

Registered number: SC134248

WILLIAM GRANT & SONS DISTILLERS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

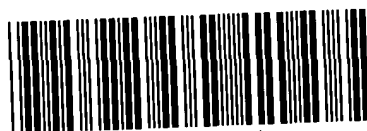
FOR THE YEAR ENDED 31 DECEMBER 2017

**COMPANIES HOUSE
EDINBURGH**

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WILLIAM GRANT & SONS DISTILLERS LIMITED

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WILLIAM GRANT & SONS DISTILLERS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Directors present their Strategic Report for the year ended 31 December 2017.

REVIEW OF THE BUSINESS AND FINANCIAL KEY PERFORMANCE INDICATORS

The Company's principal activity during the year continued to be the distillation, blending and bottling of alcoholic beverages.

The Company loss for the year after taxation amounted to £47,014,000 (2016 - profit £108,659,000). Reported turnover increased by 15% to £263,230,000. The loss for the current year is as a result of the restructure and write off of an intercompany loan. The Company's balance sheet position at 31 December 2017 showed net assets of £746,018,000 (2016 - £793,032,000) benefiting from capital investment, totalling £57,574,000. The Company's total cash position increased from a net overdraft of £72,567,000 at the end of 2016 to a net overdraft of £35,121,000 at the end of 2017.

Trading Environment

Global economic conditions resulted in 2017 being another challenging year in terms of geography and category. Political and other volatility continues to be a growing feature of the global economy and many of the markets in which the Company operates.

Persistent conflicts in many parts of the world, natural disasters, continuing terrorist attacks in Europe and political instability in Asia are just some of the events and trends that have contributed to an unpredictable macro environment. The resulting uncertainty, changes to economic variables such as exchange rates and commodity prices, and fluctuations in political security reduce consumer confidence and spending power. These trends have also driven intense competitor activity and ultimately affected consumer pricing behaviour.

Negotiations on the UK's exit from the European Union, a shift in US trade policy and a broader resurgence of economic nationalism create uncertainty for business. From a regional perspective, growth is being driven across North America, Asia, Europe and at a slower pace across Latin America. The overall trading environment has been extremely dynamic, considering uncertainty over global economic growth and tensions across the Middle East and Asia.

The Company continues to enjoy the improving trends for single malt whisky offset by a more challenging competitive blended scotch market. The current industry oversupply of blended whisky is impacting the business. The global market for super premium gin continues to grow.

Operations

Within the production operations, overall volumes at the Dufftown distilleries were higher than in the prior year, although volumes from Girvan were lower driven by the market oversupply of grain whisky. Overall, capital expenditure continued to focus on initiatives to improve efficiency, increase distilling and packaging capacity, automate packaging operations and increase warehousing capacity.

Industry

The market for beverage alcohol is highly diverse, with significant variations in culture and conditions between, and within, individual countries and regions. The market is broadly split between developed and emerging markets, but each individual market presents different consumer dynamics and a different outlook. Typically, developed market populations are ageing and growing more slowly than those in emerging markets. Overall, levels of disposable income are higher and consumers are often prepared to pay a premium for high quality brands with heritage and provenance. The industry sees consumption occasions as opportunities to promote our brands, and, within those brands, to encourage consumers to trade up to our premium portfolio. Opportunities in emerging markets are driven by growth in both population and wealth. Each country is different, and growth occurs at different price points depending on wealth and local conditions.

Economic and market conditions are improving, and the drivers of the premium spirits market are in alignment: demographic trends are positive, emerging economies continue to fuel the growth of middle classes who in turn seek out premium scotch whiskies.

WILLIAM GRANT & SONS DISTILLERS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

REVIEW OF THE BUSINESS AND FINANCIAL KEY PERFORMANCE INDICATORS (CONTINUED)

Outlook

The World Bank believes that a broad based cyclical global recovery is underway, aided by a rebound in investment and trade, against the backdrop of benign financing conditions, generally accommodating policies, improved confidence, and the dissipating impact of the prior commodity price collapse. Global growth is expected to be sustained over the next couple of years, and even accelerate somewhat in emerging market and developing economies thanks to a rebound in commodity exporters. Although near term growth could surprise on the upside, the global outlook is still subject to substantial downside risks, including the possibility of financial stress, increased protectionism, and rising geopolitical tensions. Particularly worrying are longer term risks and challenges associated with subdued productivity and potential growth. With output gaps closing or already closed in many countries, supporting aggregate demand with the use of cyclical policies is becoming less of a priority.

Growth in most emerging market and developing economic regions with large numbers of commodity exporters recovered in 2017, with the notable exceptions of the Middle East and North Africa, mainly due to continuing low levels of oil production. These regions are generally expected to see faster growth during the forecast horizon, as commodity prices rise and the impact of the earlier terms of trade shock diminishes. The robust pace of expansion in emerging markets and developing regions with a substantial number of commodity importers is expected to continue. Risks have become more balanced in some regions, but continue to tilt down when considered together.

Global GDP growth is estimated to have picked up from 2.4 percent in 2016 to 3 percent in 2017. The upturn is broad based, with growth increasing in more than half of the world's economies. In particular, the rebound in global investment growth, which accounted for three quarters of the acceleration in global GDP growth from 2016 to 2017, was supported by favourable financing costs, rising profits, and improved business sentiment across both advanced economies and emerging market and developing economies. This synchronous, investment led recovery is providing a substantial boost to global exports and imports in the near term. In advanced economies, growth in 2017 is estimated to have rebounded to 2.3 percent, driven by a pickup in capital spending, a turnaround in inventories, and strengthening external demand. While growth accelerated in all major economies, the improvement was markedly stronger than expected in the Euro Area.

Notwithstanding this broad outlook, the drinks industry remains an interesting market with good opportunities. Over the medium term, the industry is expected to grow overall in terms of volume and value driven by consumer fundamentals, including a rise in global incomes and a growing legal age population. In this context, the essentials for future growth remain on a par with 2017. The environment remains challenging but, overall, the outlook for the Company's brands remains positive.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties set out below are those which the Directors believe to have the greatest potential to impact the Company's ability to achieve its strategic objectives; or which have the greatest potential impact on the Company's solvency or liquidity.

Market Competition

The Company is part of the alcoholic beverage segment, where there is a high level of competition and a large number of operators. Its main competitors are large international groups involved in the current wave of mergers and acquisitions, which are operating aggressive strategies at global level. The Company's competitive position relative to the other global players, which often have greater financial resources and benefit from a more highly diversified portfolio of brands and geographic locations, means that its exposure to market competition risk is particularly significant.

WILLIAM GRANT & SONS DISTILLERS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Regulatory Compliance

Failure to comply with local laws and regulations could result in regulatory sanctions, reputational damage and/or financial loss. Activities relating to the alcoholic drinks industry (including production, distribution, export, import, sales and marketing) are governed by complex national and international legislation, often drafted with somewhat restrictive aims. The requirement to make the legislation governing the health of consumers, particularly young people, ever more stringent could in the future lead to the adoption of new laws and regulations aimed at discouraging or reducing the consumption of alcoholic drinks. Such measures could include restrictions on advertising or tax increases for certain product categories. Non compliance with local laws or regulations, or breach of our internal global policies and standards and/or significant internal control breakdown could cause severe damage to our corporate reputation, brand perception and liquidity. Any tightening of regulations in the main countries in which the Company operates could lead to a fall in demand for its products.

The Company has risk management processes in place to ensure that employees are aware of their responsibilities and applicable regulatory requirements. Formal training sessions are undertaken throughout the year. The Company proactively reviews, with external legal counsel, its principal regulatory compliance obligations and controls including, but not limited to, competition laws, liquor laws, environmental laws, compliance with EU and UN trade and political sanctions, and local statutory laws (e.g. health & safety). The Company has further improved its processes and controls to ensure, to every extent possible, that any perceived risks are mitigated. These activities are underpinned by a Code of Conduct, a Global-Anti Corruption Policy, and a Speak-Up Policy which apply to all its employees, agents, distributors, contractors and suppliers. Induction procedures include evidenced completion of an on-line training module and assessment which covers the Code and its supporting policies. The course, which is translated into all the main languages spoken across the Company, is also periodically refreshed and forms part of a rotational programme of training at all locations.

In addition, the Company continues to take its social responsibilities very seriously by going beyond meeting its legal obligations where the Company Values require this. Similarly, additional initiatives are also taken in relevant areas where legal requirements do not apply.

Major Operational Failure

A major supply chain failure could affect the supply of raw materials or equipment, the customer order process, or result in a loss of maturing stocks. Assets managed by the business include intangible brand assets, plant and equipment, people and technology. Disaster recovery, incident management plans and contingency measures are in place and tested periodically. Contingency bottling/blending options are refreshed and tested to ensure that operations can be maintained as far as possible in event of loss or impairment of its facilities.

Product Compliance and Safety

The Company is exposed to risks relating to its responsibility of ensuring that its products are safe for consumption. It has therefore put in place procedures to ensure that products manufactured in its plants are compliant and safe in terms of quality and hygiene, in accordance with the laws and regulations in force, and voluntary certification standards. In addition, the Company has defined a framework and procedures to be implemented if quality is unintentionally compromised, such as withdrawing products from the market.

Brand Protection

The Company invests considerable effort in proactively protecting its intellectual property rights. The Company has a clear brand protection policy with process aimed at addressing the principal exposures and risks likely to affect alcoholic beverage brands. The Company manages the principal components of brand protection: intellectual property management; authentication and security technologies for products and packaging; digital media, channel and communications monitoring; products and packaging compliance; commercial behaviours; and, brand security education, surveillance and enforcement.

WILLIAM GRANT & SONS DISTILLERS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

IT Risks

IT risks consist of data loss (both commercial and financial), the inability to operate effectively due to a technical fault, and system intrusion or hacking. The Company's operations are predicated on the extensive use of IT systems, and so they are exposed to the risk of failure of those systems and the network infrastructure used. The processes concerned could be significantly interrupted or sensitive data could be lost or corrupted if these systems were to become totally or partially unavailable. To guard against these risks, a data protection and backup plan, and a business continuity plan have been implemented allowing the Company to manage and mitigate the risk across a range of circumstances. In addition the Company uses available technologies to protect its network and servers.

Financial Risks

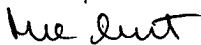
Exposure to market risk (including medium term movements in exchange rates and commodity prices), credit risk and liquidity risk, may adversely impact the profit and cash generation of the Company. The management of certain financial risks is delegated by the Board to the Treasury Committee. The principal financial risks faced by the Company are those relating to liquidity, foreign currency and credit risk. The Company's treasury policies and procedures, which are reviewed and updated on a regular basis, seek to reduce these financial risks. Within this framework, the Company uses financial assets and liabilities including derivatives to hedge certain foreign exchange risks.

With regard to funding and liquidity, the Company's objective is to manage cash flows in all currencies in an efficient and flexible manner. At the balance sheet date, the Company had no significant external debt funding.

The Company's credit risk is primarily attributable to its trade receivables with risk spread over a large number of countries and customers. There is no significant concentration of credit risk. Credit worthiness checks are undertaken before entering into contracts with new customers and credit limits are set as appropriate. The Company also uses trade finance instruments such as letters of credit and insurance to mitigate specific identified risks. The Company's exposure to the credit risk of financial institutions is limited by only trading with counterparties who have a strong credit standing based on ratings provided by the major credit rating agencies.

The Company is exposed to movements in exchange rates for transactions undertaken in foreign currencies, and the translation of foreign currency denominated net assets and profit and loss items. The Financial Risk Management Policy requires transactional currency exposures to be hedged, within certain predefined parameters, using forward contracts thereby ensuring more certainty over revenue and costs. No speculative transactions are undertaken. The Company's policy is not to hedge foreign currency net assets or profit and loss items.

This report was approved by the Board on 20 June 2018 and signed on its behalf.



M Lamont
Director

WILLIAM GRANT & SONS DISTILLERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

DIRECTORS

The Directors who served during the year, and to the date of this report, were:

S J Hunt
R A McGinness (resigned 30 July 2017)
B T Thomson
M Lamont
J R Broadbridge
G Horsfield (appointed 15 June 2017)

DIVIDENDS

The Directors do not recommend a final dividend for 2017 (2016 - £nil). During the year, no interim dividends were paid (2016 - £nil).

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 Strategic Report.

The Company has considerable financial resources and continuing business with a number of customers and suppliers across different geographical areas and industries. As a consequence of this 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 has adequate resources to continue in operational existence for the foreseeable future. The loss for the current year is as a result of the restructure and write off of an intercompany loan and is therefore not expected to be repeated. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

FUTURE DEVELOPMENTS

The Directors aim to maintain the operating policies that have resulted in the Company's recent growth. This will mean continuing investment in those areas which have performed well and taking up profitable opportunities to broaden the base of activities. Investment will continue to improve capacity, efficiencies, marketing and distribution.

FINANCIAL INSTRUMENTS

Details of financial instruments are provided in the Strategic Report and in note 19 to the financial statements.

ANTI BRIBERY AND CORRUPTION

The Company operates an Anti Bribery and Corruption programme. The purpose is to ensure that the Company, and all third parties providing services to it, operate in compliance with both company policy and the relevant legislation. 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.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Company is actively pursuing new product development and is a member of The Scotch Whisky Research Institute.

WILLIAM GRANT & SONS DISTILLERS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 a wide variety of mechanisms, including the Company Annual Review, Local Reviews and Team Briefs.

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position, and to provide appropriate training to achieve this aim.

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.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 20 June 2018 and signed on its behalf.



M Lamont
Director

WILLIAM GRANT & SONS DISTILLERS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements 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; and
- 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 MEMBERS OF WILLIAM GRANT & SONS DISTILLERS LIMITED

OPINION

We have audited the financial statements of William Grant & Sons Distillers Limited (the 'Company') for the year ended 31 December 2017, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss 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.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAM GRANT & SONS DISTILLERS LIMITED (CONTINUED)

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAM GRANT & SONS DISTILLERS LIMITED (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF REPORT

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.

A handwritten signature in black ink, appearing to read 'Mark Harvey', followed by 'Ernst & Young LLP' in a stylized, cursive script.

Mark Harvey (Senior Statutory Auditor)

for and on behalf of
Ernst & Young LLP

5 George Square
Glasgow
G2 1DY

20 June 2018

WILLIAM GRANT & SONS DISTILLERS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	3	263,230	229,234
Cost of sales		(118,384)	(77,986)
Gross profit		144,846	151,248
Administrative expenses		(38,987)	(39,411)
Intercompany loan written off in period		(140,928)	-
Operating (loss)/profit	4	(35,069)	111,837
Interest receivable	7	13,485	18,145
Interest payable	8	(6,480)	(6,255)
(Loss)/profit on ordinary activities before taxation		(28,064)	123,727
Taxation on (loss)/profit on ordinary activities	9	(18,950)	(15,068)
(Loss)/profit for the year		(47,014)	108,659

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £000	2016 £000
(Loss)/profit for the year	(47,014)	108,659
Total comprehensive (expense)/income for the year	(47,014)	108,659

The notes on pages 14 to 29 form part of these financial statements.

WILLIAM GRANT & SONS DISTILLERS LIMITED
REGISTERED NUMBER: SC134248

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	10	309	288
Tangible assets	11	302,102	263,264
Investments	12	51,386	55,955
		<u>353,797</u>	<u>319,507</u>
Current assets			
Stocks	13	474,630	443,142
Debtors: amounts falling due within one year	14	696,285	901,223
Cash at bank and in hand	15	61,450	43,352
		<u>1,232,365</u>	<u>1,387,717</u>
Creditors: amounts falling due within one year	16	(748,093)	(819,491)
Net current assets		<u>484,272</u>	<u>568,226</u>
Total assets less current liabilities		<u>838,069</u>	<u>887,733</u>
Creditors: amounts falling due after more than one year	17	(74,022)	(79,043)
Provisions for liabilities			
Deferred tax	20	(15,808)	(14,658)
Other provisions	21	(2,221)	(1,000)
		<u>(18,029)</u>	<u>(15,658)</u>
Net assets		<u><u>746,018</u></u>	<u><u>793,032</u></u>
Capital and reserves			
Called up share capital	22	80,000	80,000
Profit and loss account	23	666,018	713,032
		<u><u>746,018</u></u>	<u><u>793,032</u></u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 20 June 2018.



M Lamont
Director

The notes on pages 14 to 29 form part of these financial statements.

WILLIAM GRANT & SONS DISTILLERS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2017	80,000	713,032	793,032
Loss for the year	-	(47,014)	(47,014)
At 31 December 2017	80,000	666,018	746,018

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	80,000	604,373	684,373
Profit for the year	-	108,659	108,659
At 31 December 2016	80,000	713,032	793,032

The notes on pages 14 to 29 form part of these financial statements.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

1.1 STATEMENT OF COMPLIANCE

William Grant & Sons Distillers Limited is a limited liability company incorporated in Scotland, with its registered office at The Glenfiddich Distillery, Dufftown, Banffshire, AB55 4DH.

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', as it applies to the financial statements of the Company for the year ended 31 December 2017, and the Companies Act 2006.

1.2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling, which is the functional and presentational currency of the Company, rounded to the nearest thousand (£000).

1.3 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- Section 7 Statement of Cash Flows;
- Section 3 Financial Statement Presentation paragraph 3.17(d);
- Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
- Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of William Grant & Sons Holdings Limited for the year ended 31 December 2017, available from the address in note 26.

1.4 TURNOVER

Turnover is measured as the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts, rebates, value added tax and other sales related taxes.

The Company recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

Sale of goods

Turnover from the sale of goods includes import and other duties which the Company pays as principal but excludes amounts collected on behalf of third parties, such as value added tax. In the majority of countries, import duties are effectively a production tax which becomes payable when the product is removed from bonded premises and is not directly related to the value of sales. It is generally not included as a separate item on external invoices; increases in import duty are not always passed on to the customer and where a customer fails to pay for a product received, the Company cannot reclaim the import duty. The Company therefore recognises import duty as a cost.

Sales are recognised depending upon individual customer terms at the time of despatch, delivery or when the risk of loss transfers. Provision is made for returns where appropriate.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.4 TURNOVER (CONTINUED)

Rendering of services

Turnover from the provision of services, which include contract bottling and warehouse storage, is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

1.5 INTANGIBLE ASSETS

Intangible assets acquired separately from a business combination are capitalised at cost. Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, then the life shall not exceed ten years. Intangible assets are amortised on a straight line basis over their assessed useful life, which is dependent on the nature and/or categorisation of the brand, or other identifiable asset.

The estimated useful lives range as follows:

Computer software	-	4 years
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1.6 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes amounts that are directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its estimated useful life, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	-	25 to 50 years
Plant and machinery	-	5 to 20 years
Fixtures and fittings	-	3 to 10 years
Other fixed assets	-	5 to 20 years

The carrying values of tangible fixed assets are reviewed for indicators of impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is not provided on freehold land or assets under construction.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised in the profit and loss account.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.7 IMPAIRMENT OF NON FINANCIAL ASSETS

At each reporting date, the Company assesses whether there are indicators that an asset may be impaired. If any such indicators exist then an assessment of the asset's recoverable amount is made. If it is not possible to estimate the recoverable amount of an individual asset then an estimate is made of the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount is impaired and reduced to its recoverable amount through an impairment charge in the profit and loss account.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

1.8 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

Equity investments are recognised initially at fair value, this being the transaction price. Subsequently, they are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

1.9 STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials	-	Purchase cost on an average cost 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 the estimated selling price (in the normal course of business) less any further costs expected to be incurred to completion and sale.

At each balance sheet date, stocks are assessed for indicators of impairment. If an item of stock is considered to be impaired, the carrying amount is reduced to its estimated selling price less costs to complete and sell, and an impairment charge is recognised immediately in profit or loss.

1.10 SHORT TERM DEBTORS AND CREDITORS

Debtors and creditors with no stated interest rate and which are receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in administrative expenses.

1.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.12 FINANCIAL INSTRUMENTS

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates, and interest rate swaps to mitigate interest rate exposures, from time to time.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The Company does not apply hedge accounting to any derivative transactions.

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors, creditors and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

1.13 OPERATING LEASES

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are also recognised over the lease term on a straight line basis.

1.14 FOREIGN CURRENCIES

Transactions in foreign currency are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.15 EMPLOYEE BENEFITS

The Company provides a range of benefits to employees, including annual bonus and paid holiday arrangements, and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

Defined contribution plan

The Company participates in a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations. The contributions are recognised as an expense in the profit and loss account when they are due. Amounts not paid are shown as accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company participates in a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

Where the risks of a defined benefit plan are shared by entities under common control, the net defined benefit cost is recognised in the financial statements of the group entity which is legally responsible for the plan, and all other group entities recognise a cost equal to their contributions payable for that period. Disclosures in relation to the Group pension plan are included in the financial statements of the legally responsible entity, William Grant & Sons Limited.

Annual bonus plan

The Company operates a number of annual bonus plans for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events, and a reliable estimate of the obligation can be made.

Long Term Incentive Plans

The Company operates cash-settled long term incentive plans for certain members of management. The plans are based on business performance over a three year period against a number of target measures. During the term of the plan, a liability is recognised representing the product of the fair value of the award and the portion of the plan period expired as at the balance sheet date. From the end of the plan period until payment date, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount of the liability are recognised in profit or loss for the period.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (CONTINUED)

1.16 PROVISIONS FOR LIABILITIES

A provision is made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount required to settle the obligation.

Provisions are charged to the profit and loss account in the period that the Company becomes aware of the obligation, and are measured at the best estimate of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged against the provision carried in the balance sheet.

1.17 CURRENT AND DEFERRED TAXATION

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised as other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences, which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/(asset) shall be recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for revenues and expenses during the period then ended. However, the nature of estimation means that actual outcomes could differ from those estimates. The Directors are of the opinion that there are no judgements or sources of estimation uncertainty that have had a significant effect on amounts recognised in the financial statements.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. TURNOVER

The majority of the Company's turnover is attributable to the provision of goods which fall within its ordinary activities, stated net of sales related taxes, for example Value Added Tax, and other taxes or duties collected on behalf of third parties.

An analysis of turnover 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.

Turnover from the provision of services has not been separately disclosed as it is not considered material to the Company.

All turnover relates to continuing operations.

4. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting):

	2017 £000	2016 £000
Research & development expenditure	3,231	3,354
Depreciation of tangible fixed assets	18,734	18,436
Amortisation of intangible assets	115	68
Exchange losses/(gains) excluding financial instruments measured at fair value through the profit and loss account	11,043	(11,328)
Operating lease payments	495	900
Defined contribution pension cost	1,748	1,456
	<u> </u>	<u> </u>

5. AUDITORS' REMUNERATION

	2017 £000	2016 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	43	42
	<u> </u>	<u> </u>

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. EMPLOYEES

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	38,007	35,445
Social security costs	4,563	3,405
Cost of defined contribution pension scheme	1,748	1,456
	<u>44,318</u>	<u>40,306</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2017 No.	2016 No.
Administration	93	94
Production	791	746
Selling	19	25
	<u>903</u>	<u>865</u>

During the year, no Director received any emoluments in relation to qualifying services (2016 - £nil).

7. INTEREST RECEIVABLE

	2017 £000	2016 £000
Interest receivable from group companies	13,074	18,015
Other interest receivable	411	130
	<u>13,485</u>	<u>18,145</u>

8. INTEREST PAYABLE

	2017 £000	2016 £000
Interest on loans due to group undertakings	6,480	6,255
	<u>6,480</u>	<u>6,255</u>

WILLIAM GRANT & SONS DISTILLERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. TAXATION

	2017 £000	2016 £000
Corporation tax		
Current tax on (loss)/profit for the year	21,821	23,397
Adjustments in respect of previous periods	(4,021)	(7,295)
Total current tax	<u>17,800</u>	<u>16,102</u>
Deferred tax		
Origination and reversal of timing differences	2,324	1,893
Changes to tax rates	-	(871)
Adjustments in respect of prior periods	(1,174)	(2,056)
Total deferred tax charge/(credit)	<u>1,150</u>	<u>(1,034)</u>
Taxation on (loss)/profit on ordinary activities	<u><u>18,950</u></u>	<u><u>15,068</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before tax	<u>(28,064)</u>	<u>123,727</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(5,402)	24,745
Effects of:		
Expenses not deductible for tax purposes	2,414	7
Non-qualifying depreciation	451	355
Changes to tax rates	-	(871)
Intercompany loan written off in year	27,129	-
Adjustments to tax charge in respect of prior periods	(5,195)	(9,351)
Research and development	(814)	(505)
Double taxation relief	-	(1)
Other differences leading to a decrease in the tax charge	-	(5)
Transfer pricing adjustments	367	694
Total tax charge for the year	<u><u>18,950</u></u>	<u><u>15,068</u></u>

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. TAXATION (CONTINUED)

Factors that may affect future tax charges

The Chancellor announced that the main UK rate of corporation tax rate will be reduced from the current rate of 19% which has applied from 1 April 2017, to 17% via a 2% reduction on 1 April 2020. The reduction in the corporation tax rates to 17% was included within the Finance Act that was substantively enacted on 6 September 2016. Deferred tax has been provided at 17% as this is the rate at which timing differences are expected to reverse.

10. INTANGIBLE ASSETS

	Software £000
Cost	
At 1 January 2017	424
Additions	136
At 31 December 2017	<u>560</u>
Amortisation	
At 1 January 2017	136
Charge for the year	115
At 31 December 2017	<u>251</u>
Net book value	
At 31 December 2017	<u>309</u>
At 31 December 2016	<u>288</u>

The amortisation charge for the year is included within cost of sales in the profit and loss account.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. TANGIBLE FIXED ASSETS

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Other fixed assets £000	Total £000
Cost					
At 1 January 2017	164,964	166,117	10,013	152,478	493,572
Additions	22,702	15,181	1,843	17,848	57,574
Disposals	-	(235)	(2)	(10,781)	(11,018)
Transfers between classes	80	(99)	19	-	-
At 31 December 2017	<u>187,746</u>	<u>180,964</u>	<u>11,873</u>	<u>159,545</u>	<u>540,128</u>
Depreciation					
At 1 January 2017	54,229	101,427	5,124	69,528	230,308
Charge for the year	3,363	8,942	606	5,823	18,734
Disposals	-	(235)	-	(10,781)	(11,016)
At 31 December 2017	<u>57,592</u>	<u>110,134</u>	<u>5,730</u>	<u>64,570</u>	<u>238,026</u>
Net book value					
At 31 December 2017	<u>130,154</u>	<u>70,830</u>	<u>6,143</u>	<u>94,975</u>	<u>302,102</u>
At 31 December 2016	<u>110,735</u>	<u>64,690</u>	<u>4,889</u>	<u>82,950</u>	<u>263,264</u>

Commitments for capital expenditure contracted but not provided for amounted to £11,430,000 (2016 - £9,995,000).

Assets under construction, for which no depreciation was charged during the year, amounted to £20,706,000 (2016 - £33,659,000).

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. FIXED ASSET INVESTMENTS

	Investment in subsidiary £000	Unlisted investments £000	Total £000
Cost			
At 1 January 2017	55,932	23	55,955
Partnership interest received	(4,569)	-	(4,569)
At 31 December 2017	<u>51,363</u>	<u>23</u>	<u>51,386</u>

The Company has an investment in a Scottish Limited Partnership for the non-cash funding of the defined benefit pension liability of the Group.

Unlisted investments represent investments in Scotch Whisky Heritage, The Grampian Venture Capital Fund Limited and ANM Group Limited.

13. STOCKS

	2017 £000	2016 £000
Raw materials	8,788	8,317
Work in progress	446,487	416,982
Finished goods and goods for resale	19,355	17,843
	<u>474,630</u>	<u>443,142</u>

14. DEBTORS

	2017 £000	2016 £000
Trade debtors	10,256	10,154
Amounts owed by group undertakings	648,879	856,488
Prepayments and accrued income	27,990	31,106
VAT recoverable	3,562	3,000
Derivative financial instruments	5,598	475
	<u>696,285</u>	<u>901,223</u>

WILLIAM GRANT & SONS DISTILLERS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. CASH AND CASH EQUIVALENTS

	2017 £000	2016 £000
Cash at bank and in hand	61,450	43,352
Less: bank overdrafts (note 16)	(96,571)	(115,919)
	<u>(35,121)</u>	<u>(72,567)</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Bank overdrafts	96,571	115,919
Trade creditors	23,774	21,233
Amounts owed to group undertakings	556,814	601,892
Corporation tax	31,627	29,805
Other taxation and social security	5,640	5,322
Obligations under finance leases	10,000	10,000
Accruals and deferred income	21,709	25,398
Derivative financial instruments	1,958	9,922
	<u>748,093</u>	<u>819,491</u>

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £000	2016 £000
Net obligations under finance leases	73,774	78,136
Derivative financial instruments	248	907
	<u>74,022</u>	<u>79,043</u>

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. FINANCE LEASES

Minimum lease payments under finance leases fall due as follows:

	2017 £000	2016 £000
Within one year	10,000	10,000
Between 1-5 years	40,000	40,000
Over 5 years	68,945	78,945
Less: finance charges allocated to future periods	(35,171)	(40,809)
	<u>83,774</u>	<u>88,136</u>

The Company has one significant leasing arrangement for warehouses with William Grant & Sons Scottish Limited Partnership (note 12). This lease has an expiry date in 2027 with no renewal terms or option to purchase.

19. FINANCIAL INSTRUMENTS

	2017 £000	2016 £000
Financial assets		
Measured at fair value through profit or loss	5,621	498
Debt instruments measured at amortised cost	659,135	866,642
	<u>664,756</u>	<u>867,140</u>
Financial liabilities		
Measured at fair value through profit or loss held as part of a trading portfolio	(2,206)	(10,829)
Measured at amortised cost	(698,868)	(764,442)
	<u>(701,074)</u>	<u>(775,271)</u>

Financial assets measured at fair value through profit or loss comprise unlisted investments and foreign currency forward contracts and swaps (notes 12 and 14).

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and amounts owed by group undertakings (note 14).

Derivative financial liabilities measured at fair value through profit or loss comprise foreign currency forward contracts and swaps (notes 16 and 17).

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owed to related parties and to group undertakings and accruals and deferred income (note 16).

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. DEFERRED TAXATION

	2017 £000
At 1 January 2017	(14,658)
Charged to profit and loss	(1,150)
At 31 December 2017	<u>(15,808)</u>

The provision for deferred taxation is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	<u>(15,808)</u>	<u>(14,658)</u>

The net reversal of deferred tax assets and liabilities expected to occur in the following year is £1,264,000 (2016 - £1,172,000).

21. PROVISIONS

	Provision for disputed claims £000
At 1 January 2017	1,000
Charged to profit or loss	1,221
At 31 December 2017	<u>2,221</u>

The Company is, from time to time, party to legal proceedings and claims which arise in the normal course of business. The Company robustly defends all claims and provisions are recorded based on the best estimate of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. This provision relates to claims in dispute which had not been settled by the balance sheet date. It is expected that the resolution of the claims to which these provisions relate will be reached within the next five years.

WILLIAM GRANT & SONS DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. SHARE CAPITAL

	2017 £000	2016 £000
Allotted, called up and fully paid		
80,000,002 Ordinary shares of £1 each	80,000	80,000

23. RESERVES

Profit and loss account

The profit and loss account represents cumulative gains and losses recognised in the profit and loss account and dividends paid.

24. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Within 1 year	325	389
After 1 year but within 5 years	325	369
	<u>650</u>	<u>758</u>

25. RELATED PARTY TRANSACTIONS

Related party transactions with companies that are wholly owned by the Group have not been disclosed in accordance with the provisions of FRS 102, Section 33.

26. CONTROLLING PARTY

The Company's immediate parent undertaking is William Grant & Sons Limited. William Grant & Sons Holdings Limited is the ultimate parent undertaking. The group of companies, of which William Grant & Sons Holdings Limited is the ultimate parent undertaking, is the largest group in which the Company is a member. 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.