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Whyte and Mackay Group Limited

Directors' report and financial statements

for the year ended 31 March 2013

Registered number: SC221954

Whyte and Mackay Group Limited

Directors' report and financial statements for the year ended 31 March 2013

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Directors and advisers

Directors
V Mallya – Chairman and Chief Executive
A K R Nedungadi
P A Murali
S Menon
S K Khanna
V K Rekhi
J E Beard
A Capoor

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G2 5RG

Independent auditors
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Chartered Accountants and Statutory Auditors
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Directors' report for the year ended 31 March 2013

The directors present their report together with the audited consolidated financial statements of the Group and Company for the year ended 31 March 2013.

Principal activities

During the year ended 31 March 2013, the Group's principal activities were the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. Core brands include Whyte and Mackay, Dalmore, Isle of Jura, Vladivar, Glayva, Claymore and John Barr.

Business review

The operating profit of £33,118,000 (2012: £23,190,000) is after exceptional charges of £1,876,000 (2012: £3,384,000) relating mainly to onerous lease provisions, property costs and certain restructuring initiatives. The Group's operating profit before exceptional costs was £34,994,000 in the year ended 31 March 2013 (2012: £26,574,000), with EBITDA before exceptional costs (earnings before interest, tax, depreciation and amortisation) of £44,759,000 (2012: £35,906,000). The increase in sales contributed to a higher profit for the financial year of £28,237,000 (2012: £19,682,000).

Directors

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

V Mallya
A K R Nedungadi
P A Murali
S Menon
S K Khanna
V K Rekhi
J E Beard
A Capoor

Going concern

As disclosed in these accounts the Group has produced a profit for the financial year of £28,237,000 (2012: £19,682,000) and has net assets of £130,590,000 at 31 March 2013 (2012: £108,282,000). Based on the current trading projections and intercompany funding which is available to the Group the directors consider that it is appropriate for the accounts to be prepared on a going concern basis.

Directors' report for the year ended 31 March 2013 (continued)

Strategy

The Group's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value.

Strategic growth will be brands led but will be supported by private label business and certain contract bulk sales.

Research and development

The Group 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. There are no material research and development costs in the current or previous year.

Results and dividends

The consolidated financial statements incorporating the results for the year ended 31 March 2013 are set out on pages 10 to 39. The Directors do not recommend the payment of a dividend (2012: £nil) with the profit for the financial year of £28,237,000 (2012: £19,682,000) being added to reserves.

Principal risks and uncertainties

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

Competition

Whyte and Mackay faces competition from several 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 ongoing basis and take steps to safeguard the overall competitive position.

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, in future years Whyte and Mackay may not be able to increase its selling prices to completely offset these increased costs without possibly suffering reduced volume, turnover and operating profit. The Group mitigates this risk through effective supplier selection, procurement practices and effective monitoring of the commodity markets supplemented by making appropriate price increases wherever possible.

Directors' report for the year ended 31 March 2013 (continued)

Inventory risk

Whyte and Mackay has a substantial inventory of aged stocks which mature over periods of up to 60 years. As at 31 March 2013 the historical cost of this stock amounted to £110,111,000 (31 March 2012: £122,371,000). 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 and consequently consumer demand for these products would not be met, and turnover and profitability would be adversely affected. This risk is mitigated by ensuring appropriate insurance coverage is in place.

Financial risk management

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

The principal financial risks to which the Group is exposed are those of liquidity and credit. Each of these are managed in accordance with accounting policies which are set out below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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.

Credit risk

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

Concentrations of credit risk with respect to trade debtors are limited at the year end due to the Group's customer base being large and unrelated. There were no significant concentrations on 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 normal provision for doubtful receivables.

The carrying amount of financial assets, which includes trade debtors net of impairment losses, derivative financial instruments and cash represents the Group's maximum exposure to credit risk.

Key performance indicators ("KPI's")
Performance indicators that have been established to effectively track strategic initiatives are as laid out below:

	2013	2012	Definition
EBITDA margin (%)	20%	19%	EBITDA margin is the ratio of EBITDA pre-exceptional costs to net sales (after deducting duty) expressed as a percentage.
Return on stock (%)	37%	26%	Return on stock is calculated as the ratio of EBITDA pre-exceptional costs to total stock balances.

KPI analysis

EBITDA margin (%)
The EBITDA margin % change reflects a change in the mix of business year on year and continued growth in our premium brands business.

Return on stock (%)
The return on stock ratio has increased as a consequence of higher sales. The quality of future earnings is expected to improve as higher margins are realised from the sale of branded goods.

Environmental policy
The Group 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 Group 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 Group. Every effort is made to continue the employment of persons who become disabled whilst in the Group's employment.

Directors' report for the year ended 31 March 2013 (continued)

Employees (continued)

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

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

Political and charitable donations

During the year the Group gave no donation to any political organisation (2012: nil). The Group gave a donation of £15,000 to the Outward Bound Trust for charitable purposes during the year (2012: £15,000).

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 Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit and loss of the company for the financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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;
- 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 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.

Whyte and Mackay Group Limited

Directors' report for the year ended 31 March 2013 (continued)

The directors confirm that:

- In so far as the directors are 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 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.

On behalf of the board

P A Murali
Director
13 May 2013

Whyte and Mackay Group Limited

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

We have audited the financial statements of Whyte and Mackay Group Limited for the year ended 31 March 2013 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 6, 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent auditors' report to the members of Whyte and Mackay Group Limited (continued)

- the parent company 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.

Grant Thornton UK LLP

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Glasgow
13 May 2013

Whyte and Mackay Group Limited

Consolidated profit and loss account for the year ended 31 March 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Group Turnover	1		**277,065**		229,766
Cost of sales			**(221,149)**		(186,125)
Gross profit			**55,916**		43,641
Distribution costs			**(3,527)**		(2,771)
Administrative expenses - ordinary		**(17,395)**		(14,296)	
- exceptional items	2	**(1,876)**		(3,384)	
			(19,271)		(17,680)
Group Operating profit	3		**33,118**		23,190
Interest receivable and similar income			**30**		48
Interest payable and similar charges	6		**(3,301)**		(8,515)
Other finance (charges) / income			**(368)**		683
Profit on ordinary activities before taxation			**29,479**		15,406
Tax on profit on ordinary activities	8		**(1,242)**		4,276
Profit for the financial year	19		**28,237**		19,682

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The above results relate to continuing operations.

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

Whyte and Mackay Group Limited

Consolidated statement of total recognised gains and losses for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Profit for the financial year		**28,237**	19,682
Actuarial loss on defined benefit pension scheme	7	**(7,582)**	(10,357)
Tax on items taken directly to equity	17	**1,744**	2,486
Net exchange adjustments offset in reserves		**(91)**	27
Total recognised gains for the financial year		**22,308**	11,838

Whyte and Mackay Group Limited

Balance sheets as at 31 March 2013 (Registered number: SC221954)

	Note	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Fixed assets					
Intangible assets	10	**47,569**	**-**	51,759	-
Tangible assets	11	**59,506**	**-**	60,907	-
Investments	12	**118**	**247,422**	121	247,422
		107,193	**247,422**	112,787	247,422
Current assets					
Stock	13	**121,358**	**-**	136,410	-
Debtors	14	**73,544**	**-**	74,757	-
Cash at bank and in hand		**4,467**	**-**	2,561	-
		199,369	**-**	213,728	-
Creditors: amounts falling due within one year	15	**(156,244)**	**(297,082)**	(202,486)	(293,781)
Net current assets / (liabilities)		**43,125**	**(297,082)**	11,242	(293,781)
Total assets less current liabilities		**150,318**	**(49,660)**	124,029	(46,359)
Creditors: amounts falling due after more than one year	16	**(135)**	**-**	(195)	-
Provisions for liabilities	17	**(9,819)**	**-**	(9,250)	-
Net assets / (liabilities) excluding pension deficit		**140,364**	**(49,660)**	114,584	(46,359)
Pension deficit	7	**(9,774)**	**-**	(6,302)	-
Net assets / (liabilities) including pension deficit		**130,590**	**(49,660)**	108,282	(46,359)
Capital and reserves					
Called up share capital	18	**46,003**	**46,003**	46,003	46,003
Share premium account	19	**16,312**	**16,312**	16,312	16,312
Profit and loss account	19	**68,275**	**(111,975)**	45,967	(108,674)
Total shareholders' funds / (deficit)	20	**130,590**	**(49,660)**	108,282	(46,359)

The consolidated financial statements on pages 10 to 39 were approved by the board of directors on 13 May 2013 and were signed on its behalf by:

P A Murali
Director

Whyte and Mackay Group Limited

Consolidated cash flow statement for the year ended 31 March 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash inflow from operating activities	21		**7,874**		173,445
Returns on investments and servicing of finance					
Interest received		**30**		48	
Interest paid		**(3,672)**		(7,428)	
Net cash outflow from returns on investment and servicing of finance			**(3,642)**		(7,380)
Taxation			**-**		(88)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(3,343)**		(7,239)	
Sale of tangible fixed assets		**1,017**		1,378	
Purchase of intangible fixed assets		**-**		(29,345)	
Net cash outflow for capital expenditure and financial investment			**(2,326)**		(35,206)
Net cash inflow before use of liquid resources and financing			**1,906**		130,771
Financing					
Repayment of borrowings		**-**		(139,570)	
Net cash outflow from financing			**-**		(139,570)
Increase / (decrease) in cash			**1,906**		(8,799)
Reconciliation to net cash / (debt)					
Net cash / (debt) at 1 April			**2,561**		(125,765)
Movement in borrowings			**-**		139,570
Other non-cash changes			**-**		(2,445)
Net cash at 31 March			**4,467**		2,561

Whyte and Mackay Group Limited

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will have adequate resources to continue in operational existence for the foreseeable future, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The accounting policies below have been applied consistently to all years presented in the consolidated financial statements. A summary of the more important Group accounting policies is set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). All subsidiary financial statements are made up to 31 March 2013. Intra-group sales and profits are eliminated fully on consolidation. Accounting policies have been applied consistently across the Group and all subsidiary companies.

Whyte and Mackay Group Limited has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has not reported transactions with fellow Group undertakings.

Turnover

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

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

Exceptional Items

Exceptional items are those that in management's judgement need to be disclosed by virtue of their size or incidence if the consolidated financial statements are to be properly understood.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of fixed assets includes the purchase price of the asset less any discounts plus installation costs. The cost of heritable buildings, plant and machinery, fixtures, motor vehicles, fittings and equipment is written off on a straight-line basis on a monthly basis. No depreciation is charged in the quarter in which an asset is acquired.

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

Heritable land and buildings	-	2% or over period of leases
Plant and machinery	-	5%, 6.67% or 10%
Vehicles, fittings and equipment	-	10%, 25% or 33.33%

Heritable land is not depreciated.

Assets in the course of construction are included at cost until construction is completed and the asset is available for use within the business. Until this time such assets are not depreciated. The requirement for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use.

Accounting policies (continued)

Intangible fixed assets
Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiary undertakings is capitalised and amortised on a straight-line basis over its economic useful life, subject to a maximum of 20 years.

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

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

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

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

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

Taxation
Current and deferred taxation is based on the profits for the period including all taxation liabilities accruing to the date of the consolidated financial statements.

In line with Financial Reporting Standard 19 'Deferred tax', deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Accounting policies (continued)

Foreign currencies

Transactions in currencies other than pounds 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 profit and loss account.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries which have currencies of operation other than sterling and any related loans are taken to reserves. Other exchange differences are taken to the profit and loss account

Pensions

The Group closed the Whyte and Mackay Defined Benefit Pension Scheme to future accrual on 1 April 2012, The scheme is valued once every three years by professionally qualified independent actuaries. In accordance with Financial Reporting Standard 17 'Retirement benefits', the full surplus or deficit of the pension scheme is recognised in the balance sheet of the Group. Contributions to the defined benefit scheme are determined in accordance with the recommendation of an independent actuary.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income and expenses. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions for restructuring are recognised for direct expenditure on business reorganisations where plans are sufficiently detailed and well advanced, the Group is committed to implementing such programmes, and where appropriate communication to those affected has been undertaken on or before the balance sheet date. These costs are not discounted.

Onerous lease provisions

When a leasehold property ceases to be used in the business or a commitment is entered into which would cause this to occur, provision is made to the extent that the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease. The provision is calculated by discounting cash flows on a pre-tax basis.

Accounting policies (continued)

Derivatives and financial instruments
Financial instruments, in particular interest rate swaps, are used to manage the financial risks arising from the business activities of the Group and the financing of those activities.

Interest rate swaps are used to hedge the Group's exposure to movements in interest rates. The interest payable or receivable on such swaps is accrued in the same way as interest arising on deposits or borrowings. Amounts receivable and payable under the interest rate swaps are recorded at the contractual rates and are not fair valued on the balance sheet.

Deferral of interest
All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding.

Notes to the consolidated financial statements for the year ended 31 March 2013

1. Turnover

By class of business
The Group's activities consist of a single business segment which is the production, marketing and distribution of Scotch whisky and other alcoholic beverages.

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

2. Exceptional items

The operating exceptional items are categorised as follows:

	2013	2012
Administrative expenses	Total £'000	Total £'000
Redundancy and other employee costs	**(49)**	624
Onerous lease provision	**1,442**	1,536
Dilapidations	**-**	138
Pension curtailment gain	**(900)**	-
Other restructuring costs	**1,383**	1,086
	1,876	3,384

Redundancy and other employee costs
Redundancy and other employee costs reflect previous year provisions released in respect of certain restructuring initiatives undertaken during that year related to improving operating efficiencies and re-aligning the business as a global branded company.

Onerous lease provision
The increase in the onerous lease provision reflects changes in assumptions relating to future sublet income expectations, the utilisation of previously vacant space and a reduction in rates relief available on vacant space.

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

Pension curtailment gains
Following closure to future accrual of the Company Defined Benefit Pension Scheme on 1 April 2012, the scheme is no longer required to fund a significant death in service spouses pension which results in a pension curtailment gain.

2. Exceptional items (continued)

Other restructuring costs

Other restructuring costs include costs incurred in the feasibility studies associated with certain restructuring initiatives, property related costs and advisory fees associated with registering our subsidiary Whyte and Mackay Americas Limited across various states.

3. Operating profit

	2013	2012
	£'000	£'000
Operating profit is stated after (crediting)/charging:		
Gain on sale of fixed assets	**(731)**	(564)
Amortisation of intangible fixed assets	**4,190**	3,945
Operating lease charges – plant and machinery	**294**	298
Operating lease charges – other	**3,355**	3,308
Depreciation of tangible fixed assets:		
- Owned by the Group	**5,575**	5,387
Exceptional costs (note 2)	**1,876**	3,384
Defined benefit scheme: (note 7)		
- Current service cost	**-**	608

The depreciation charge noted above is different from that shown in note 11 to these consolidated financial statements, as depreciation is added to the cost of stocks and is not released to the profit and loss account until the relevant stock is sold. The figure shown above represents the annual depreciation that is charged directly to the profit and loss account on fixed assets, together with depreciation released through cost of sales on the sale of stock.

3. Operating profit (continued)

Services provided by the Group's auditor and network firms

During the year the Group obtained the following services from the Group's auditor at costs as detailed below:

	2013	2012
	£'000	£'000
Audit services		
Fees payable to the company's auditor for the audit of the parent company and consolidated accounts	**80**	85
Non-Audit services		
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiaries, pursuant to legislation	**15**	15
- Other services relating to taxation	**49**	69
- All other services	**-**	65

4. Directors' emoluments

	2013	2012
	£'000	£'000
Aggregate emoluments	**535**	516

The amount of pension accrued to the directors at the end of the year was £7,000 (2012: £7,000) or alternatively a lump sum of £32,000 (2012: £31,000) and residual pension of £5,000 (2012: £5,000).

These amounts relate to the highest paid director.

Highest paid director	**2013**	2012
	£'000	£'000
Aggregate emoluments	**535**	516

Notes to the consolidated financial statements for the year ended 31 March 2013

5. Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year was as follows:

By activity	2013	2012
	Number	Number
Sales, distribution and administration	200	184
Production	304	312
	504	496

The parent company Whyte and Mackay Group Limited has no employees (2012: nil).

Staff costs for the above persons	2013	2012
	£'000	£'000
Wages and salaries	19,199	19,180
Social security costs	1,948	1,786
Other pension costs	1,831	-
Current service cost (note 7)	-	608
	22,978	21,574

6. Interest payable and similar charges

	2013	2012
	£'000	£'000
Interest payable on bank loans and overdraft	3,301	6,070
Amortisation of issue costs of bank loans	-	2,445
	3,301	8,515

Notes to the consolidated financial statements for the year ended 31 March 2013

7. Pension commitments

Defined benefit scheme

The Group operated and contributed to a defined benefit pension scheme during the year, under which assets are held in a separately administered fund. This scheme was closed to future accrual on 1 April 2012. The last independent actuarial valuation of the Scheme was carried out using the projected unit method of valuation with an effective date of 30 September 2009. At that date, the market value of the Scheme's assets was £103,155,000.

The latest formal valuation of the Scheme has been updated to 31 March 2013 by a qualified independent actuary. The major assumptions used at 31 March 2013 were:

	2013	2012
	% per annum	% per annum
Rate of increase in pensionable salaries	**2.0**	1.9
Rate of increase in pensions in payment (RPI subject to maximum of 5% p.a.)	**3.4**	3.3
Rate of increase in pensions in payment (RPI subject to max 5% and min 3% p.a.)	**3.7**	3.7
Discount rate	**4.4**	5.0
Return on assets	**5.3**	5.4
Inflation	**3.4**	3.3

The discount rate is determined by valuing sample pensioner and non-pensioner cashflows with different durations using a yield curve approach to calculate the single equivalent discount rate for each set of cashflows. The yield curve is based on the AA yield curve published by Merrill Lynch. This yield curve covers years 0 to 30. The AA yield curve is then projected forward from years 30 to 50 based on the development of a swaps curve over this period. From year 50 onwards, the Nelson-Siegel methodology is employed to project the AA yield curve. This assumes that any trends present in the long end of the yield curve continue beyond year 50.

7. Pension commitments (continued)

The base mortality assumptions follow the S1 series base tables adjusted by 115% with an allowance for future improvements in longevity based on medium cohort projection tables with a 1% per annum underpin applied based on each individuals year of birth.

The mortality assumptions used were as follows:

	2013 (years)	2012 (years)
Average future life expectancy for a current pensioner aged 65 in 2009		
Males	**19.7**	19.7
Females	**22.4**	22.4
Average future life expectancy for a non-pensioner aged 50 in 2009		
Males	**21.2**	21.2
Females	**23.8**	23.8

The assets and liabilities of the scheme, and expected return rates were:

	Long-term rate of return expected 2013	**2013**	Long-term rate of return expected 2012	2012
	%	**£'000**	%	£'000
Equities	**6.5**	**73,882**	6.7	61,578
Corporate Bonds	**4.1**	**27,540**	4.7	26,246
Government Bonds	**3.0**	**23,966**	3.2	22,353
Property	**4.0**	**6,488**	4.2	6,499
Cash pending investment	**0.5**	**530**	0.5	107
Total market value of assets		**132,406**		116,783
Present value of scheme liabilities		**(145,099)**		(125,075)
Deficit in scheme		**(12,693)**		(8,292)
Related deferred tax asset		**2,919**		1,990
Net pension deficit		**(9,774)**		(6,302)

7. Pension commitments (continued)

The estimated financial position under the requirements of Financial Reporting Standard 17 'Retirement benefits' showed an increase in the net deficit from £6,302,000 at the beginning of the year to £9,774,000 at 31 March 2013.

Following closure of the pension scheme to future accrual on 1 April 2012, the company is no longer required to pay ordinary contributions to the scheme.

The Group continues to pay additional contributions of £2,000,000 each year until 2014 then £2,250,000 in 2015 and each subsequent with a final payment in 2027 to make good the funding shortfall revealed at the last actuarial valuation.

Analysis of amounts charged to operating profit:

	2013	2012
	£'000	£'000
Current service cost	-	608
Gains on curtailments	(900)	-
Total operating (income) / expense	**(900)**	608

Analysis of amounts charged / (credited) to other finance charges:

	2013	2012
	£'000	£'000
Expected return on pension scheme assets	(6,314)	(7,052)
Interest on pension scheme liabilities	6,130	6,369
Net pension interest income	**(184)**	(683)
Total amounts credited to profit and loss account	**(1,084)**	(75)

7. Pension commitments (continued)

Reconciliation of present value of scheme liabilities:

	2013 £'000	2012 £'000
Opening defined benefit obligation	**125,075**	114,569
Current service cost	**-**	608
Interest cost	**6,130**	6,369
Contributions by plan participants	**-**	152
Actuarial losses	**19,728**	7,872
Gains on curtailments	**(900)**	
Benefits paid	**(4,934)**	(4,495)
Closing defined benefit obligation	**145,099**	125,075

Reconciliation of fair value of plan assets:

	2013 £'000	2012 £'000
Opening fair value of scheme assets	**116,783**	113,563
Expected return on scheme assets	**6,314**	7,052
Contributions by scheme participants	**13**	152
Contributions by the employer	**2,085**	2,996
Actual return on assets less expected return on assets	**12,145**	(2,485)
Benefits and expenses paid	**(4,934)**	(4,495)
Closing fair value of scheme assets	**132,406**	116,783

Scheme assets do not include any of Whyte and Mackay Group Limited's own financial instruments, or any property occupied by Whyte and Mackay Group Limited.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experience in the respective markets.

The actual returns on pension scheme assets are as follows:

	2013 £'000	2012 £'000
Actual gain on pension scheme assets	**18,459**	4,567

Notes to the consolidated financial statements for the year ended 31 March 2013

7. Pension commitments (continued)

Amounts for current and previous four years:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligation:	**(145,099)**	(125,075)	(114,569)	(120,707)	(96,029)
Scheme assets:	**132,406**	116,783	113,563	107,412	83,722
Deficit	**(12,693)**	(8,292)	(1,006)	(13,295)	(12,307)
Experience adjustments on Scheme assets:	**12,145**	(2,485)	660	20,551	(27,287)
Experience adjustments on Scheme liabilities:	**(3,979)**	184	(716)	1,265	(190)
Total actuarial (losses) / gains recognised in STRGL	**(7,582)**	(10,357)	9,550	(7,566)	(22,067)

Actuarial gains and losses

The cumulative actuarial loss recognised in the STRGL since the adoption of Financial Reporting Standard 17 'Retirement benefits' is £23,642,000.

8. Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
Current tax		
Adjustment to UK corporation tax in respect of previous years	-	(1,682)
Total current tax	-	(1,682)
Deferred tax		
Origination and reversal of timing differences		
- Accelerated capital allowances and other timing differences	**1,225**	(241)
- Adjustments in respect of previous years	**(56)**	(2,267)
- Effect of rate change	**73**	(86)
Total deferred tax (note 17)	**1,242**	(2,594)
Tax on profit on ordinary activities	**1,242**	(4,276)

Deferred tax is calculated at the tax rate of 23% (2012:24%)

In arriving at the tax charge for the period, no provision has been made for deferred taxation on revaluation gains on land and buildings to its market value in previous years in the principal operating subsidiary, Whyte and Mackay Limited, and on property fair value adjustments arising on the acquisition of Whyte and Mackay Limited by Whyte and Whyte and Mackay Group Limited. Such tax would only become payable if the property was sold without it being possible to claim rollover relief. The total amount un-provided is £1,693,000 (31 March 2012: £1,820,000). At present it is not envisaged that any such tax will become payable in the foreseeable future.

Deferred tax liabilities have not been discounted.

8. Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower than (2012: lower than) the standard effective rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (2012: 26%). The differences are explained below:

	2013	2012
	£'000	£'000
Profit on ordinary activities before taxation	**29,479**	15,406
Profit on ordinary activities multiplied by standard rate in the UK 24% (2012: 26%)	**7,075**	4,005
Effects of:		
Expenses not deductible for tax purposes	**1,229**	1,026
Accelerated capital allowances and other timing differences	**(1,277)**	262
Adjustments to UK corporation tax in respect of previous years		(1,682)
Group relief not paid for	**(4,743)**	(4,158)
Utilisation of losses	**(41)**	386
Imputed interest	**(2,243)**	(1,521)
Current tax (credit) / charge for the year	**-**	(1,682)

9. Parent company loss for the year ended 31 March 2013

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these consolidated financial statements. The Company's loss for the financial year was £3,301,000 (2012: £8,470,000 loss).

Notes to the consolidated financial statements for the year ended 31 March 2013

10. Intangible fixed assets

Group	Total
Trademarks and distribution rights	**£'000**
Cost	
At 1 April 2012	**81,562**
Additions	**-**
At 31 March 2013	**81,562**
Accumulated amortisation	
At 1 April 2012	**29,803**
Charge for the year	**4,190**
At 31 March 2013	**33,993**
Net book value	
At 31 March 2013	**47,569**
At 31 March 2012	**51,759**

The acquired trademarks and distribution rights are amortised over a period of between 17 and 20 years, being the period that the directors consider to be the most appropriate in reflecting the existing useful lives of the brands.

The Company did not hold intangible fixed assets during the year.

11. Tangible fixed assets

Group	Heritable land and buildings £'000	Plant and machinery £'000	Vehicles, fittings and equipment £'000	Total £'000
Cost				
At 1 April 2012	40,057	42,906	3,486	86,449
Additions	1,463	1,601	279	3,343
Disposals	-	(446)	(9)	(455)
At 31 March 2013	**41,520**	**44,061**	**3,756**	**89,337**
Accumulated depreciation				
At 1 April 2012	6,558	16,560	2,424	25,542
Charge for the year	883	3,268	307	4,458
Disposals	-	(160)	(9)	(169)
At 31 March 2013	**7,441**	**19,668**	**2,722**	**29,831**
Net book value				
At 31 March 2013	**34,079**	**24,393**	**1,034**	**59,506**
At 31 March 2012	**33,499**	**26,346**	**1,062**	**60,907**

The Group and Company do not hold any assets under finance lease.

In accordance with the Group's accounting policy, no depreciation has been provided on land values of £2,805,000 (2012: £2,805,000). The Company did not hold tangible fixed assets during the year.

12. Fixed asset investments

Interest in Group undertakings

Company (cost)	**2013 £'000**	2012 £'000
At 1 April and 31 March	**247,422**	**247,422**

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

Whyte and Mackay Group Limited

Notes to the consolidated financial statements for the year ended 31 March 2013

12. Fixed asset investments (continued)

Interest in Group undertakings

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A full listing is included in the consolidated financial statements of United Spirits Limited. The principal subsidiary undertakings of the Company at 31 March 2013, all of which are included in the consolidation were:

	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by Company
Whyte and Mackay Limited	Scotland	Ordinary	100%
Whyte and Mackay Warehousing Limited	Scotland	Ordinary	100%
KI Trustees Limited	Scotland	Ordinary	100%
Whyte and Mackay Holdings Limited	Scotland	Ordinary	100%
Whyte and Mackay Property Limited*	Scotland	Ordinary	100%
Whyte and Mackay Americas Limited*	USA	Ordinary	100%
Whyte and Mackay Singapore PTE Limited*	Singapore	Ordinary	100%

** This Company is a 100% subsidiary of Whyte and Mackay Limited*

Whyte & Mackay Limited's principal activity is the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks.

Whyte and Mackay Americas Limited is the importer of the Group brands in the US.

Whyte and Mackay Singapore PTE Limited is the importer of the groups brands into Emerging Markets of Asia and Africa.

Whyte & Mackay Warehousing Limited's principal activity is the warehousing and blending of bulk whisky for Whyte & Mackay Limited and third party customers.

KI Trustees Limited, Whyte and Mackay Holdings Limited and Whyte and Mackay Property Limited are all dormant companies.

Other investments Group (cost)	**2013** **£'000**	2012 £'000
At 1 April	**121**	171
Written Off	**(3)**	(50)
At 31 March	**118**	121

12. Fixed asset investments (continued)

Other investments include the holding of 14.0% of the £1 ordinary shares of The Scotch Whisky Heritage Centre Limited, an unlisted company registered in Scotland, the principal activity of which is the operation of a visitor attraction in Edinburgh.

During the year the company wrote off its investment in Prodico (Ecuador).

13. Stock

	2013 Group £'000	2012 Group £'000
Raw materials and consumables	**2,765**	2,490
Maturing whisky stocks	**110,111**	122,371
Finished goods	**8,482**	11,549
	121,358	136,410

The Company did not hold any stock during the year.

14. Debtors

	2013 Group £'000	**2013 Company £'000**	2012 Group £'000	2012 Company £'000
Amounts falling due within one year:				
Trade debtors	**56,145**	-	48,489	-
Amounts owed by ultimate parent company	**408**	-	17,432	-
Amounts owed by group undertakings	**4,425**	-	1,676	-
Other debtors	**6,572**	-	433	-
Prepayments and accrued income	**5,994**	-	6,727	-
	73,544	-	74,757	-

Amounts owing from group undertakings are unsecured, interest free and have no fixed date of repayment.

15. Creditors: amounts falling due within one year

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Trade creditors	**18,431**	**-**	12,400	-
Amounts owed to ultimate parent company	**4,026**	**-**	2,042	-
Amounts owed to immediate parent company	**94,608**	**94,608**	145,011	145,011
Amounts owed to group undertakings	**4,455**	**-**	868	-
Amounts owed to subsidiary companies	**-**	**200,729**	-	147,206
Other taxes and social security	**269**	**-**	1,553	-
Other creditors	**5,803**	**1,745**	6,445	1,564
Accruals and deferred income	**28,652**	**-**	34,167	-
	156,244	**297,082**	202,486	293,781

Amounts owing to group undertakings are unsecured, interest free and have no fixed date of repayment.

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

	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
Deferred income	**135**	**-**	195	-
	135	**-**	195	-

Notes to the consolidated financial statements for the year ended 31 March 2013

17. Provisions for liabilities and charges

Group

	Onerous lease provisions £'000	Deferred taxation provision excluding deferred tax on pension liability £'000	Total £'000
At 1 April 2012	**8,953**	**297**	**9,250**
Charged in the year	1,442	427	1,869
Utilised in the year	(1,300)	-	(1,300)
At 31 March 2013	**9,095**	**724**	**9,819**

Onerous lease provisions
These provisions were set up in relation to leasehold properties in Glasgow and Edinburgh, which are vacant or sub-let 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 March 2013 is between 3 and 16 years.

Deferred taxation

Provision for deferred tax comprises:		
	2013 £'000	2012 £'000
Accelerated capital allowances	**(501)**	(1,236)
Short-term timing differences	**1,225**	1,533
Deferred tax provision excluding that relating to pension deficit	**724**	297
Deferred tax on pensions (note 7)	**(2,919)**	(1,990)
Total deferred tax (asset) / liability including pension	**(2,195)**	(1,693)
Movements reconciliation		
Balance at 1 April	**(1,693)**	3,387
Deferred tax charge / (credit) to the profit and loss account (note 8)	**1,242**	(2,594)
Deferred tax credited to the consolidated statement of total recognised gains and losses	**(1,744)**	(2,486)
Balance at 31 March	**(2,195)**	(1,693)

The Company has no provisions for liabilities and charges.

Notes to the consolidated financial statements for the year ended 31 March 2013

17. Provisions for liabilities and charges (continued)

A number of changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation from 24% to 23% from 1 April 2013 was included in the Finance Act 2012 and the relevant deferred tax balances have been re-measured accordingly. The March 2013 UK Budget Statement announced further changes with a reduction to the main rate to 21% from 1 April 2014 and 20% from 1 April 2015. These further changes had not been substantively enacted at the balance sheet date, and therefore, are not included in these financial statements.

The effect of the changes expected to be enacted in the Finance Act 2013 would be to reduce the deferred tax asset recognised at the balance sheet date by £191,000. This £191,000 decrease in the deferred tax asset would reduce profit by £191,000. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 23% to 21% with effect from 1 April 2014.

The overall effect of the further change from 21% to 20%, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £96,000.

18. Called up share capital

Group and Company	**2013**	**2013**	2012	2012
	Number	**£**	Number	£
Authorised				
Ordinary shares of £0.01 each	**4,600,349,728**	**46,003,497**	4,600,349,728	46,003,497

Allotted and fully paid Ordinary	**Total £'000**
At 1 April 2012 and 31 March 2013	**46,003**
Number of shares	
At 1 April 2012 and 31 March 2013	**4,600,349,728**

19. Reserves

	Group	Group	Company	Company
	Share premium account £'000	Profit and loss account £'000	Share premium account £'000	Profit and loss account £'000
At 1 April 2012	**16,312**	**45,967**	16,312	(108,674)
Profit / (loss) for the financial year	-	**28,237**	-	(3,301)
Actuarial loss on defined benefit pension scheme	-	**(7,582)**	-	-
Tax on items taken directly to equity (note 17)	-	**1,744**	-	-
Net exchange adjustments offset in reserves	-	**(91)**	-	-
At 31 March 2013	**16,312**	**68,275**	16,312	(111,975)
Pension deficit	-	**12,693**	-	-
Profit and loss reserve excluding pension deficit	-	**80,968**	-	-

Net exchange adjustments relate to the translation of foreign subsidiaries which have currencies of operation other than sterling.

20. Reconciliation of movements in group shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	**28,237**	19,682
Actuarial loss on defined benefit pension scheme (note 7)	**(7,582)**	(10,357)
Tax on items taken directly to equity	**1,744**	2,486
Net exchange adjustments offset in reserves	**(91)**	27
Net change in shareholders' funds	**22,308**	11,838
Opening shareholders' funds	**108,282**	96,444
Closing shareholders' funds	**130,590**	108,282

21. Reconciliation of operating profit to net cash flow from operating activities

Continuing operations	2013 £'000	2012 £'000
Operating profit before exceptional items	**34,994**	26,574
Amortisation of intangible assets	**4,190**	3,945
Depreciation of fixed assets	**5,575**	5,387
Difference between pension charge and cash contributions	**(2,098)**	(2,388)
Profit on sale of fixed assets	**(731)**	(564)
Other non cash changes	**(91)**	26
Movement in stocks	**13,935**	(16,952)
Movement in debtors	**1,213**	819
Movement in creditors	**(46,476)**	158,866
Net cash inflow / (outflow) from continuing operations before exceptional items	**10,511**	175,713
Cash outflows relating to exceptional items	**(2,637)**	(2,268)
Net cash inflow / (outflow) from continuing operations	**7,874**	173,445

22. Financial commitments

	2013 £'000	2012 £'000
Contracts placed for future capital expenditure not provided in the consolidated financial statements	**-**	2,594

23. Operating lease commitments

At 31 March 2013, the Group had the following commitments under non-cancellable operating leases:

	2013		2012	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Annual commitments under non-cancellable operating leases expiring:				
Within one year	**131**	**330**	121	93
Within two to five years	**1,475**	**156**	1,475	584
After five years	**1,295**	**-**	1,295	-
	2,901	**486**	2,891	677

24. Contingent liabilities

In the opinion of the directors, the Group has no material contingent liabilities at 31 March 2013 (31 March 2012: nil).

25. Derivatives

The Group has hedged its exposure to interest rate fluctuations on borrowings by use of interest rate swaps. The objectives for the mix between fixed and floating rate borrowings is to reduce the impact of upward change in interest rates whilst enabling benefits to be enjoyed if interest rates fall. At 31 March 2013 the Group held one interest rate swap with the fair value of the interest rate swap being £1,849,977 (out of the money) (2012: £5,048,770 out of the money).

26. Ultimate controlling party and parent company

At 31 March 2013 the ultimate controlling party was United Spirits Limited, a company incorporated in India.

At 31 March 2013 the ultimate UK parent undertaking and controlling entity was USL Holdings (UK) Limited.

At 31 March 2013 the immediate parent company with a controlling interest is United Spirits (Great Britain) Limited.

United Spirits Limited is the only parent undertaking for which consolidated financial statements are prepared, which include the results of United Spirits (Great Britain) Limited. A copy of the consolidated financial statements may be obtained from the registered office UB Tower, 24 Vittal Mallya Road, Bangalore, 560 001, India.