AMENDED ANNUAL REPORT
AND FINANCIAL STATEMENTS

John Dewar and Sons Limited

Annual report and financial statements for the year ended 31 March 2018

Registered Number 00613551

These accounts replace the original accounts and are now the statutory accounts. These accounts are prepared as they were at the date of the original accounts.

JOHN DEWAR AND SONS LIMITED

Annual report and financial statements for the year ended 31 March 2018

Contents

JOHN DEWAR AND SONS LIMITED

Directors and advisers for the year ended 31 March 2018

Directors
I M Lochhead
P Tucci
J M Lambert
I S Lowthian
J A Henderson (resigned 31 October 2018)
M J Phillips (appointed 1 November 2018)

Registered office
C/O Bacardi-Martini Limited
Bacardi Brown-Forman House
Kings Worthy
Winchester
Hampshire
SO23 7TW

Independent auditors
PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
141 Bothwell Street
Glasgow
G2 7EQ

Bankers
Lloyds TSB Bank plc
PO BOX 17328
11-15 Monument Street
London
EC3V 9JA

Solicitors
MacLay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

JOHN DEWAR AND SONS LIMITED

Strategic report for the year ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

Business Review

The company continued to sustain sales volume, aided through the development of its brand portfolio.

During the year, as part of a group reorganisation, the company has purchased the trade and net assets of another group company, The Bombay Spirits Company Limited, at book value on 30 September 2017, which has enabled it to expand into gin distillation.

The directors are satisfied with the current trading performance of the company and remain confident that this will continue in future years.

The statement of financial position at 31 March 2018, shows net current assets of £13,798,000 (2017: £33,018,000) and equity of £187,830,000 (2017: £170,074,000).

Key performance indicators

The principal key performance indicator that the directors rely upon is the analysis of revenue and operating profit, which is measured against previous years.

Revenue showed an increase of 27% (2017: increase of 4%), reflecting the transfer of Bombay gin bottling to the company from a third party.

The results for the prior year benefited from a one-off gain of £18,010,000 from transfer of trademarks and associated rights to another group company. Excluding this, the current year's Operating profit showed an increase of 1.3% (2017: decrease of 3.7%) which the directors consider satisfactory.

Future outlook

Continued volume growth in emerging markets has had a positive impact on results in recent years and the directors expect this to continue in future years, with further capital investments planned to support this growth.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

Market forecasts
In common with all companies in the drinks industry, the company is susceptible to changes in consumer trends and resulting demand for its products. The company relies on short, medium and long-term forecasts to determine appropriate levels of inventory and infrastructure to support future sales. These plans are regularly reviewed and modified if necessary to align with prospective changes in future demand.

JOHN DEWAR AND SONS LIMITED

Strategic report for the year ended 31 March 2018 (continued)

Business continuity

To respond to the possibility of a significant incident impacting the company's ability to produce, the company has a fully developed business continuity plan. In the event of crisis or disaster, performance of critical business activities and supply of core products would be maintained.

Financial risk management

The Bacardi group operates a centralised treasury function and the directors make use of this facility to manage and mitigate risks to changes in liquidity, interest rates and foreign currency exchange rates. The company therefore has limited exposure to such factors.

This report was approved by the board on 30 Nov 2018 and signed on its behalf.

I M Lochhead
Director

JOHN DEWAR AND SONS LIMITED

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Principal activities

The company's principal activities continue to be the distillation, warehousing, blending, bottling and sale of Scotch whisky and gin.

Results and dividends

The results for the company show a profit before taxation of £19,323,000 (2017: £36,967,000) for the year, and revenue of £144,863,000 (2017: £114,470,000). The company has net assets of £187,830,000 (2017: £170,074,000).

The directors proposed and paid a dividend in the year of £nil (2017: £nil).

Employees

Employee involvement is promoted through regular consultation on issues concerning business performance, working conditions, industry trends and future developments. The company continues to keep staff informed and involved through communication channels such as regular team briefs and roadshow presentations.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as listed on page 1.

Insurance of directors

The company maintains insurance for directors in respect of their duties as directors of the company.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

JOHN DEWAR AND SONS LIMITED

Directors' report for the year ended 31 March 2018 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors and disclosure of information to auditors

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

Auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed.

This report was approved by the board on ...30 Nov 2018... and signed on its behalf.

I M Lochhead
Director

JOHN DEWAR AND SONS LIMITED

Independent auditors' report to the members of John Dewar and Sons Limited

Report on the audit of the financial statements

Opinion

In our opinion, John Dewar and Sons Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and

have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements for the year ended 31 March 2018 (the "Annual Report"), which comprise: the Statement of financial position as at 31 March 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report for the year ended 31 March 2018, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of John Dewar and Sons Limited (Continued)

Strategic Report and Directors' report for the year ended 31 March 2018

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 March 2018 for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report for the year ended 31 March 2018.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
5 December 2018

JOHN DEWAR AND SONS LIMITED

Income statement for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Revenue	5	**144,863**	114,470
Cost of sales		**(114,967)**	(84,366)
Gross profit		**29,896**	30,104
Other income	7	**1,221**	19,171
Administrative expenses		**(4,756)**	(5,233)
Operating profit	6	**26,361**	44,042
Finance expenses	10	**(7,037)**	(7,075)
Profit before taxation		**19,323**	36,967
Tax on profit	11	**(2,956)**	(7,676)
Profit for the financial year		**16,367**	29,291

All activities relate to continuing operations. There is no material difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents.

Further comments to income statement line items are presented in the notes to the financial statements.

Statement of comprehensive income for the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Profit for the financial year		**16,367**	29,291
Other comprehensive income:			
Pension actuarial gain/ (loss)	21	**2,011**	(2,659)
Movement in deferred tax relating to pension deficit	18	**(382)**	532
Other comprehensive income/ (expense) for the year net of tax		**1,629**	(2,127)
Total comprehensive income for the year		**17,996**	27,164

Further comments to statement of comprehensive income line items are presented in the notes to the financial statements.

JOHN DEWAR AND SONS LIMITED

Statement of financial position as at 31 March 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Property, plant and equipment	12	**183,619**	148,496
Investments	13	**39**	39
		183,658	148,535
Current assets			
Inventories	14	**333,787**	315,528
Trade and other receivables	15	**17,805**	25,877
Cash		**2,015**	173
		353,607	341,578
Creditors: amounts falling due within one year	16	**(339,809)**	(308,560)
Net current assets		**13,798**	33,018
Total assets less current liabilities		**197,456**	181,553
Post-employment benefits	21	**(14)**	(3,109)
Deferred taxation	18	**(9,372)**	(8,370)
Net assets		**188,070**	170,074
Equity			
Called up share capital	19	**2,500**	2,500
Retained earnings		**185,570**	167,574
Total equity		**188,070**	170,074

Further comments to the statement of financial position are presented in the notes to the financial statements.

The financial statements on pages 8 to 31 were approved by the board of directors on 30 November 2018 and were signed on its behalf by:

I M Lochhead
Director

M J Phillips
Director

JOHN DEWAR AND SONS LIMITED

Statement of changes in equity for the year ended 31 March 2018

	Called-up share capital	Retained earnings	Total
	£'000	£'000	£'000
Balance as at 1 April 2016	**2,500**	**140,410**	**142,910**
Profit for the financial year	-	29,291	29,291
Other comprehensive expense for the financial year	-	(2,127)	(2,127)
Total comprehensive income for the financial year	**-**	**27,164**	**27,164**
Balance as at 31 March 2017 and 1 April 2017	**2,500**	**167,574**	**170,074**
Profit for the financial year	-	16,367	**16,367**
Other comprehensive income for the financial year	-	1,629	**1,629**
Total comprehensive income for the financial year	**-**	**17,996**	**17,996**
Balance as at 31 March 2018	**2,500**	**185,570**	**188,070**

JOHN DEWAR AND SONS LIMITED

Notes to the financial statements for the year ended 31 March 2018

1 General information

The company's principal activities continue to be the distillation, warehousing, blending, bottling and sale of Scotch whisky and gin.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Bacardi Brown-Forman House, Kings Worthy, Winchester Hampshire, SO23 7TW.

2 Statement of compliance

The financial statements of John Dewar and Sons Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, as amended in July 2015.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The company is a wholly owned subsidiary of Bacardi Limited and is included in the consolidated financial statements of Bacardi-Martini B.V. which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of Section 400 of the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due within 12 months from the date of approval of these financial statements.

Notes to the financial statements for the year ended 31 March 2018 (continued)

3 Summary of significant accounting policies (continued)

Disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions subject to conditions. The Company has taken advantage of the following disclosure exemptions available under FRS 102:

(a) The requirement to prepare a reconciliation of the number of shares at the beginning and end of the financial year.

(b) The requirement to prepare a statement of cash flows, under FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and an intermediate parent Company, Bacardi-Martini B.V., a company registered in The Netherlands, includes the Company's cash flows in its own, publicly available, consolidated financial statements.

(c) The requirement to disclose transactions with wholly owned subsidiaries within the group.

Revenue

Revenue represents the invoiced amount of goods and services provided during the year, stated net of excise duty and value added tax.

Employee benefits

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

(i) 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 received.

(ii) Defined benefit pension plan

The company operates a defined benefit plan for benefit of employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

Notes to the financial statements for the year ended 31 March 2018 (continued)

3 Summary of significant accounting policies (continued)

Employee benefits (continued)

(ii) Defined benefit pension plan (continued)

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

(iii) Defined contribution pension plan

The company operates 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 when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Current taxation

Corporation tax payable is provided on taxable profits at the prevailing UK tax rate.

Notes to the financial statements for the year ended 31 March 2018 (continued)

3 Summary of significant accounting policies (continued)

Deferred taxation

Deferred tax is recognised in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise, based on tax rates enacted or substantively enacted and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that there will be sufficient taxable profits available to allow these to be recovered. Deferred tax assets and liabilities are not discounted.

Property, plant and equipment

Property, plant and equipment are valued at cost less accumulated depreciation. Costs include the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of tangible fixed assets and intangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The expected useful economic lives used for this purpose are:

Buildings	40 years
Casks	15 years
Plant and machinery	10 years
Motor vehicles	4 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all expenditure incurred in purchasing or producing the stock and bringing it to its current state, including an appropriate allocation of production overheads and maturation costs.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the income statement over the related assets' useful life by equal annual amounts.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the statement of financial position or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the average monthly rate.

Notes to the financial statements for the year ended 31 March 2018 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in administration costs in the Statement of Comprehensive Income for the excess of the carrying value of the asset over the present value of the estimated future cash flows.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans between group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in Statement of Comprehensive Income in finance expense or finance income as appropriate. No derivatives are held in the Company in the current or prior year.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual right to the cash flows expire or are settled, or substantially all the risks and rewards off ownership are transferred to another party, or if some of the 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.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

3 Summary of significant accounting policies (continued)

Finance and operating leases

Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in equal instalments over the period of the lease. Assets held under finance leases are depreciated over the same period as equivalent owned assets. Costs in respect of operating leases are charged to the income statement on a straight-line basis over the lease term.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(ii) Inventory provisioning

The company's activities are the distillation, warehousing, blending, bottling and sale of Scotch whisky and gin and is subject to changing consumer demands and trends. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods.

Notes to the financial statements for the year ended 31 March 2018 (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(iii) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

5 Revenue

An analysis of the revenue, profit and net assets by class of business and geographical destination has not been disclosed, as the directors are of the opinion that to disclose such information would be seriously prejudicial to the interests of the company.

6 Operating Profit

	2018	2017
	£'000	£'000
Operating profit is stated after charging /(crediting):		
Depreciation charge for the year:		
- tangible owned fixed assets	**10,743**	9,126
Operating lease rentals – motor vehicles	**39**	51
Hire of plant and machinery	**255**	286
Auditors' remuneration	**98**	73
Loss on disposal of fixed assets	**30**	57
Income from Government grant	**-**	(25)

Cost of sales predominately is represented by inventory recognised as expense.

Notes to the financial statements for the year ended 31 March 2018 (continued)

7 Other income

	2018 £'000	2017 £'000
Gain on transfer of trademarks and associated rights	-	18,010
Rental & bottling income	1,212	1,161
Other income	9	-
	1,221	19,171

8 Directors' emoluments

	2018 £'000	2017 £'000
Aggregate emoluments	390	388
Pensions contributions	65	61
	455	449

Retirement benefits are accruing to two (2017: three) directors under a defined benefit scheme.

Highest paid director	2018 £'000	2017 £'000
Fees and other emoluments	240	236

The highest paid director is a member of the John Dewar and Sons Limited defined benefit pension scheme and £49,000 (2017: £46,000) of company pension contributions were paid on his behalf.

Notes to the financial statements for the year ended 31 March 2018 (continued)

9 Employee information

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

By activity	2018 Number	2017 Number
Administration and sales	26	26
Production and distribution	330	292
	356	318

Staff costs	2018 £'000	2017 £'000
Wages and salaries	15,015	13,033
Social security costs	1,757	1,392
Other pension costs	2,440	2,449
	19,212	16,874

10 Finance expenses

	2018 £'000	2017 £'000
On loans from group undertakings	6,952	6,530
Loss on foreign exchange	29	344
Net interest on net defined benefit pension plan liability	56	192
Other finance costs	-	9
	7,037	7,075

Notes to the financial statements for the year ended 31 March 2018 (continued)

11 Tax on profit

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits of the year	**3,331**	6,207
Adjustment in respect of prior periods	**(1,236)**	(74)
Total current tax	**2,095**	**6,133**
Deferred tax		
Origination and reversal of timing differences	**798**	1,896
Impact of change in tax rate	**-**	(353)
Adjustment in respect of prior periods	**63**	-
Total deferred tax	**861**	1,543
Tax charge on profit	**2,956**	7,676

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	**19,323**	36,967
Profit at standard rate of corporation tax in the UK of 19% (2017: 20%)	**3,671**	7,393
Effects of:		
Expenses not deductible for tax purposes	**551**	195
Other timing differences	**(93)**	515
Impact of change in deferred tax rate	**-**	(353)
Adjustment in respect of prior year	**(1,173)**	(74)
Total tax charge for year	**2,956**	7,676

Notes to the financial statements for the year ended 31 March 2018 (continued)

11 Tax on profit (continued)

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12 Property, plant and equipment

	Freehold land and buildings	Plant and machinery and casks	Motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	113,079	122,233	18	10,252	245,582
Additions	340	7,828	-	3,978	12,146
Transfer of business	27,093	11,772	-	392	39,257
Transfers	1,096	8,660	-	(9,756)	-
Disposals	-	(87)	-	-	(87)
At 31 March 2018	**141,608**	**150,406**	**18**	**4,866**	**296,898**
Accumulated Depreciation					
At 1 April 2017	20,722	76,346	18	-	97,086
Charge for year	2,850	7,893	-	-	10,743
Transfer of business	2,082	3,392	-	-	5,474
Disposals	-	(24)	-	-	(24)
At 31 March 2018	**25,654**	**87,607**	**18**	**-**	**113,279**
Net book value					
At 31 March 2018	**115,954**	**62,799**	**-**	**4,866**	**183,619**
At 1 April 2017	92,357	45,887	-	10,252	148,496

Assets under construction includes improvements to bottling lines and warehousing facilities.

On 30 September 2017, as part of a group reorganisation, the company transferred in the fixed assets of The Bombay Spirits Company Limited (see note 25).

Notes to the financial statements for the year ended 31 March 2018 (continued)

13 Investments

	2018	2017
	£'000	£'000
Unlisted investments	**39**	39

Investment in subsidiary undertakings
The company owns all of the allotted share capital (£100) of the following company which has not traded during the year:

William Lawson Distillers Limited	Registered at 1700 London Road, Glasgow, G32 8XR in Scotland	Dormant

14 Inventories

	2018	2017
	£'000	£'000
The book value of the main categories of stocks are:		
Maturing Spirit	**321,060**	304,655
Bottling materials and other stocks	**12,727**	10,873
	333,787	315,528

There is no significant difference between the replacement cost of finished goods and their carrying amounts. Inventories are stated after provisions for impairment of £945,000 (2017: £1,057,000).

15 Trade and other receivables

Amounts falling due within one year:	2018	2017
	£'000	£'000
Trade receivables	**4,758**	3,752
Amounts owed by group undertakings	**8,723**	18,067
Corporation tax	**972**	127
Other receivables	**2,609**	3,313
Prepayments and accrued income	**743**	618
	17,805	25,877

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	**11,400**	11,487
Amounts owed to group undertakings	**857**	1
Loans from group undertakings	**309,619**	289,300
Other taxation and social security costs	**1,745**	465
Other creditors and accruals	**16,188**	7,307
	339,809	308,560

The loans from group undertakings are unsecured, repayable on demand and earn interest at 1% above Bacardi Group rates. During the year Bacardi Group rates varied, with an average rate of 1.5% (2017: 1.5%) being applied. Amounts owed to group undertakings are unsecured, interest free and repayable on demand..

17 Obligations under operating leases

At 31 March, the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Motor vehicles	
	2018	2017
	£'000	£'000
Within one year	**21**	25
In the second to fifth years inclusive	**26**	21

Notes to the financial statements for the year ended 31 March 2018 (continued)

18 Deferred taxation

Deferred taxation provided in the financial statements, representing the full potential liability, is as follows:

	2018 £'000	2017 £'000
At 1 April	**8,370**	6,358
Transferred from the income statement	**1,002**	2,012
At 31 March	**9,372**	8,370

	2018 £'000	2017 £'000
Deferred taxation provided in the financial statements comprises:		
Accelerated capital allowances	**4,873**	4,662
Other short-term timing differences	**4,501**	4,240
Net deferred tax asset on pensions	**(2)**	(532)
Deferred tax provision	**9,372**	8,370

19 Called up share capital

	£'000
Authorised, allotted, called up and fully paid	
2,500,000 (2017: 2,500,000) ordinary shares of £1.00 each at 1 April 2017 and 31 March 2018	**2,500**

20 Capital commitments

Amounts contracted for but not provided in the financial statements totalled £9,074,000 (2017: £3,812,000).

21 Pension commitments

Defined benefit scheme

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company and are invested by professional investment managers.

The most recently completed Actuarial Valuation was carried out by Aon Hewitt at 6 April 2017 and the main assumptions used for assessing the technical provisions are summarised below:

CPI inflation	RPI assumption minus 1.0% pa
General pay increases	RPI inflation plus 0.7% pa

Based on the technical provisions, there was a shortfall of £2.4 million which corresponds to a funding ratio of 96%.

The Scheme accounts at 6 April 2017 show invested assets of £60.3 million. These assets include £0.1 million in respect of AVCs and £13.7m related to the insured annuity policies held by the Scheme.

The results of the latest formal valuation at 6 April 2017 have been updated to 31 March 2018, taking account of the assumptions required by FRS 102, by Hymans Robertson, consulting actuaries.

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pension commitments (continued)

The major assumptions used for the current and previous year by the actuary were:

	At 31 March 2018	At 31 March 2017
Rate of increase in salaries	**3.90%**	4.00%
Rate of increase in deferred pensions	**2.40%**	2.50%
Rate of increase in pensions in payment	**3.30%**	3.40%
Discount rate	**2.80%**	2.80%
Inflation assumption	**2.40%**	2.50%

The mortality assumptions used by the actuary for the current and previous year are as follows:

Effective Date of Assessment	**31 March 2018**	31 March 2017
Life expectancy (years) for members aged 65 at the effective date:		
Males	**24.4**	22.0
Females	**25.5**	22.9
Life expectancy (years) for members aged 65 at date 20 years after effective date:		
Males	**26.9**	23.5
Females	**27.9**	27.1

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pension commitments (continued)

The assets in the scheme were:

	Value at 31 March 2018	Value at 31 March 2017
	£'000	£'000
Equities	**19,034**	19,944
Corporate Bonds	**11,516**	10,899
Bonds	**14,298**	8,018
Property	**1,749**	1,645
Cash	**869**	6,055
Other	**11,345**	11,837
Total fair value of assets	**58,811**	58,398
Present value of scheme liabilities	**(58,825)**	(61,507)
Net pension deficit	**(14)**	(3,109)

Analysis of amount charged to operating profit under FRS 102 in respect of defined benefit schemes:

	2018	2017
	£'000	£'000
Current service cost	**1,155**	1,039
Administration cost	**240**	408
Net cost	**1,395**	1,447

Analysis of the amount charged to other finance costs:

	2018	2017
	£'000	£'000
Interest income	**1,639**	1,633
Interest on pension scheme liabilities	**(1,695)**	(1,825)
Net cost	**(56)**	(192)

JOHN DEWAR AND SONS LIMITED

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Pension commitments (continued)

Reconciliation of scheme assets and liabilities:

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2017	58,398	(61,507)	(3,109)
Interest income/(expense)	1,639	(1,695)	(56)
Current service cost and administrative expenses	-	(1,395)	(1,395)
Actuarial gains	-	1,564	1,564
Contributions by the employer and participants	2,606	(71)	2,535
Actual return on assets excluding amounts included in net interest	447	-	447
Benefits paid	(4,279)	4,279	-
Closing fair value of scheme assets	**58,811**	**(58,825)**	**(14)**

The expected return on assets is based on the long-term expectation for each asset class at the beginning of the year. The actual return on scheme assets, including interest, in the year was a gain of £2,086,000 (2017: gain £9,950,000

Subsequent to year ended 31st March 2018, during a High Court case, the judge ruled that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females. The consequences are adverse cost and liability implications as well as the potential requirement to make back payments to pensioners who may have been retired for some years. The financial impact, in the form of provision for additional liability is estimated at 1% of the overall liability. As no previous provision had been made, the adjustment would be recognised through the profit and loss statement

Defined contribution scheme

The company also operates a defined contribution scheme, the assets of which are also held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the funds and amounted to £989,000 (2017: £810,000).

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Notes to the financial statements for the year ended 31 March 2018 (continued)

22 Financial instruments

The company has the following financial instruments:

	Note	2018 £'000	2017 £'000
Financial assets measured at fair value through the income statement		**-**	-
Financial assets that are debt instruments measured at amortised cost:			
Trade receivables	**15**	**4,758**	3,752
Amounts owed by Group undertakings	**15**	**8,723**	18,067
Other receivables (excluding deferred tax)	**15**	**4,084**	3,440
		17,852	25,259
Financial liabilities measured at fair value through the income statement		**-**	-
Financial liabilities measured at amortised cost:			
Trade creditors	**16**	**11,400**	11,487
Amounts owed to Group undertakings	**16**	**310,476**	289,301
Other payables (excluding accruals) due within one year	**16**	**12,781**	4,729
		334,657	305,517

The company has taken advantage of the exemption for the requirements to disclose additional information with regards to financial instruments already disclosed in consolidated financial statements. [Section 11 and 12 *financial instruments* 11.39-11.48 *and* 12.26-12.29]

23 Controlling parties

The directors regard Bacardi Limited, a company incorporated in Bermuda, as the ultimate parent and controlling company, and is the largest group to consolidate these results. The company that heads the smallest group of undertakings is Bacardi U.K. Limited, its immediate parent company, which is incorporated in the United Kingdom. The financial statements of John Dewar and Sons Limited are included in the consolidated financial statements of Bacardi-Martini B.V., a company registered in The Netherlands, whose financial statements are available from the Registrar at Companies House.

24 Related party transactions

Advantage has been taken of the exemptions available for subsidiaries not to disclose inter-group transactions.

25 Transfer of trade and net assets of The Bombay Spirits Company Limited

During the year, as part of a group reorganisation, the company has purchased the trade and net assets of another group company, The Bombay Spirits Company Limited on 30 September 2017, for a consideration, equivalent to net book value, of £1,699,000 comprising:

	£'000
Property, plant and equipment	33,783
Trade and other receivables	2,760
Inventories	499
Cash and cash equivalents	295
Creditors: amounts falling due within one year	(1,400)
Loans from group undertakings	(33,480)
Provisions for liabilities	(758)
Net book value of assets transferred	1,699

As this purchase was made between two Bacardi group companies, the transfer of net assets has been made at book value rather than fair value. As the company previously was the main customer of The Bombay Spirits Company Limited for gin spirit, the impact of the transfer has been to replace an external purchase with internal production. This has therefore not had a material impact on the revenue or operating profit of the company.