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Whyte and Mackay Limited

Directors' Report and Financial Statements

Year ended 31 December 2017

Registered number: SC014456

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COMPANIES HOUSE

Whyte and Mackay Limited
Directors' report and financial statements
Year ended 31 December 2017

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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 auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
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 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

Principal activities

During the year ended 31 December 2017, 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, Jura and Tamnavulin malt whiskies, Vladivar vodka, Glavya liqueur, Whyte and Mackay, Claymore and John Barr blended scotch whiskies and Shackleton, a blended malt whisky. 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

In 2017 the profit for the company increased with continued growth in our core brands. The Dalmore and 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 has increased by 16% on the prior year due as our core brands continue to grow both domestically and internationally. The operating profit of £14,660,000 (2016: £12,683,000) is after exceptional costs of £910,000 (2016: £599,000). The company's operating profit before exceptional costs was £15,570,000 in 2017 (2016: £13,282,000), with EBITA before exceptional costs (earnings before interest, tax, and amortisation) of £18,025,000 in 2017 (2016: £15,612,000). The company has returned a profit for the financial year of £30,033,000 (2016: £25,480,000)

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 increased by 17% through the continued growth in our core brands.

EBITA margin (%)

EBITA margin before exceptional items is broadly flat with last year at 13%.

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 2017 the historical cost of this stock amounted to £201,149,000 (2016: £180,825,000). 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 2017 (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 using a layered rolling program. Forwards and swaps are used to hedge 100% of forecast exposure out 12 months and 50% out 24 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 on a daily, monthly and annual basis 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 Treasury, Risk and Capital 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

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 (2016: £nil). The company made charitable donations of £15,000 during the year (2016: £15,000).

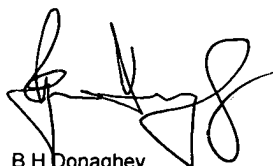
Whyte and Mackay Limited

Strategic report for the year ended 31 December 2017 (continued)

Going concern

As disclosed in these accounts the company has produced a profit for the financial year of £30,033,000 (2016: £25,480,000) and has net assets of £493,481,000 at 31 December 2017 (2016: £454,003,000). 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

19th September 2018

Whyte and Mackay Limited

Directors' report for the year ended 31 December 2017

The financial statements incorporating the results for the year ended 31 December 2017 are set out on pages 8 to 27. The directors do not recommend the payment of a dividend in 2017 (2016: £nil) with the profit for the financial year of £30,033,000 (2016: £25,480,000) 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.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' responsibilities statement

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 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

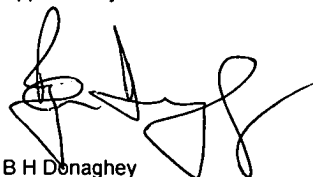
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- IFRSs as adopted by the European Union have been followed where applicable, subject to any material departures disclosed and explained in the financial 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.

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



B H Donaghey
Director
19th September 2018

Whyte and Mackay Limited

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

Opinion

We have audited the financial statements of Whyte & Mackay Limited (the 'company') for the year ended 31 December 2017 which comprise the income statement, the statement of other comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Whyte and Mackay Limited

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

Responsibilities of directors for the financial statements

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, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.



Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Glasgow
25th September 2018

Whyte and Mackay Limited
Income statement

	Notes	Year ended 31 December 2017 £ 000	Year ended 31 December 2016 £ 000
Revenue		186,923	169,818
Excise duties		(49,529)	(52,011)
Net revenue		137,394	117,807
Operating profit before exceptional items	2	15,570	13,282
Exceptional items	3	(910)	(599)
Operating profit		14,660	12,683
Finance income	6	22,699	20,701
Finance costs	6	(5,983)	(7,284)
Profit before income tax		31,376	26,100
Income tax expense	7	(1,343)	(620)
Profit for the period attributable to equity holders of the parent		30,033	25,480

Statement of other comprehensive income

	Notes	Year ended 31 December 2017 £ 000	Year ended 31 December 2016 £ 000
Profit for the period attributable to equity holders of the parent		30,033	25,480
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gains / (losses) on retirement benefits	18	11,379	(12,871)
Tax on items taken directly to equity	7	(1,934)	2,188
		9,445	(10,683)
Currency translation differences	17	-	(54)
Other comprehensive income / (expense) for the period, net of tax		9,445	(10,737)
Total comprehensive income for the period attributable to equity holders of the parent		39,478	14,743

The above results relate to continuing operations.

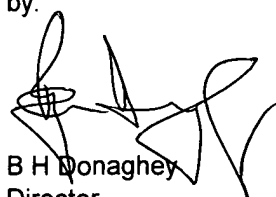
The accounting policies and notes set out on pages 12 to 27 form an integral part of these financial statements.

Whyte and Mackay Limited
Registered number: SC014456
Balance sheet

		31 December 2017 £000	31 December 2016 £000
	Notes		
Non-current assets			
Intangible assets	8	22,406	24,128
Property, plant and equipment	9	86,718	76,037
Available-for-sale financial assets	10	2,362	118
Retirement benefit assets	18	960	-
Deferred tax assets	7	1,222	4,499
		113,668	104,782
Current assets			
Inventories	11	212,860	192,098
Trade and other receivables	12	289,606	276,831
Derivative financial instruments	14	292	-
Cash and cash equivalents		3,135	10,485
		505,893	479,414
Total assets		619,561	584,196
Current liabilities			
Interest bearing loans and borrowings	13	(53,761)	(43,849)
Trade and other payables	15	(65,715)	(64,012)
Derivative financial instruments	14	-	(473)
Provisions for other liabilities	16	(588)	(969)
		(120,064)	(109,303)
Non-current liabilities			
Provisions for other liabilities	16	(6,016)	(6,908)
Retirement benefit obligations	18	-	(13,982)
		(6,016)	(20,890)
Total liabilities		(126,080)	(130,193)
Net assets		493,481	454,003
Equity			
Share capital	17	178,973	178,973
Retained earnings	17	314,508	275,030
Total equity		493,481	454,003

The accounting policies and notes set out on pages 12 to 27 form an integral part of these financial statements.

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



B H Donaghey
Director
19th September 2018

Whyte and Mackay Limited
Statement of changes in equity

	Share Capital £ 000	Retained Earnings £ 000	Total Equity £ 000
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
2017			
Balance as at 1 January 2017	178,973	275,030	454,003
Profit for the year	-	30,033	30,033
Other comprehensive income and expense	-	9,445	9,445
Balance as at 31 December 2017	178,973	314,508	493,481

Whyte and Mackay Limited
Statement of cash flows

	Notes	Year ended 31 December 2017 £ 000	Year ended 31 December 2016 £ 000
Cash flows from operating activities			
Profit for the year		30,033	25,480
Income tax expense	7	1,343	620
Finance income and expense	6	(16,716)	(13,417)
Depreciation, amortisation and impairment		5,171	5,187
(Increase) / decrease in trade and other receivables		(13,067)	(10,731)
Increase in inventories		(18,523)	(21,212)
Increase in trade and other payables		15,052	10,313
Net retirement benefit cost	18	(3,902)	(3,902)
Other non-cash movements		-	-
Net cash expended from operating activities		(609)	(7,662)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3	64
Purchases of property, plant and equipment	9	(15,637)	(16,668)
Purchases of intangible assets	8	(733)	(666)
Net cash outflow from investing activities		(16,367)	(17,270)
Cash flows from financing activities			
Proceeds from borrowings	13	9,500	29,000
Proceeds from loan from parent company		-	-
Loan repayments to parent company		(30)	(11)
Interest received		915	20
Interest paid		(759)	(935)
Net cash used in financing activities		9,626	28,074
Net (decrease) / increase in net cash and cash equivalents		(7,350)	3,142
Net cash and cash equivalents / (debt) at beginning of the period	14	10,485	7,343
Net cash and cash equivalents at end of the period		3,135	10,485
Cash and cash equivalents note to the financial statements:			
Cash and cash equivalents	14	3,135	10,485
Cash and cash equivalents in the cash flow statement		3,135	10,485

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 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) and in accordance with the Companies Act 2006.

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. The financial statements are presented in sterling.

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.

1. Significant accounting policies (continued)

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 2017, 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)

IFRS 9 - Financial Instruments

IFRS 9 - Financial instruments replaces IAS 39 (Financial Instruments - Recognition and measurement) and addresses the classification, measurement of financial instruments, introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

IFRS 9 is effective for the company as from 1 January 2018. The company considers that the new classification and measurement criteria will not have an impact on the primary statements of the company. With the exception of derivatives and the assets and liabilities of the defined benefit pension scheme, which are recorded at fair value, all financial assets and liabilities will be valued at amortised cost. All classes of financial assets and liabilities had, in accordance with IAS 39 and IFRS 9, the same carrying values as at 1 January 2018.

The new impairment model requires the recognition of allowances for doubtful debt based on expected credit losses (ECL), rather than only incurred credit losses as is the case under IAS 39. Given the high credit quality of the financial assets, the adoption of the expected loss approach is not expected to result in any material increase in the impairment loss.

IFRS 15 - Revenue from Contracts with Customers

The core principle of the new standard is that revenue is recognised when control of the goods or services are transferred to the customer and provides a five step model to be applied to all sales contracts. The new standard provides further guidance on the measurement of sales contracts which have discounts or rebates as well as the classification of expenses between revenue and cost of sales.

During the year the company carried out an initial review of the current revenue recognition criteria and classification of discounts and advertisement and promotional spend and their compliance with the new standard, considering the 5 key steps. The review to date has involved consideration of the recognition of promotional payments, and this has not identified any material additional items which should be classified as a revenue item under the new standard. The company will continue its detailed assessment of the 5 step model and this will be quantified and disclosed in the financial statements as at 31 December 2018.

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.

Whyte and Mackay Limited

1. Significant accounting policies (continued)

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 lease.

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.

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.

Whyte and Mackay Limited

1. Significant accounting policies (continued)

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 any).

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 rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 compensation.

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.

Whyte and Mackay Limited

1. Significant accounting policies (continued)

Employee benefits (continued)

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.

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.

Whyte and Mackay Limited

1. Significant accounting policies (continued)

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.

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 – comprising 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 2017

2. Profit from operations

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

	December 2017	December 2017	December 2017	December 2016	December 2016	December 2016
	Exceptional items		Total	Exceptional items		Total
	£000	£000	£000	£000	£000	£000
Revenue	186,923	-	186,923	169,818	-	169,818
Excise duties	(49,529)	-	(49,529)	(52,011)	-	(52,011)
Net revenue	137,394	-	137,394	117,807	-	117,807
Cost of sales	(107,632)	-	(107,632)	(91,938)	-	(91,938)
Gross profit	29,762	-	29,762	25,869	-	25,869
Distribution costs	(1,971)	-	(1,971)	(1,547)	-	(1,547)
Selling and administration expenses	(12,221)	(910)	(13,131)	(11,040)	(599)	(11,639)
Profit from operations before exceptional items	15,570	(910)	14,660	13,282	(599)	12,683
Exceptional items	(910)	910	-	(599)	599	-
Profit from operations	14,660	-	14,660	12,683	-	12,683

	December 2017	December 2016
	£000	£000
Profit from operations is stated after charging / (crediting)		
Exceptional items	910	599
Depreciation of property, plant and equipment - owned assets	2,717	2,858
Gain on disposal of property, plant and equipment	(3)	(35)
Amortisation of definite life acquisition intangibles	2,285	2,285
Amortisation of software intangibles	170	45
Cost of inventories recognised as an expense	75,202	68,568
Operating lease rental expense - buildings	1,522	2,072
Operating lease rental income - buildings	-	(91)
Operating lease rental expense - other	403	355
Trade receivables impairment	690	(417)
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	60	66
- All other services	2	-

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:

	2017 Total	2016 Total
	£000	£000
Redundancy	790	1,717
Onerous lease provision	(1,039)	(662)
Dilapidations	63	417
Route to market restructuring	980	(1,132)
Other restructuring	116	259
	910	599

Redundancy

Redundancy and other employee costs reflects various restructuring initiatives in 2017.

Onerous lease provision

This provision was set up in relation to leasehold properties in 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 cost / (provision release) 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 2017

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 2017	December 2016
By Activity	Number	Number
Sales, distribution and administration	173	160
Production	259	257
	432	417

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

	December 2017	December 2016
	£000	£000
Wages and salaries	20,692	18,141
Social security costs	2,298	2,034
Pension costs - defined contribution plans	2,315	2,155
	25,305	22,330

5. Directors emoluments

	December 2017	December 2016
	£000	£000
Aggregate emoluments	657	620
Highest paid director	657	620

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 2017	December 2016
	£000	£000
Finance income		
Interest receivable on cash and cash equivalents	1	20
Interest income on defined benefit pension scheme assets	4,885	5,722
Foreign exchange gains	537	-
Interest receivable on loans from related parties	15,597	14,959
Fair value gains on financial instruments at fair value through profit or loss	765	-
Other interest receivable	914	-
	22,699	20,701
Finance expense		
Interest payable on bank loans	(412)	(373)
Fair value losses on financial instruments at fair value through profit or loss	-	(512)
Provisions: unwinding of discount	(45)	(130)
Defined benefit scheme administration costs	(302)	(432)
Interest cost on defined benefit pension scheme liabilities	(5,224)	(5,837)
	(5,983)	(7,284)
Net finance income	16,716	13,417

7. Taxation

Taxation recognised in the income statement is as follows:

	December 2017	December 2016
	£000	£000
Deferred tax		
Origination and reversal of temporary differences	1,763	55
Adjustments in respect of prior years	(420)	426
Impact of change in UK tax rate	-	139
Total deferred tax	1,343	620
Income tax expense	1,343	620

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2017

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 2017 £000	December 2016 £000
Profit before tax	31,376	26,100
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	6,040	5,220
Tax effects:		
Expenses not deductible for tax purposes	425	427
Rate difference	(235)	-
Group relief	(4,467)	(5,592)
Remeasurement of deferred tax - change in the UK tax rate	-	139
Adjustment in respect of prior years deferred income tax	(420)	426
Income tax expense	1,343	620

The weighted average tax rate was 19.25% (2016: 20%). The decrease is caused by the impact of a reduction in the UK corporation tax rate from 20% to 19% on 1 April 2017.

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 £1,934,000 charge (2016: £2,188,000 credit) was recognised through other comprehensive income.

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

	December 2017 £000	December 2016 £000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	1,222	4,499

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

	December 2017 £000	December 2016 £000
Balance at beginning of period	4,499	2,932
Adjustment in respect of prior years deferred income tax	420	(426)
Remeasurement of deferred tax - change in the UK tax rate	-	(139)
Accelerated capital allowances and other short term timing differences	(1,763)	(56)
Tax (charge) / credit relating to components of other comprehensive income	(1,934)	2,188
Balance at end of period	1,222	4,499

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	Retirement benefit obligations	Other temporary differences	Total	Accelerated tax depreciation	Retirement benefit obligations	Other temporary differences	Total
	December 2017 £000	December 2017 £000	December 2017 £000	December 2017 £000	December 2016 £000	December 2016 £000	December 2016 £000	December 2016 £000
Net deferred tax asset / (liability) at beginning of period	2,999	2,377	(877)	4,499	2,684	882	(632)	2,934
Income statement	(402)	(606)	(335)	(1,343)	315	(693)	(245)	(623)
Statement of recognised income and expense	-	(1,934)	-	(1,934)	-	2,188	-	2,188
Net deferred tax asset / (liability) at end of period	2,597	(163)	(1,212)	1,222	2,999	2,377	(877)	4,499

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 £1,222,000 (December 2016: £4,499,000) 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 £5,535,000 (December 2016: £5,396,000) 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 2017**

8. Intangible assets

	Goodwill	Trademarks	Distribution rights	Computer software	Total intangible assets
Cost	£000	£000	£000	£000	£000
At 1 January 2017	297,168	36,119	29,346	1,535	364,168
Additions	-	-	-	733	733
Disposals	-	-	-	-	-
At 31 December 2017	297,168	36,119	29,346	2,268	364,901
Accumulated amortisation and impairment					
At 1 January 2017	297,168	34,471	8,189	212	340,040
Charge for the year	-	819	1,466	170	2,455
Disposals	-	-	-	-	-
At 31 December 2017	297,168	35,290	9,655	382	342,495
Net book value					
At 31 December 2016	-	1,648	21,157	1,323	24,128
At 31 December 2017	-	829	19,691	1,886	22,406

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 2017 ranges from 1 to 14 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 2017	50,927	92,572	3,052	146,551
Additions	1,910	13,291	436	15,637
Disposals	-	(1)	-	(1)
At 31 December 2017	52,837	105,862	3,488	162,187
Accumulated depreciation				
At 1 January 2017	13,526	55,456	1,532	70,514
Charge for the year	979	3,681	295	4,955
Disposals	-	-	-	-
At 31 December 2017	14,505	59,137	1,827	75,469
Net book value				
At 31 December 2016	37,401	37,116	1,520	76,037
At 31 December 2017	38,332	46,725	1,661	86,718

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 £4,257,000 (December 2016: £9,336,000).

The company does not hold any assets under finance lease.

10. Investments and available-for-sale financial assets

	December 2017	December 2016
	£000	£000
Investment in group undertakings	2,244	-
Non-current investments	118	118
	2,362	118

The directors believe that the carrying value of the investments is supported by their underlying net assets.

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 2017	December 2016
	£000	£000
Raw materials and consumables	3,501	2,564
Maturing whisky inventories	201,149	180,825
Finished goods	8,210	8,709
	212,860	192,098

NOTES TO THE FINANCIAL STATEMENTS
for the 12 months ended 31 December 2017

12. Trade and other receivables

	December 2017 £000	December 2016 £000
Trade receivables	60,466	54,757
Less: provision for impairment	(1,085)	(512)
	59,381	54,245
Amounts owed by immediate parent company and fellow subsidiary undertakings	216,768	204,814
Amounts owed by group undertakings	2,171	1,543
Amounts owed by subsidiary undertakings	-	3,299
Prepayments and accrued income	1,351	3,164
Other receivables	9,935	9,766
	289,606	276,831

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

	2017 £000	2016 £000
Balance at beginning of year	512	427
Income statement charge	690	(418)
Utilised	(117)	503
Balance at end of year	1,085	512

13. Interest bearing loans and borrowings

	December 2017 £000	December 2016 £000
Current		
Bank loans	53,761	43,849
Total interest bearing loans and borrowings	53,761	43,849

In 2016 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 2017 £000	Carrying Value December 2016 £000
Cash and cash equivalents	1	3,135	10,485
Cash and cash equivalents in the cash flow statement		3,135	10,485
Bank loans - current	2	(53,761)	(43,849)
Amounts due from related parties	1	218,939	209,656
Derivative financial instruments	3	292	(473)
Available-for-sale financial assets	4	118	118
Trade and other receivables excluding prepayments	1	69,316	64,011
Trade and other payables excluding non-financial liabilities	2	(65,715)	(64,012)
		172,324	175,936
Financial assets		291,800	283,797
Financial liabilities		(119,476)	(107,861)
		172,324	175,936

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 2017

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 2017 £000	December 2016 £000
Interest receivable on cash and cash equivalents	1	20
Fair value (losses) / gains on financial instruments at fair value through profit or loss	765	(512)
Interest payable on bank loans	(412)	(373)
Interest receivable on loans to related parties	15,597	14,959
	15,951	14,094

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	Bank loans	Related parties	Total	Trade and other payables	Bank loans	Related parties	Total
	December 2017 £000	December 2017 £000	December 2017 £000	December 2017 £000	December 2016 £000	December 2016 £000	December 2016 £000	December 2016 £000
Within one year	62,569	53,814	3,146	119,529	54,608	43,875	9,404	107,887
Contractual cash flows	62,569	53,814	3,146	119,529	54,608	43,875	9,404	107,887
Effect of interest	-	(53)	-	(53)	-	(26)	-	(26)
	62,569	53,761	3,146	119,476	54,608	43,849	9,404	107,861

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	Fixed rate	Total	Floating rate	Fixed rate	Total
	December 2017 £000	December 2017 £000	December 2017 £000	December 2016 £000	December 2016 £000	December 2016 £000
Financial liabilities						
Interest bearing loans and borrowings						
Current		53,761	-	53,761	43,849	-
Non-current		-	-	-	-	-
Sterling		53,761	-	53,761	43,849	-
Financial assets						
Cash and cash equivalents		3,135	-	3,135	10,485	-

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 £506,000 (2016: £334,000).

Credit risk

The ageing of trade receivables at the reporting date was:

	December 2017 Gross £000	December 2017 Impairment £000	December 2016 Gross £000	December 2016 Impairment £000
Not past due	49,768	-	45,068	-
Past due 1-30 days	7,214	24	4,802	-
Past due 31-60 days	1,577	89	3,231	-
Past due 61-90 days	(256)	3	863	79
Past due + 90 days	2,163	969	793	433
	60,466	1,085	54,757	512

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

	December 2017 £000	December 2016 £000
Sterling	55,280	51,286
Euro	979	1,009
US Dollar	2,312	1,599
Canadian Dollar	810	351
	59,381	54,245

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2017

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 2017 amounted to £292,092,000 (2016: £283,797,000).

15. Trade and other payables

	December 2017 £000	December 2016 £000
Current liabilities		
Trade payables	8,699	10,872
Social security and other taxes excluding income tax	2,840	2,757
Amounts owed to group undertakings	2,758	9,404
Amounts owed to subsidiary undertakings	388	-
Accrued expenses and deferred income	48,839	33,536
Other payables	2,191	7,443
	65,715	64,012

16. Provisions

	Onerous lease & dilapidation provision £000
At 1 January 2017	7,877
Recognised in the income statement	(976)
Utilised in the year	(297)
At 31 December 2017	6,604

	December 2017 £000	December 2016 £000
Analysis of total provisions		
Current liabilities	588	969
Non-current liabilities	6,016	6,908
Total provisions	6,604	7,877

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 2017 is between 1 and 13 years.

17. Equity

	December 2017 £000	December 2016 £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	314,508	275,030
Total equity	493,481	454,003

18. Retirement benefit obligations

The latest formal valuation of the Scheme has been updated to 31 December 2017 by a qualified independent actuary.

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

	December 2017 %	December 2016 %
Rate of increase in pensionable salaries	2.3	2.3
Rate of increase in pensions in payment (RPI subject to maximum of 5% p.a.)	3.1	3.2
Rate of increase in pensions in payment (RPI subject to maximum of 5% and minimum of 3% p.a.)	3.7	3.7
Discount rate applied to scheme liabilities	2.6	2.8
Inflation assumption	3.3	3.3

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2017

18. Retirement benefit obligations (continued)

Assumptions regarding future mortality are set based on actuarial advice in accordance with S2 series base tables adjusted by 115% with an allowance for future improvements based on Continuous Mortality Investigation 'CMI' 2016 projections with a 6.5 smoothing parameter and a long term improvement rate of 1% p.a. Future improvements applied are based on each individual's birth year. These assumptions translate into the following average life expectancies.

	December 2017 Years	December 2016 Years
Average future life expectancy for a current pensioner aged 65 in 2016		
- Male	20.2	20.8
- Female	22.0	22.8
Average future life expectancy for a non-pensioner aged 45 in 2016		
- Male	21.2	22.1
- Female	23.2	24.3

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 2017 £000	December 2016 £000
Income statement		
Finance income		
Interest income on scheme assets	4,885	5,722
Finance expense		
Interest cost on defined benefit pension scheme liabilities	(5,224)	(5,837)
Amount charged to the income statement	(339)	(155)
	December 2017 £000	December 2016 £000
Other comprehensive income		
Experience (gain) / loss on pension scheme assets	(11,432)	(23,987)
Experience (gain) / loss on benefit obligation	(66)	392
Loss on pension scheme liabilities due to change in financial assumptions	5,095	36,466
(Gain) / loss on pension scheme liabilities due to change in demographic assumptions	(4,976)	-
Actuarial (gain) / loss recognised	(11,379)	12,871
The actual return on scheme assets was	16,317	29,709

The cumulative amount of actuarial losses before deferred tax recognised in the statement of recognised income and expense is £23,476,000 (December 2016: £34,855,000)

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

	December 2017 £000	December 2016 £000
Equities	85,968	84,486
Corporate bonds	36,047	34,187
Property	8,380	7,777
Diversified growth funds	11,999	11,196
Cash pending investment	802	1,329
Index linked gilts	44,228	36,340
Fair value of scheme assets	187,424	175,315
Present value of defined benefit obligation	(186,464)	(189,297)
Surplus / (deficit) in the scheme	960	(13,982)

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

	December 2017 £000	December 2016 £000
Present value of defined benefit obligation at beginning of period	189,297	152,711
Interest cost	5,224	5,837
Actuarial losses / (gains) on benefit obligation	53	36,858
Benefits paid	(8,110)	(6,109)
Present value of defined benefit obligation at end of period	186,464	189,297

NOTES TO THE FINANCIAL STATEMENTS
for the 12 months ended 31 December 2017

18. Retirement benefit obligations (continued)

	December 2017 £000	December 2016 £000
Movements in the fair value of scheme assets were as follows:		
Fair value of scheme assets at beginning of period	175,315	147,813
Interest income on scheme assets	4,885	5,722
Return on assets in excess of interest income	11,432	23,987
Employer contributions	3,902	3,902
Benefits paid	(8,110)	(6,109)
Fair value of scheme assets at end of period	187,424	175,315

The history of experience adjustments is as follows:

	December 2017 £000	December 2016 £000
Present value of defined benefit obligation	(186,464)	(189,297)
Fair value of scheme assets	187,424	175,315
Deficit in the scheme	960	(13,982)
Experience adjustments on scheme liabilities	53	36,858
As a percentage of the present value of the defined benefit obligation	-0.03%	-19.47%
Experience adjustments on scheme assets	11,432	23,987
As a percentage of the fair value of plan assets	6.10%	13.68%

It is expected that contributions by the company to the scheme during the year ending 31 December 2018 will be £4,000,000.

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

	December 2017 £000	December 2016 £000
Increase of 0.25% in discount rate	8,543	(8,839)
Decrease of 0.25% in discount rate	(9,169)	9,496
Increase of 0.1% in inflation	(2,057)	2,141
Decrease of 0.1% in inflation	2,022	(2,365)
Increase of one year in life expectancy	(6,298)	6,202

19. Operating lease arrangements

The company leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 19 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 2017 £000	December 2016 £000
No later than one year	2,447	2,580
Later than 1 year and no later than 5 years	8,241	8,050
Later than 5 years	19,106	21,484
	29,794	32,114

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 2017 £000	December 2016 £000
No later than one year	367	322
Later than 1 year and no later than 5 years	1,080	1,049
	1,447	1,371

20. Contingent liabilities

The company has no material contingent liabilities at 31 December 2017 (31 December 2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS for the 12 months ended 31 December 2017

21. Related parties

Group

The Group'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 Emperador UK Limited.

Both AGI and EMP prepare consolidated financial statements, which include the results of Emperador Holdings (GB) Ltd. The annual reports of AGI and EMP are available at the Philippines Stock Exchange website ("edge.pse.com.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 £798,298 (2016: £452,000) and is based on the price lists in force and terms available to third parties. The Group also purchased management services totalling £637,108 (2016: £471,000) from Emperador Asia PTE Limited in respect of support provided in the Asian region. The Group sold cased products totalling £7,337 (2016: £Nil) to Emperador Asia PTE Limited. The Group purchased cased products totalling £12,054,324 (2016: £11,657,000) from Bodegas Fundador a trading subsidiary of Gruppo Emperador resident in Spain. The Group recharged strategic marketing costs and margin true-up costs totalling £4,061,150 (2016: £2,052,000) to Bodegas Fundador.

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

	December 2017 £000	December 2016 £000
Emperador Distillers Inc	335	301
Emperador Asia PTE Limited	7	-
Bodegas Fundador	1,829	1,242
Receivables from related parties:	2,171	1,543
Emperador Asia PTE Limited	369	115
Emperador International Limited	-	4,714
Bodegas Fundador	2,389	4,575
Payables to related parties:	2,758	9,404
All year-end trading and loan balances with related parties are disclosed in notes 12 and 15.		
Balance at end of period	216,380	208,113

(c) Key management compensation

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

	December 2017 £000	December 2016 £000
Salaries and other short-term employee benefits	2,058	1,860
Post-employment benefits	92	106
Other long-term benefits	570	511
	2,720	2,477

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