,454)	(5,559)
At 31 December 2016	50,927	92,572	3,052	146,551
Accumulated depreciation				
At 1 January 2016	12,638	54,437	4,744	71,819
Charge for the year	890	3,057	212	4,159
Disposals	(2)	(2,038)	(3,424)	(5,464)
At 31 December 2016	13,526	55,456	1,532	70,514
Net book value				
At 31 December 2015	33,130	29,841	652	63,623
At 31 December 2016	37,401	37,116	1,520	76,037

Contracts placed for future capital expenditure relating to property, plant and equipment not incurred and not provided in the financial statements at the reporting date amounted to £9,336,000 (December 2015: £1,609,000).

The company does not hold any assets under finance lease.

10. Available-for-sale financial assets

	December 2016	December 2015
	£000	£000
Non-current investments	118	118

Non-current investments include the holding of 14.0% of the £1 ordinary shares of The Scotch Whisky Heritage Centre Limited, an unlisted company registered in Scotland, the principal activity of which is the operation of a visitor attraction in Edinburgh. These shares are measured at cost as they do not have a quoted market price in an active market and their fair value cannot be measured reliably.

The maximum exposure to credit risk at the reporting date is the carrying value of the investments. None of these financial assets is either past due or impaired.

11. Inventories

	December 2016	December 2015
	£000	£000
Raw materials and consumables	2,564	2,017
Maturing whisky inventories	180,825	159,527
Finished goods	8,709	8,041
	192,098	169,585

NOTES TO THE FINANCIAL STATEMENTS
for the 12 months ended 31 December 2016

12. Trade and other receivables

	December 2016 £000	December 2015 £000
Trade receivables	54,757	70,577
Less: provision for impairment	(512)	(427)
	54,245	70,150
Amounts owed by immediate parent company and fellow subsidiary undertakings	204,814	193,478
Amounts owed by group undertakings	1,543	227
Amounts owed by subsidiary undertakings	3,299	1,005
Prepayments and accrued income	3,164	963
Other receivables	9,766	239
	276,831	266,062

The movement on the provision for impairment of trade receivables is as follows:

	2016 £000	2015 £000
Balance at beginning of year	427	785
Income statement charge	(418)	114
Utilised	503	(472)
Balance at end of year	512	427

13. Interest bearing loans and borrowings

	December 2016 £000	December 2015 £000
Current		
Bank loans	43,849	14,542
Total interest bearing loans and borrowings	43,849	14,542

During the year, the company set up a 3 year term loan to fund the working requirements of the business. This term loan was secured by a floating charge over Whyte & Mackay Limited's assets, including a pledge over the Company's maturing stocks up to the value of the facility.

14. Financial instruments and financial risk management

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Management review and agree policies for the management of these risks on a regular basis. Further details of the risks and management policies are included in the Strategic Report.

Capital management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or issue new shares.

The company monitors capital using its gearing ratio, calculated as net borrowings divided by total capital.

Financial assets and financial liabilities

Financial assets and financial liabilities as disclosed in the balance sheets are shown in the table below:

		Carrying Value December 2016 £000	Carrying Value December 2015 £000
Cash and cash equivalents	1	10,485	7,343
Cash and cash equivalents in the cash flow statement		10,485	7,343
Bank loans - current	2	(43,849)	(14,542)
Amounts due from related parties	1	209,656	194,710
Derivative financial instruments	3	(473)	38
Available-for-sale financial assets	4	118	118
Trade and other receivables excluding prepayments	1	64,011	70,389
Trade and other payables excluding non-financial liabilities	2	(64,012)	(65,365)
		175,936	192,691
Financial assets		283,797	272,598
Financial liabilities		(107,861)	(79,907)
		175,936	192,691

1. Loans and receivables
2. Financial liabilities at amortised cost
3. Fair value through profit or loss
4. Available-for-sale

The fair value of derivative financial instruments is based on market price of these instruments at the balance sheet date and are classified as level 2 in the fair value hierarchy under IFRS 13. Fair value is determined using observable interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant.

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2016

14. Financial instruments and financial risk management (continued)

Available-for-sale financial assets are carried at cost as their fair value cannot be reliably measured.

The fair value of all other financial assets and liabilities approximates to the carrying amount because of the short maturity of these instruments.

Net gains and losses on financial assets and financial liabilities

	December 2016 £000	December 2015 £000
Interest receivable on cash and cash equivalents	20	44
Fair value (losses) / gains on financial instruments at fair value through profit or loss	(512)	38
Interest payable on bank loans	(373)	(42)
Interest payable on secured invoice discounting	-	(2)
Interest receivable on loans from related parties	14,959	13,591
Interest payable on loans from related parties	-	(15)
	14,094	13,614

Liquidity risk

The contractual maturity profile of the anticipated future cash flows including interest in relation to the company's financial liabilities, on an undiscounted basis and which, therefore, differs from both the carrying value and fair value, is as follows:

	Trade and other payables December 2016 £000	Bank loans December 2016 £000	Related parties December 2016 £000	Total December 2016 £000	Trade and other payables December 2015 £000	Bank loans December 2015 £000	Related parties December 2015 £000	Total December 2015 £000
Within one year	54,608	43,875	9,404	107,887	60,331	14,551	5,034	79,916
Contractual cash flows	54,608	43,875	9,404	107,887	60,331	14,551	5,034	79,916
Effect of interest	-	(26)	-	(26)	-	(9)	-	(9)
	54,608	43,849	9,404	107,861	60,331	14,542	5,034	79,907

Interest rate risk

The interest rate profile of the company's interest bearing financial instruments are set out below. In the case of non-current financial liabilities, the classification includes the impact of interest rate swaps which convert the debt to fixed rate.

	Floating rate December 2016 £000	Fixed rate December 2016 £000	Total December 2016 £000	Floating rate December 2015 £000	Fixed rate December 2015 £000	Total December 2015 £000
Financial liabilities						
Interest bearing loans and borrowings						
Current		43,849	-	14,542		14,542
Non-current		-	-	-	-	-
Sterling		43,849	-	14,542	-	14,542
Financial assets						
Cash and cash equivalents	10,485		10,485	7,343	-	7,343

Sensitivity analysis

The company monitors its interest rate exposure on a regular basis by applying forecast interest rates to the company's forecast net debt profile after taking into account its existing hedges. The company also calculates the impact on profit and loss of a defined interest rate shift for all currencies. Based on the simulations performed, the impact on profit or loss before taxation of a +/-100 basis point shift on floating rate net debt at the reporting date would be £334,000 (2015: £72,000).

Credit risk

The ageing of trade receivables at the reporting date was:

	December 2016 Gross £000	December 2016 Impairment £000	December 2015 Gross £000	December 2015 Impairment £000
Not past due	45,068	-	59,001	36
Past due 1-30 days	4,802	-	7,401	-
Past due 31-60 days	3,231	-	971	3
Past due 61-90 days	863	79	845	7
Past due + 90 days	793	433	2,359	381
	54,757	512	70,577	427

The carrying amount of trade receivables is denominated in the following currencies:

	December 2016 £000	December 2015 £000
Sterling	51,286	65,597
Euro	1,009	1,031
US Dollar	1,599	3,093
Canadian Dollar	351	429
	54,245	70,150

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2016

14. Financial instruments and financial risk management (continued)

The allowance for doubtful debts has been calculated based on past experience and is in relation to specific customers. Given the large and unrelated nature of our customer base, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The carrying amount of financial assets which includes trade receivables net of impairment losses, derivative financial instruments and cash represents the company's maximum exposure to credit risk. The total carrying value of financial assets at 31 December 2016 amounted to £283,867,000 (2015: £272,598,000).

15. Trade and other payables

	December 2016 £000	December 2015 £000
Current liabilities		
Trade payables	10,872	13,961
Social security and other taxes excluding income tax	2,757	1,413
Amounts owed to group undertakings	9,404	4,822
Amounts owed to subsidiary undertakings	-	212
Accrued expenses and deferred income	33,536	41,344
Other payables	7,443	3,613
	64,012	65,365

16. Provisions

	Onerous lease & dilapidation provision £000
At 1 January 201	11,430
Recognised in the income statement	(245)
Utilised in the year	(3,308)
At 31 December 2016	7,877

	December 2016 £000	December 2015 £000
Analysis of total provisions		
Current liabilities	969	3,442
Non-current liabilities	6,908	7,988
Total provisions	7,877	11,430

Onerous lease provisions

These provisions were set up in relation to leasehold properties in Glasgow and Edinburgh, which are vacant or sublet at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected cash outflows on a pre-tax basis over the remaining period of the lease which at 31 December 2016 is between 1 and 14 years.

17. Equity

	December 2016 £000	December 2015 £000
Authorised		
205,917,000 ordinary shares of £1 each	205,917	205,917
Allotted, called up and fully paid share capital		
178,973,000 ordinary shares of £1 each	178,973	178,973
Retained earnings	275,030	260,287
Total equity	454,003	439,260

18. Retirement benefit obligations

The latest formal valuation of the Scheme has been updated to 31 December 2015 by a qualified independent actuary.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 2016 %	December 2015 %
Rate of increase in pensionable salaries	2.3	2.1
Rate of increase in pensions in payment (RPI subject to maximum of 5% p.a.)	3.2	3.0
Rate of increase in pensions in payment (RPI subject to maximum of 5% and minimum of 3% p.a.)	3.7	3.6
Discount rate applied to scheme liabilities	2.8	3.9
Inflation assumption	3.3	3.1

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for the 12 months ended 31 December 2016

18. Retirement benefit obligations (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with S2 series tables adjusted by 115% with an allowance for future improvements based on Continuous Mortality Investigation 'CMI' 2015 projections with a long term future improvement rate of 1.0% per annum. Future improvements applied based on each individual's birth year. These assumptions translate into the following average life expectancies.

	December 2016 Years	December 2015 Years
Average future life expectancy for a current pensioner aged 65 in 2016		
- Male	20.8	20.8
- Female	22.8	22.7
Average future life expectancy for a non-pensioner aged 45 in 2016		
- Male	22.1	22.0
- Female	24.3	24.2

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The amounts recognised in the income statement and other comprehensive income in respect of the defined benefit pension scheme is as follows:

	December 2016 £000	December 2015 £000
Income statement		
Finance income		
Interest income on scheme assets	5,722	5,172
Finance expense		
Interest cost on defined benefit pension scheme liabilities	(5,837)	(5,608)
Amount charged to the income statement	(115)	(436)
	December 2016 £000	December 2015 £000
Other comprehensive income		
Experience (gain) / loss on pension scheme assets	(23,987)	1,696
Experience loss / (gain) on benefit obligation	392	-
Loss / (gain) on pension scheme liabilities due to change in financial assumptions	36,466	(7,318)
Loss / (gain) on pension scheme liabilities due to change in demographic assumptions	-	(368)
Actuarial Loss / gain recognised	12,871	(5,990)
The actual return on scheme assets was	29,709	3,476

The cumulative amount of actuarial losses before deferred tax recognised in the statement of recognised income and expense is £34,855,000 (December 2015: £21,984,000)

The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:

	December 2016 £000	December 2015 £000
Equities	84,486	69,307
Corporate bonds	34,187	29,407
Property	7,777	8,131
Diversified growth funds	11,196	10,511
Cash pending investment	1,329	407
Index linked gilts	36,340	30,050
Fair value of scheme assets	175,315	147,813
Present value of defined benefit obligation	(189,297)	(152,711)
Deficit in the scheme	(13,982)	(4,898)

Movements in the present value of the defined benefit obligation were as follows:

	December 2016 £000	December 2015 £000
Present value of defined benefit obligation at beginning of period	152,711	161,153
Interest cost	5,837	5,608
Actuarial losses / (gains) on benefit obligation	36,858	(7,686)
Benefits paid	(6,109)	(6,364)
Present value of defined benefit obligation at end of period	189,297	152,711

NOTES TO THE FINANCIAL STATEMENTS
for the 12 months ended 31 December 2016

18. Retirement benefit obligations (continued)

	December 2016 £000	December 2015 £000
Movements in the fair value of scheme assets were as follows:		
Fair value of scheme assets at beginning of period	147,813	146,799
Interest income on scheme assets	5,722	5,172
Return on assets in excess of interest income	23,987	(1,696)
Employer contributions	3,902	3,902
Benefits paid	(6,109)	(6,364)
Fair value of scheme assets at end of period	175,315	147,813

The history of experience adjustments is as follows:

	December 2016 £000	December 2015 £000
Present value of defined benefit obligation	(189,297)	(152,711)
Fair value of scheme assets	175,315	147,813
Deficit in the scheme	(13,982)	(4,898)
Experience adjustments on scheme liabilities	36,858	(7,686)
As a percentage of the present value of the defined benefit obligation	-19.47%	5.03%
Experience adjustments on scheme assets	23,987	(1,696)
As a percentage of the fair value of plan assets	13.68%	-1.15%

It is expected that contributions by the company to the scheme during the year ending 31 December 2017 will be £4,000,000.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	December 2016 £000	December 2015 £000
Increase of 0.25% in discount rate	(8,839)	(7,200)
Decrease of 0.25% in discount rate	9,496	7,700
Increase of 0.1% in inflation	2,141	2,100
Decrease of 0.1% in inflation	(2,365)	(2,100)
Increase of one year in life expectancy	6,202	5,200

19. Operating lease arrangements

The company leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 20 years, and are renewable at the end of the lease period at market rate. The company also leases company car fleet and other vehicles under cancellable operating lease agreements. The lease expenditure charged to the income statement is disclosed at note 2.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 2016 £000	December 2015 £000
No later than one year	2,580	2,913
Later than 1 year and no later than 5 years	8,050	7,979
Later than 5 years	21,484	21,754
	32,114	32,646

A number of the leased buildings have been sublet to external tenants.

At the reporting date the total of future minimum sublease payments expected to be received under non-cancellable subleases was:

	December 2016 £000	December 2015 £000
No later than one year	322	137
Later than 1 year and no later than 5 years	1,049	467
Later than 5 years	-	-
	1,371	604

20. Contingent liabilities

The company has no material contingent liabilities at 31 December 2016 (31 December 2015: £nil).

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2016

21. Related parties

Group

The company's ultimate controlling party is Alliance Global Group, Inc. ("AGI"), a company incorporated in the Philippines, and the Philippine parent undertaking and controlling entity is Emperador Inc. ("EMP").

The ultimate UK parent undertaking and controlling entity is Emperador Holdings (GB) Limited. The immediate UK parent company with a controlling interest is Whyte and Mackay Group Limited.

Both AGI and EMP prepare consolidated financial statements, which include the results of Emperador Holdings (GB) Limited. The annual reports of AGI and EMP are available at the Philippines Stock Exchange website ("edge.sec.gov.ph") and respective websites ("allianceglobalinc.com" and "emperadorbrandy.com").

Related party relationships exist between the company, its subsidiaries, its immediate parent company and other subsidiaries in the Emperador group.

(a) Trading transactions

During the year the Group sold products to Emperador Distillers Inc, the trading subsidiary of EMP resident in the Philippines. The value of sales during the period was £452,000 (2015: £513,000) and is based on the price lists in force and terms available to third parties. The Group also purchased management services totalling £471,000 (2015: £108,000) from Emperador Asia PTE Limited in respect of support provided in the Asian region. The Group purchased cased products totalling £11,657,000 (2015: Nil) from Bodegas Fundador a trading subsidiary of Gruppo Emperador resident in Spain. The Group recharged strategic marketing costs and margin true-up costs totalling £2,052,000 (2015: Nil) to Bodegas Fundador.

(b) Balances arising from sale and purchase of goods and services

	December 2016 £000	December 2015 £000
Emperador Distillers Inc	301	227
Bodegas Fundador	1,242	-
Receivables from related parties:	1,543	227
Emperador Asia PTE Limited	115	108
Emperador International Limited	4,714	4,714
Bodegas Fundador	4,575	-
Payables to related parties:	9,404	4,822
All year-end trading and loan balances with related parties are disclosed in notes 12 and 15.		
Balance at end of period	204,814	193,478

(c) Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	December 2016 £000	December 2015 £000
Salaries and other short-term employee benefits	1,860	1,689
Post-employment benefits	106	124
Other long-term benefits	511	490
	2,477	2,303

22. Subsequent events

There were no material subsequent events.

23. Subsidiaries

The company's principal subsidiary companies are as follows:

Company	Country of incorporation	Description of shares held	% of issued share capital held	Trade
Whyte and Mackay Americas Limited *	USA	Ordinary	100%	Marketing services

* wholly owned subsidiary of Whyte and Mackay Limited