

SC134248

William Grant & Sons Distillers Limited

Report and Financial Statements

31 December 2012

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#41

Directors

S David
M Doyle
S Hunt
M Lamont
R McGinness
B Thomson
W White

Auditors

Ernst & Young LLP
G1, 5 George Square,
Glasgow, G2 1DY.

Bankers

Royal Bank of Scotland
10 Gordon Street
GLASGOW
G1 3PL

Registered Office

The Glenfiddich Distillery
Dufftown
Banffshire
AB55 4DH

Directors' Report

Registered No: SC 134248

The directors present their report and financial statements for the year ended 31 December 2012.

Results and dividends

The profit for the year, after taxation, amounted to £59,992,000 (2011: £62,369,000). No dividends were approved and paid by the company during the year (2011 – £nil), leaving a profit of £59,992,000 to be taken to reserves (2011: £62,369,000).

Principal activities

The company's principal activity during the year was the distillation, blending, bottling, marketing and distribution of alcoholic beverages.

Review of the business

The last twelve months have again seen continued challenges in the global economy. Unpredictability and volatility have increased and consumer confidence, particularly in Europe, continues to remain low. Despite these wider economic circumstances the company has continued to invest behind its brands, production facilities and people.

The company continued to remain focused on developing its core brands. Due to severe price competition in the United Kingdom and France, volumes of Grant's Family Reserve were lower than those in the previous year, although value improved slightly. Glenfiddich volume was slightly lower than the previous year as part of a deliberate policy to place focus on improving the brand's premium positioning and thereby growing value ahead of volume.

In addition to investing behind the core brands, a significant investment has been made in replacing the group's Enterprise Resource Planning system with the UK operations being transitioned to the new system at the end of August. A significant amount of resource continues to be committed to ensuring that the anticipated benefits from this system are delivered.

Financials

The company's balance sheet position as at 31 December 2012 totalled net assets of £639.0m (2011: £581.9m) benefiting from capital investment and increased maturing stocks. Considerable effort continued to be placed on the management of working capital.

The cumulative profit on ordinary activities before taxation, excluding exceptional items, ended the year at £87.6m (2011: £103.6m).

Reported turnover increased by 1% to £672m.

Pension Schemes

In 2011 the group reached agreement with the Scheme Trustees to enter into an alternative security arrangement. This involved the group contributing monies to the scheme which was then used to buy warehouses from the company. In 2012 a further £12.3m was contributed to the scheme which was used to buy eight additional warehouses. These warehouses will continue to be used by the company who will pay rent to the scheme for doing so until 5 April 2027. After 5 April 2027 ownership of the warehouses will pass back to the company. This arrangement has no impact on the benefits provided under the scheme but provides increased security to the scheme.

Directors' Report (continued)

Review of the business (continued)

Operations

Within the production operations, volumes across all distilleries were higher than 2011. Operational efficiencies continued to improve, although this was offset by increased commodity pricing. Once again capital expenditure continued to focus on initiatives to improve efficiency, automate packaging and save energy.

Anti Bribery & Corruption

In response to the UK Bribery Act that came into force, this year the company has rolled out a new Anti Bribery and Corruption programme. Its purpose is to ensure that the company, and all third parties providing services to it, operate in compliance with this programme. It is important that the company sets the highest standards of integrity, probity and prudence and insists that all employees are fully compliant with this programme.

Industry

Although the recession's aftershocks continue to impact trade in many markets, 2012 marked a return to more normal trading conditions than those experienced in the last few years. Following a number of years of falling production levels across the industry, distilling volumes have increased with further substantial investment being made, or planned, in distilling capacity and warehousing. This new optimism for Scotch whisky is being driven by the future expected demand from emerging markets in Central & South America, North America, Asia and India.

The industry continues to come under increasing scrutiny from regulatory bodies and critics. Due to the introduction of widespread government austerity measures excise duty increases have been implemented in many markets, including the UK and France, which have resulted in growth rates that are lower than what would otherwise have been the case. Increased regulation and marketing restrictions have been announced in a number of markets.

Outlook

With economic uncertainty, particularly in Western Europe, appearing to continue, it is expected that 2013 will again be a challenging year. It is important that the group moves its historic geographical reliance away from Western Europe and puts itself in a position to be able to benefit from anticipated growth and optimism in other parts of the world.

Directors

The directors during the year were as follows:

S David	
M Doyle	
G Dron	Resigned 31 st July 2013
S Hunt	
M Lamont	Appointed 15 th April 2013
R McGinness	
D Strain	Resigned 30 th April 2013
B Thomson	Appointed 1 st March 2012
W White	

Directors' Report (continued)

Financial risk management

The company's policy does not permit trading in any financial instruments. The company's principal financial instruments consist of cash, short term deposits, borrowings and forward currency contracts, the main purpose of which is to provide finance for its normal trading operations and to reduce the impact of currency exchange rate movements on trading results.

The company has various other financial instruments such as trade debtors and creditors that arise directly from its trading operations.

The main risks arising from the company's financial instruments are interest rate risk and foreign currency risk. The company has clear policies for managing each of these risks, as summarised below.

Interest rate risk

The company holds cash balances on floating rate short-term deposit and maintains borrowings, where this is considered to be commercially appropriate. The company's policy is to monitor the level of these balances to ensure that funds are available as required; recognising that interest earnings will be subject to interest rate fluctuations.

Foreign currency risk

The company buys and sells goods and services denominated in currencies other than sterling. The company manages receipts and payments through the operation of other denominated currency bank accounts. As a result of the value of the company's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

The company seeks to mitigate its exposure to currency movements by working with the group's Treasury Committee to enter into forward currency contracts, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business. The forward contracts are entered into on the basis of regularly updated forecast information on the level of trading in each denominated currency. The company will seek to have an agreed proportion of its current year exposures matched to forward contracts, with lower percentages covered for the following year.

Future developments

The prospects for the company appear to be favourable as a result of the company's investment programme and the continuing development of personnel resources. Ongoing organisational developments and increased training are both helping in this respect.

Employee involvement

As a key part of the company's philosophy, great importance continues to be placed on involving all staff in the company's operations.

The company continues to keep staff informed and involved in the progress of the company through the Company Annual Review, Local Reviews and Team Briefs.

Directors' Report (continued)

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Business Review.

The company has sufficient financial resources together with long term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence of this and the support of the group, which is very well funded, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



M Lamont

Director

24th September 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

Independent auditors' report

to the shareholders of William Grant & Sons Distillers Limited

We have audited the financial statements of William Grant & Sons Distillers Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 18. 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 auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its 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.

Independent auditors' report

to the shareholders of William Grant & Sons Distillers Limited

Matters on which we are required to report by exception

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

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



James Douglas Nisbet (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Glasgow

24th September 2013

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	672,146	666,126
Cost of sales		(541,331)	(521,973)
Gross profit		130,815	144,153
Administration expenses		(44,871)	(41,260)
Distribution expenses		(6,556)	(4,719)
Operating profit	4	79,388	98,174
Investment Income		8,113	-
Exceptional items	5	(12,300)	(19,373)
Total Operating profit		75,201	78,801
Interest payable	6	(13,906)	(5,335)
Interest receivable	6	14,052	10,748
Profit on ordinary activities before taxation		75,347	84,214
Tax on profit on ordinary activities	7	(15,355)	(21,845)
Profit for the year after taxation		59,992	62,369

Statement of total recognised gains and losses

for the year ended 31 December 2012

	2012 £000	2011 £000
Profit for the financial year	59,992	62,369
Exchange difference on loans	(2,844)	(1,533)
Total recognised gains relating to the year	57,148	60,836

Balance sheet

at 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	8	163,616	146,484
Investments	9	73,502	51,761
		<u>237,118</u>	<u>198,245</u>
Current assets			
Stocks	10	297,365	271,037
Debtors	11	936,443	853,788
Cash at bank and in hand		50,787	18,840
		<u>1,284,595</u>	<u>1,143,665</u>
Creditors: amounts falling due within one year	12	(768,496)	(673,989)
Net current assets		<u>516,099</u>	<u>469,676</u>
Total assets less current liabilities		<u>753,217</u>	<u>667,921</u>
Creditors: amounts falling due after more than one year			
Bank loans	13	(4,000)	(8,000)
Obligations under finance leases	14	(92,984)	(63,043)
		<u>(96,984)</u>	<u>(71,043)</u>
Provision for liabilities and charges			
Deferred taxation	7	(17,215)	(15,008)
		<u>639,018</u>	<u>581,870</u>
Capital and reserves			
Called up share capital	15/16	80,000	80,000
Profit and loss account	16	559,018	501,870
Equity shareholders' funds		<u>639,018</u>	<u>581,870</u>

Approved on behalf of the Board



M Lamont
Director

24th September 2013

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Preparation of group financial statements

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 from preparing group financial statements, as it is a wholly owned subsidiary of a European Union parent which includes the company in its group financial statements.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off their cost in equal annual instalments over their expected useful lives, as follows:

Freehold buildings	-	25 to 50 years
Plant, vehicles and casks	-	5 to 20 years

Deferred government grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue at rates corresponding to those applied in depreciating the relevant assets.

Stocks

Stocks are stated at the lower of cost or net realisable value. Cost consists of the expenditure in purchasing or producing stock and bringing it to its present location and condition as follows:

Raw materials	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials, labour and attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price in the normal course of business, less all additional costs to completion and disposal.

Investments

Investments in subsidiary undertakings are held at cost net of provisions for impairment. Investments are considered for impairment where there are indicators that impairment may exist.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Deferred taxation (continued)

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences arising on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Leasing commitments

Assets held under finance leases are capitalised in the balance sheet and are depreciated over the shorter of their useful lives and the lease term. The interest element of the rental obligations is charged to profit and loss account over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Related party transactions

Related party transactions with group companies have not been disclosed in accordance with the exemption for subsidiary undertakings contained in Financial Reporting Standard 8 "Related Party Disclosures".

Cash flow statement

Under FRS1 Cash Flow Statements the company is exempt from the requirement to prepare a cash flow statement because it is a wholly owned subsidiary undertaking and consolidated financial statements which include the company are publicly available.

Retirement benefits

The company and other UK subsidiaries of William Grant & Sons Holdings Limited participate in a number of defined benefit pension plans. These plans are operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities and, in accordance with FRS 17, the company financial statements accounts for its contributions to the plans as if they are defined contribution plans.

Notes to the financial statements

at 31 December 2012

2. Turnover

Turnover represents the amounts derived from the provision of goods, which fall within the company's continuing ordinary activities, stated net of Duty and VAT.

An analysis of the turnover and net assets by class of business and geographical origin has not been disclosed. The directors are of the opinion that to disclose such information would be seriously prejudicial to the interests of the company.

All turnover arises from continuing operations.

3. Staff costs

	2012 £000	2011 £000
Wages and salaries	30,972	28,082
Social security costs	3,000	2,537
	<u>33,972</u>	<u>30,619</u>

The average weekly number of employees during the year was as follows:

	2012 No.	2011 No.
Administration	116	107
Production	627	585
Selling	75	69
	<u>818</u>	<u>761</u>

4. Operating profit

This is stated after charging/(crediting):

	2012 £000	2011 £000
Depreciation - owned assets	13,725	12,980
- leased assets	-	189
- taken to stock	(6,681)	(4,564)
- released from stock	2,855	2,905
	<u>2,855</u>	<u>2,905</u>

The remuneration of the auditors is analysed as follows:

	2012 £000	2011 £000
Audit of the financial statements	55	71

All audit fees have been met by the parent company, William Grant & Sons Limited.

All remuneration payments to directors were made by the parent company, William Grant & Sons Limited. There are no directors' emoluments paid in relation to qualifying services.

Notes to the financial statements

at 31 December 2012

5. Exceptional items

	2012 £000	2011 £000
Insurance claim	-	(473)
Disposal of tangible assets	(12,300)	(18,900)
	<u>(12,300)</u>	<u>(19,373)</u>

6. Interest

	2012 £000	2011 £000
<i>Payable:</i>		
On bank loans and overdrafts	(3,949)	(5,286)
Finance charges payable under finance leases	(9,957)	(49)
	<u>(13,906)</u>	<u>(5,335)</u>
<i>Receivable:</i>		
On short term deposits	3,080	2,886
On amounts due from group undertakings	10,972	7,853
Other	-	9
	<u>14,052</u>	<u>10,748</u>
Net interest receivable	<u>146</u>	<u>5,413</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2012 £000	2011 £000
<i>Current tax:</i>		
UK corporation tax	15,819	19,127
Tax overprovided in previous years	(2,671)	(715)
Total current tax (note 7(b))	<u>13,148</u>	<u>18,412</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	1,603	3,111
Tax underprovided in previous years	604	322
Deferred tax (note 7(c))	<u>2,207</u>	<u>3,433</u>
Tax on charge on ordinary activities	<u>15,355</u>	<u>21,845</u>

Notes to the financial statements

at 31 December 2012

7. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below:

	2012 £000	2011 £000
Profit on ordinary activities before tax	75,347	84,214
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	18,460	22,317
<i>Effects of:</i>		
Expenses not deductible for tax purposes	205	389
Depreciation on assets not qualifying for capital allowances	401	89
Accelerated capital allowances	(2,207)	(3,919)
Tax overprovided in previous years	(2,671)	(716)
UK to UK transfer pricing	272	252
Deferred tax rate change	(1,312)	-
Total current tax (note 7(a))	13,148	18,412

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2012 £000	2011 £000
Accelerated capital allowances	(12,253)	(10,934)
Other timing differences	(4,962)	(4,074)
Provision for deferred tax	(17,215)	(15,008)
		£000
At 1 January 2012		(15,008)
Deferred tax charge in profit and loss account (note 7(a))		(2,207)
At 31 December 2012		(17,215)

(d) Factors that may affect future tax charges

The Chancellor announced that the rate of Corporation Tax would fall to 20% by 1 April 2015. The reduction of the Corporation Tax rate from 26% to 24% will be effective from 1 April 2012; and to 23% effective from 1 April 2013 as included in the Finance Bill enacted on 17 July 2012. The reduction in the rate to 23% was enacted at the balance sheet date and therefore recognised in these financial statements.

Notes to the financial statements

at 31 December 2012

8. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant, vehicles and casks £000</i>	<i>Total £000</i>
<i>Cost:</i>			
At 1 January 2012	114,208	218,318	332,526
Additions	37,255	25,053	62,308
Transfers	10,084	(10,084)	-
Disposals	(31,200)	(170)	(31,370)
At 31 December 2012	130,347	233,117	363,464
<i>Depreciation:</i>			
At 1 January 2012	35,518	150,524	186,042
Provided during the year	2,699	11,026	13,725
Additions	-	196	196
Transfers	5,920	(5,920)	-
Disposals	-	(115)	(115)
At 31 December 2012	44,137	155,711	199,848
<i>Net book value:</i>			
At 31 December 2012	86,210	77,406	163,616
At 1 January 2012	78,690	67,794	146,484

Commitments for capital expenditure contracted but not provided amounted to £6,784,000 (2011: £4,481,000).

9. Investments

	<i>Unlisted £000</i>
<i>At cost, less amounts written off</i>	
At 1 January 2012	51,761
Additions	21,741
At 31 December 2012	73,502

Investments in the year represent the investment in a Scottish Limited Partnership for non cash funding of the pension liability.

Notes to the financial statements

at 31 December 2012

10. Stocks

	2012 £000	2011 £000
Raw materials	5,730	4,167
Work in progress	263,335	239,700
Finished goods	28,300	27,170
	<u>297,365</u>	<u>271,037</u>

11. Debtors

	2012 £000	2011 £000
Trade debtors	63,055	60,025
Other debtors and prepayments	69,398	61,898
Other taxes and social security	12,611	3,612
Amounts owed by parent company and fellow subsidiaries	791,379	728,253
	<u>936,443</u>	<u>853,788</u>

12. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank loans and overdrafts	264,520	272,906
Trade creditors	26,084	27,915
Corporation tax	16,282	17,873
Other taxes and social security costs	8,285	1,456
Other creditors and accruals	36,975	41,821
Amounts owed to parent company and fellow subsidiaries	406,350	305,517
Obligations under finance leases (note 14)	10,000	6,501
	<u>768,496</u>	<u>673,989</u>

13. Bank loans

	2012 £000	2011 £000
<i>Amounts falling due:</i>		
In one year or less	4,000	4,000
In more than one year but not more than two years	4,000	4,000
In more than two years but not more than five years	-	4,000
Included in creditors: amounts falling due after more than one year	4,000	8,000
	<u>8,000</u>	<u>12,000</u>

Notes to the financial statements

at 31 December 2012

14. Obligations under finance leases

	2012 £000	2011 £000
Amounts payable within one year (note 12)	10,000	6,501
In the second to fifth years inclusive	167,089	114,886
Less: finance charges allocated to future years	(74,105)	(51,844)
	<u>102,984</u>	<u>69,543</u>

Shown as:

	2012 £000	2011 £000
Current obligations	10,000	6,501
Non-current obligations	92,984	63,042
	<u>102,984</u>	<u>69,543</u>

15. Share capital

	2012 No	Authorised 2011 No	Allotted, called up and fully paid 2012 £000	2011 £000
Ordinary shares of £1 each	100,000,000	100,000,000	80,000	80,000

16. Share capital, movement on reserves and reconciliation of movement in shareholders' funds

	Called up share capital £000	Profit and loss account £000	Total equity shareholders' funds £000
At 1 January 2011	80,000	441,034	521,034
Profit for the year after taxation	-	62,369	62,369
Exchange difference on loans	-	(1,533)	(1,533)
Ordinary dividends	-	-	-
At 1 January 2012	80,000	501,870	581,870
Profit for the year after taxation	-	59,992	59,992
Exchange difference on loans	-	(2,844)	(2,844)
Ordinary dividends	-	-	-
At 31 December 2012	<u>80,000</u>	<u>559,018</u>	<u>639,018</u>

Notes to the financial statements

at 31 December 2012

17. Pension arrangements

The company participates in a number of defined benefit schemes operated by William Grant & Sons Limited in the UK. The schemes have a Financial Reporting Standard 17 deficit as at 31 December 2012. It is not possible to separately identify each subsidiary's share of the underlying assets and liabilities in the schemes and hence Financial Reporting Standard 17 allows the company to account for its contributions to the schemes as if it were a defined contribution scheme.

FRS 17 Retirement Benefits

The latest actuarial valuations of the UK schemes were made by an independent qualified actuary as at 5 April 2012 and are in the process of being finalised. The weighted averages of the major assumptions used by the actuaries were:

The weighted averages of the major assumptions used by the actuary were:

	2012 UK %	2011 UK %	2010 UK %	2009 UK %	2008 UK %
Rate of increase in salaries	3.00	3.70	4.00	4.50	3.80
Rate of increase in pensions in payment	2.90	2.90	3.10	3.30	2.60
Discount rate	4.50	4.70	5.30	5.70	5.80
Inflation	3.00	3.00	3.30	3.50	2.80

The 2012 triennial actuarial valuation exercise is in the process of being finalised. In 2011 the group reached agreement with the Scheme Trustees to enter into an alternative security arrangement. This involved the group contributing monies to the scheme which was then used to buy warehouses from the group. In 2012 a further £12.3m was contributed to the scheme which was used to buy eight additional warehouses. These warehouses will continue to be used by the group who will pay rent to the scheme for doing so until 5 April 2027. After 5 April 2027 ownership of the warehouses will pass back to the group. This arrangement has no impact on the benefits provided under the scheme but provides increased security to the scheme.

The assets and liabilities of the schemes and the weighted average expected rates of return at 31 December 2012 were:

	2012 % UK £000	2011 % UK £000	2010 % UK £000	2009 % UK £000	2008 % UK £000
Equities	5.2 74,494	5.3 68,308	6.7 74,576	7.0 65,225	6.4 48,221
Bonds	4.5 34,364	4.7 32,980	4.8 37,862	5.1 26,285	5.1 25,435
Property	5.2 9,450	5.3 8,805	6.7 2,295	7.0 5,841	7.0 5,782
Total market value of assets	118,308	110,093	114,733	97,351	79,438
Actuarial value of scheme liabilities	(168,988)	(162,953)	(147,026)	(141,932)	(110,022)
Pension liability before deferred tax	(50,680)	(52,860)	(32,293)	(44,581)	(30,584)
Related deferred tax asset	11,650	13,215	8,719	12,483	8,564
Net pension liability	(39,030)	(39,645)	(23,574)	(32,098)	(22,020)

Notes to the financial statements

at 31 December 2012

17. Pension arrangements (continued)

History of experience gains and losses:

	2012	2011	2010	2009	2008
	UK	UK	UK	UK	UK
	£000	£000	£000	£000	£000
<i>Difference between the actual and expected return on assets:</i>					
Value of assets	6,477	(8,683)	5,676	11,331	(20,205)
Percentage of assets	6%	8%	5%	12%	25%
<i>Experience gains/(loss) on liabilities:</i>					
Present value of liabilities	(1,420)	(1)	(1,440)	(4,250)	(1,700)
Percentage of the present value of liabilities	1%	0%	1%	3%	2%
<i>Actuarial gains/(losses) recognised in statement of recognised gains and losses:</i>					
Present value of liabilities	7,558	(17,004)	2,471	(14,782)	(10,784)
Percentage of the present value of liabilities	4%	10%	2%	10%	10%

18. Ultimate parent company

The company's immediate parent undertaking is William Grant & Sons Limited. William Grant & Sons Holdings Limited is the ultimate parent undertaking. Consequently the company is included in its group financial statements. The address from which copies of these group financial statements are available to the public is: The Registrar of Companies, Companies House, Fourth Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.