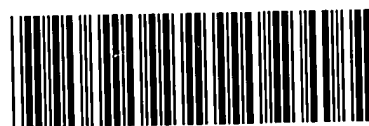


Registered Number: SC109881

**DISTELL INTERNATIONAL LIMITED**  
**ANNUAL REPORT & FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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# **DISTELL INTERNATIONAL LIMITED**

**REGISTERED NUMBER SC109881**

## **ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

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# **DISTELL INTERNATIONAL LIMITED**

## **STRATEGIC REPORT**

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The directors have pleasure in presenting the Strategic report for the year ended 30 June 2017.

### **Principal objectives and activities**

The company's principal trading activities are the distillation, blending, bottling, marketing and sale of Scotch whisky and the production, marketing and sale of other alcoholic beverages.

The company's principal subsidiaries are listed in note 19 to the financial statements.

The company's objectives are to maximise stakeholder value through the performance of these activities, whilst promoting the responsible consumption of alcoholic products.

The key financial performance indicators used by the directors to monitor the company's performance are revenue, gross profit and operating profit. These indicators are looked at collectively to ensure that they are both balanced and aligned with the short, medium and long term strategy of the business.

### **Financial performance and key performance indicators**

Financial performance has been analysed as follows:

	<b>Year to 30 June 2017 £000</b>	<b>Year to 30 June 2016 £000</b>
Revenue	75,430	67,424
Gross profit	32,790	29,460
Operating Profit	10,537	9,108

The group delivered a strong financial performance for the year ended 30 June 2017 and the profit for the year exceeded expectations. Revenue grew by 11.9% and Operating Profit increased by 15.7% from the previous year.

Our Scotch portfolio of single malts and blends, in particular Bunnahabhain and Scottish Leader, continued to deliver a strong performance in our key strategic markets.

During the year we established a European-based supply hub and market services function from which we can service all our customers with Distell's full portfolio of brands across the wine, spirits and cider categories. In the UK, we have brought the distribution of our portfolio of brands in-house and built a commercial structure which operates from a new office space in Richmond. The outcome is a fully integrated European business unit with improved service levels across the region.

The directors are confident that sales of our diversified portfolio of wines, spirits and cider will continue to grow and deliver sustainable value and returns to all our stakeholders.

# **DISTELL INTERNATIONAL LIMITED**

## **STRATEGIC REPORT (continued)**

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### **Financial risk management objectives and policies**

The group uses various financial instruments such as loans, cash, equity instruments, trade debtors and trade creditors to raise finance for the group's operations. The existence of these financial instruments exposes the group to a number of financial risks; market risk, liquidity risk, cash flow interest rate risk, and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

#### **Currency risk**

The group is exposed to translation and transaction foreign exchange risk. Some of this exposure is naturally mitigated through sales and purchases being in the same foreign currency. In order to further limit its exposure, the group has implemented a foreign exchange management strategy and will utilise forward contracts where it is considered appropriate, taking account of future forecasted receipts and purchases.

The group is primarily exposed to the currencies of the Taiwan Dollar, the US Dollar, the Euro and the South African Rand. If sterling had weakened or strengthened by 5% against these currencies with all other variables remaining constant, the profit after tax for the year would have increased by £158,000 (2016 £204,000) or decreased by £143,000 (2016 £184,000) and equity would have increased by £826,000 (2016 £690,000) or decreased by £747,000 (2016 £625,000).

#### **Liquidity risk**

The group manages financial risk through the compilation and monitoring of cash flow forecasts in addition to ensuring that adequate borrowing facilities are maintained. The maturity of borrowings is set out in note 14 to the financial statements.

#### **Interest rate risk**

The group finances its operations through a mixture of operating profits, bank borrowings and capital contributions. The directors continually assess this position with regard to interest rate fluctuation and will enter interest rate swaps or other hedging instruments where it is deemed commercially appropriate. The level of interest rate risk that the group is exposed to is set out in note 14 to the financial statements.

#### **Credit risk**

The group's principal financial assets are trade debtors, and as such this is where the principal credit risk lies.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. Further details of trade and other receivables are set out in note 12 to the financial statements.

# **DISTELL INTERNATIONAL LIMITED**

## **STRATEGIC REPORT (continued)**

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### **Principal risks and uncertainties**

Looking forward the directors believe that the greatest risks and uncertainties faced by the group come from government legislation, uncertainty over the United Kingdom's exit from the European Union, financial risk arising from interest rate exposure, foreign currency exposure, liquidity and bad debt risk and competitive pressures which may limit gross margin expectations.

The directors review these risks on an annual basis and ensure that adequate and appropriate risk mitigating policies and procedures are implemented by the business.

Approved by the Board on 22 March 2018 and signed on its behalf by



**Fraser Thornton**  
**Director**

# **DISTELL INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT**

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The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 2017. A review of the financial performance of the business, the ongoing strategy adopted by the group and a summary of policies adopted for managing financial risk, is located in the Strategic Report on pages 1 – 3.

### **Results and dividends**

The group's financial results are detailed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 9. The profit before tax for the year amounted to £9.4m (2016 – £7.9m).

No dividends have been paid or are recommended by the directors (2016 – Nil). The total comprehensive income for the year of £7.8m (2016 – £7.2m) has been added to reserves.

### **Directors and their interests**

The directors holding office at 30 June 2017 and who served throughout the year are set out below:

FJ Thornton

W Nolte

SJ Nathan (appointed 21 June 2017)

None of the directors who served during the year held shares in the company. The company's ultimate parent undertaking is incorporated outside the United Kingdom. Any interests in, or option to purchase, the share capital of fellow group companies are disclosed in the financial statements of the relevant companies.

The company maintains liability insurance covering the directors and officers of the company.

### **Statement of directors' responsibilities**

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 International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the group and company for that period. In preparing these financial statements the directors are required to:

- i. select suitable accounting policies and apply them consistently,
- ii. make judgments and estimates that are reasonable and prudent,
- iii. state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements, and
- iv. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

## **DISTELL INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT (continued)**

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The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Approved by the Board on 22 March 2018 and signed on its behalf by



**Fraser Thornton**  
**Director**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DISTELL INTERNATIONAL LIMITED

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## **Opinion**

We have audited the financial statements of Distell International Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise Group and Parent Company Statements of Financial Position, The Group Statement of Comprehensive Income, The Group and Parent Company Statements of Cash Flows, The Group and Parent Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in Note 1 to the group financial statements, the group in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at 30 June 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

## **Basis for opinion**

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

## **Who we are reporting to**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DISTELL INTERNATIONAL LIMITED (continued)

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## **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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The directors are responsible for the other information. The other information comprises the Strategic Report and the Directors' Report set out on pages 1 to 5. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

## **Matters on which we are required to report by exception**

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

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

## **Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 4, 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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DISTELL INTERNATIONAL LIMITED (continued)

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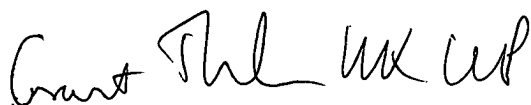
preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



## **Andrew Howie**

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP,  
Statutory Auditor, Chartered Accountants  
Glasgow

22 March 2018

**DISTELL INTERNATIONAL LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the year ended 30 June 2017**

		2017	Restated 2016
	Note	£000	£000
<b>Revenue</b>	2	<b>75,430</b>	67,424
Cost of sales		(42,640)	(37,964)
<b>Gross profit</b>		<b>32,790</b>	29,460
Distribution costs		(18,663)	(15,160)
Administrative expenses		(3,590)	(5,192)
<b>Profit from operations</b>		<b>10,537</b>	9,108
Finance costs	3	(843)	(955)
Other gains and losses	4	-	60
Share of loss of joint venture	10	(336)	(331)
<b>Profit before taxation</b>	5	<b>9,358</b>	7,882
Taxation	7	(1,718)	(1,258)
<b>Profit for the year from continuing operations</b>		<b>7,640</b>	6,624
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		195	537
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,835</b>	7,161
Profit attributable to:			
Owners of the parent		7,640	6,624
Total comprehensive income attributable to:			
Owners of the parent		7,835	7,161

The accounting policies and notes form part of these financial statements

**DISTELL INTERNATIONAL LIMITED**  
**REGISTERED NUMBER: SC109881**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2017**

	Note	2017 £000	2016 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment	8	35,858	35,106
Intangible assets	9	5,628	5,628
Investments in joint ventures	10	2,221	2,094
		<b>43,707</b>	<b>42,828</b>
<b>Current assets</b>			
Inventories	11	99,734	91,504
Trade and other receivables	12	20,124	16,217
Cash and cash equivalents		7,500	5,857
<b>TOTAL ASSETS</b>		<b>171,065</b>	<b>156,406</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	13	6,523	6,523
Other reserves	13	49,239	49,239
Retained earnings	13	31,592	23,757
<b>TOTAL EQUITY</b>		<b>87,354</b>	<b>79,519</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	14	56,249	52,009
Deferred tax liabilities	15	4,677	4,423
		<b>60,926</b>	<b>56,432</b>
<b>Current liabilities</b>			
Loans and borrowings	14	-	300
Trade and other payables	16	21,893	19,477
Current tax liabilities		892	678
		<b>22,785</b>	<b>20,455</b>
<b>TOTAL LIABILITIES</b>		<b>83,711</b>	<b>76,887</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>171,065</b>	<b>156,406</b>

Approved and authorised for issue by the Board on 22 March and signed on its behalf by



**Fraser Thornton**  
Director

The accounting policies and notes form part of these financial statements

**DISTELL INTERNATIONAL LIMITED**  
**REGISTERED NUMBER: SC109881**

**STATEMENT OF FINANCIAL POSITION - Parent company only**

**As at 30 June 2017**

	Note	2017 £000	2016 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	35,858	35,106
Intangible assets	9	5,628	5,628
Investments	10	7,743	7,743
		<b>49,229</b>	<b>48,477</b>
<b>Current assets</b>			
Inventories	11	99,720	91,469
Trade and other receivables	12	19,645	14,970
Cash and cash equivalents		7,396	5,676
<b>TOTAL ASSETS</b>		<b>175,990</b>	<b>160,592</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	13	6,523	6,523
Other reserves	13	48,551	48,551
Retained earnings	13	33,323	25,201
<b>TOTAL EQUITY</b>		<b>88,397</b>	<b>80,275</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	14	56,249	52,009
Deferred tax liabilities	15	4,677	4,423
		<b>60,926</b>	<b>56,432</b>
<b>Current liabilities</b>			
Loans and borrowings	14	-	300
Trade and other payables	16	25,775	22,907
Current tax liabilities		892	678
		<b>26,667</b>	<b>23,885</b>
<b>TOTAL LIABILITIES</b>		<b>87,593</b>	<b>80,317</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>175,990</b>	<b>160,592</b>

In the year to 30 June 2017, the company made a profit of £8,043,000 (2016 £6,567,000)

Approved and authorised for issue by the Board on 22. March and signed on its behalf by



**Fraser Thornton**  
Director

The accounting policies and notes form part of these financial statements

**DISTELL INTERNATIONAL LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2017

	Note	Share Capital £000	Other reserves £000	Retained Earnings £000	Total £000
<b><u>Consolidated</u></b>					
Opening balance as at 1 July 2016		6,523	49,239	23,757	79,519
<b>Comprehensive income</b>					
Profit for the year		-	-	7,640	7,640
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		-	-	195	195
<b>Balance at 30 June 2017</b>	13	<b>6,523</b>	<b>49,239</b>	<b>31,592</b>	<b>87,354</b>

**Parent company**

Opening balance as at 1 July 2016		6,523	48,551	25,201	80,275
<b>Comprehensive income</b>					
Profit for the year		-	-	8,043	8,043
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		-	-	79	79
<b>Balance at 30 June 2017</b>	13	<b>6,523</b>	<b>48,551</b>	<b>33,323</b>	<b>88,397</b>

For the year ended 30 June 2016

	Note	Share Capital £000	Other reserves £000	Retained Earnings £000	Total £000
<b><u>Consolidated</u></b>					
Opening balance as at 1 July 2015		6,523	49,239	16,596	72,358
<b>Comprehensive income</b>					
Profit for the year		-	-	6,624	6,624
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		-	-	537	537
<b>Balance at 30 June 2016</b>	13	<b>6,523</b>	<b>49,239</b>	<b>23,757</b>	<b>79,519</b>

**Parent company**

Opening balance as at 1 July 2015		6,523	48,551	18,438	73,512
<b>Comprehensive income</b>					
Profit for the year		-	-	6,567	6,567
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		-	-	196	196
<b>Balance at 30 June 2016</b>	13	<b>6,523</b>	<b>48,551</b>	<b>25,201</b>	<b>80,275</b>

The accounting policies and notes form part of these financial statements

# **DISTELL INTERNATIONAL LIMITED**

## **CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 30 June 2017

		2017	Restated 2016
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Profit before tax		9,358	7,882
Adjustments for non-cash operating transactions			
Depreciation	5	2,645	2,418
(Gain) / loss on disposal of property, plant and equipment	5	(1)	77
Interest expense	3	843	955
Share of joint venture losses		336	331
Other gains and losses	4	-	(60)
Changes in working capital			
Increase in inventories		(7,582)	(7,195)
(Increase) / decrease in trade and other receivables		(3,550)	608
Increase in trade and other payables		1,428	2,110
<b>Cash generated from operations</b>		<b>3,477</b>	<b>7,126</b>
Interest paid		(919)	(922)
Taxes paid		(1,397)	(1,736)
<b>Net cash from operating activities</b>		<b>1,161</b>	<b>4,468</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(3,471)	(5,490)
Proceeds from sale of plant and equipment		83	-
Capital payment to joint venture		(381)	-
Acquisition of joint venture		-	(2,425)
Cash acquired in business combination		-	1,368
<b>Net cash used in investing activities</b>		<b>(3,769)</b>	<b>(6,547)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,293	761
Repayments of borrowings		(300)	(300)
<b>Net cash from financing activities</b>		<b>3,993</b>	<b>461</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>1,385</b>	<b>(1,618)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,857</b>	<b>7,318</b>
<b>Effect of exchange rate changes</b>		<b>258</b>	<b>157</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>7,500</b>	<b>5,857</b>

The accounting policies and notes form part of these financial statements

# **DISTELL INTERNATIONAL LIMITED**

## **STATEMENT OF CASH FLOWS - Parent company only**

For the year ended 30 June 2017

	Note	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
Profit before tax		9,907	7,815
Adjustments for non-cash operating transactions			
Depreciation	5	2,645	2,418
(Gain) / loss on disposal of property, plant and equipment	5	(1)	77
Interest expense	3	843	955
Other gains and losses	4	-	(60)
Changes in working capital			
Increase in inventories		(7,605)	(8,009)
(Increase) / decrease in trade and other receivables		(4,514)	1,830
Increase in trade and other payables		1,903	1,819
<b>Cash generated from operations</b>		<b>3,178</b>	<b>6,845</b>
Interest paid		(919)	(922)
Taxes paid		(1,395)	(1,671)
<b>Net cash from operating activities</b>		<b>864</b>	<b>4,252</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(3,471)	(5,490)
Proceeds from sale of plant and equipment		83	-
Investment in subsidiary		-	(2,231)
Cash acquired in business combination		-	1,368
<b>Net cash used in investing activities</b>		<b>(3,388)</b>	<b>(6,353)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		4,293	761
Repayments of borrowings		(300)	(300)
<b>Net cash from financing activities</b>		<b>3,993</b>	<b>461</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>1,469</b>	<b>(1,640)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,676</b>	<b>7,174</b>
<b>Effect of exchange rate changes</b>		<b>251</b>	<b>142</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>7,396</b>	<b>5,676</b>

The accounting policies and notes form part of these financial statements



# **DISTELL INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2017

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### **GENERAL INFORMATION**

Distell International Limited is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office and principal place of business is 8 Milton Road, College Milton North, East Kilbride, G74 5BU. The nature of the company's operations and principal activities are stated on page 1 in the Strategic Report.

### **1 ACCOUNTING POLICIES**

#### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the European Union and in accordance with UK companies' legislation as applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis except for certain items of property, plant and equipment which were valued at fair value being deemed cost at transition to IFRS, and derivative financial instruments that have been measured at fair value.

No statement of comprehensive income has been presented for the parent company alone as permitted by Section 408 of the Companies Act 2006.

#### **Standards and amendments applicable to the Group effective for the first time**

The following standard amendments and interpretations were effective in the year but had no material impact on the Group's financial statements:

- Amendments to IAS 1: Presentation of Financial Statements – disclosure initiative on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible Assets – on depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Agriculture – Classification on bearer plants (effective 1 January 2016)
- Amendments to IAS 27: Separate Financial Statements – on equity accounting (effective 1 January 2016)

#### **Standards, interpretations and amendments to published standards that are not yet effective**

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 June 2017, but not yet effective on that date. Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the Group. The standards that are applicable to the Group, but that were not implemented early, are the following:

- Amendments to IAS 12: Income taxes – issued to clarify the requirements for recognising deferred tax assets on unrealised losses (effective 1 January 2017)
- Amendments to IAS 7: Cash flow statements (effective 1 January 2017)
- IFRS 15: Revenue from contracts with customers (effective 1 January 2018)

**DISTELL INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

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**1 ACCOUNTING POLICIES (continued)**

- IFRS 9: Financial Instruments – on financial liabilities, derecognition of financial instruments, financial assets and general hedge accounting (effective 1 January 2018)
- Amendment to IFRS 2: Classification of share-based payment transactions (effective 1 January 2018)
- IFRS 16: Leases (effective 1 January 2019)
- Annual Improvements 2014 – 2016 cycle (effective 1 January 2018)

**Critical accounting estimates and assumptions**

In applying the accounting policies, the directors have made critical accounting judgements, estimates and assumptions about the carrying value of the assets and liabilities. These estimates and assumptions are based on historical experience and future forecasts and are reviewed on a continual basis. The estimates and assumptions that could have a material effect on the amounts recognised in the financial statements for the financial year are as follows:

- a) Impairment of goodwill and intangible assets  
The company tests annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairments in accordance with the relevant accounting policy note.
- b) Property plant and equipment  
It is necessary for the group to make use of judgement when determining the useful life of the property, plant and equipment. Details of these estimates are set out in the relevant accounting policy note.

**Going Concern**

The financial statements have been prepared on a going concern basis. The directors have reviewed the financial position of the group and believe that it has sufficient facilities to trade as a going concern for the foreseeable future. In making this assessment, the directors have considered the group's budgets, cash flow forecasts and available borrowing facilities which were renewed for a five year period from December 2016.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and all of its subsidiary undertakings up to 30 June 2017. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. The results of subsidiary undertakings are consolidated from their effective date of acquisition. All intra group transactions and balances are eliminated on consolidation. The company's interests in joint ventures and associates are accounted for using the gross equity method.

**DISTELL INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

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**1 ACCOUNTING POLICIES (continued)**

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the total of the consideration transferred at fair value at the acquisition date. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost being the excess of the total consideration over the fair value of the identifiable assets and liabilities acquired. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

**Foreign currency translation**

The group's financial statements are presented in sterling which is also the functional currency of the parent company. Transactions in foreign currencies are translated into sterling at average rates throughout the year. At the balance sheet date, foreign currency monetary items are translated at the exchange rate ruling at the balance sheet date. All differences arising on translation are recognised in the income statement with the exception of all monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income.

The assets and liabilities of foreign operations are translated at the rate ruling at the balance sheet date. Any exchange difference arising are recognised in other comprehensive income and accumulated in equity.

**Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable for the sale of goods or services in the ordinary course of the group's activities, net of promotional discounts and Value Added Tax, but inclusive of excise duty.

Revenue from the sale of goods is recognised when evidence of an arrangement exists, the significant risks and rewards of ownership have transferred to the customer, delivery has occurred and collectability of the related receivable is probable.

Revenue from the sale of services is recognised when the services have been rendered, the revenue can be measured reliably and it is probable that the revenue will be received.

**Taxation**

Current taxes are based on the taxable profit for the period of the group companies and are calculated according to local tax rules using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided in full for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the following exceptions:

- Deferred tax is not provided on the initial recognition of goodwill.
- Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss.
- Deferred tax on temporary differences associated with temporary differences in investments in subsidiaries, branches and associates is not provided to the extent that the group is able to control the reversal of temporary differences and it is probable that reversal will not occur in the foreseeable future.

**DISTELL INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

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**1 ACCOUNTING POLICIES (continued)**

**Taxation (continued)**

Deferred tax assets are recognised to the extent temporary differences will reverse in the foreseeable future and that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax is measured using currently enacted or substantially enacted tax rates.

**Property, plant and equipment**

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment. Depreciation is calculated on a straight line basis to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Buildings	20 to 25 years
Plant and equipment	4 to 20 years
Fixtures and fittings	4 to 5 years

Land is considered to have an unlimited useful life and therefore is not depreciated.

**Leases**

Leases that transfer substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as a finance lease. All other leases are classified as operating leases.

Assets held under finance leases are recorded in the balance sheet at the lower of fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. A leased asset is depreciated over the shorter of the lease period and its useful life. The capital elements of future obligations are included in other payables.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease period.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses if any.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment at the balance sheet date or whenever there is an indication that the intangible asset may be impaired.

Amortisation costs and impairment losses are recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or where there is an indication that impairment exists.

Purchased brands are capitalised as an intangible fixed asset and amortised on a straight line basis over their estimated life. Where the brand is deemed to have an indefinite life, it is not amortised but is subject to an annual impairment review.

# **DISTELL INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2017

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### **1 ACCOUNTING POLICIES (continued)**

#### **Impairment**

Assets that have an indefinite useful life and intangible assets not ready for use are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)). Management estimate expected future cash flows from each CGU and determine a suitable discount rate to calculate the present value of the future cash flows. Discount factors are determined for each CGU to reflect the underlying risks involved. The future cash flows used in the calculation are based on the group's latest approved budget. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the group has become a party to the contractual provisions of the instrument.

#### **Financial assets at fair value through profit or loss**

Financial assets held for trading are accounted for at fair value through profit or loss. This category includes derivative financial instruments that are not designated as hedges. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance costs in the income statement.

#### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. Trade receivables do not carry any interest. Provision against trade receivables is made when there is evidence that the amount due will not be collected in full and is calculated as the difference between the carrying amount of the receivable and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each reporting date with any charges recognised in administrative expenses in the income statement.

# **DISTELL INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2017

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### **1 ACCOUNTING POLICIES (continued)**

#### **Loans and borrowings**

Interest bearing loans and borrowings are initially measured at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Interest is recognised on an accruals basis using the effective interest method and is presented in finance costs in the income statement.

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities held for trading are accounted for at fair value through profit or loss. This category includes derivative financial instruments that are not designated as hedges. These liabilities are re-measured at each reporting date, with changes in fair value being recognised in the income statement.

#### **Trade and other payables**

Trade and other payables are not interest bearing, are initially recognised at fair value and subsequently measured at amortised cost.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises all expenditure, excluding financing costs, incurred in producing or purchasing the inventory and bringing it to its current location and condition. Where appropriate, cost includes an allocation of fixed production, maturation and administration costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits together with other short term highly liquid investments with original maturities of three months or less.

#### **Employee benefits**

The cost of providing pensions through defined contribution arrangements is charged to the income statement in the period in respect of which contributions become payable.

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 2 REVENUE

An analysis of revenue is as follows:

	2017 £000	2016 £000
Sale of goods	64,798	57,444
Excise duty	9,813	9,256
Rendering of services	819	724
	<b>75,430</b>	<b>67,424</b>

Revenue for the prior year has been restated to reflect promotional discounts and other costs of £2,271,000 previously charged in distribution costs.

### 3 FINANCE COSTS

	2017 £000	2016 £000
Interest on bank loans	843	955

### 4 OTHER GAINS AND LOSSES

	2017 £000	2016 £000
Net gain in fair value of financial assets and liabilities designated at fair value through profit and loss	-	60

### 5 OTHER OPERATING EXPENSES

	2017 £000	2016 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation	2,645	2,418
(Gain) / loss on disposal of property, plant and equipment	(1)	77
Operating lease rentals	718	532
Gain on foreign exchange	(298)	(476)
Auditors' remuneration	74	64
Auditors' remuneration - other services	24	40

### 6 STAFF COSTS

	2017 £000	2016 £000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	11,093	10,139
Social security costs	1,039	1,022
Pension costs - defined contribution plans (note 18)	623	490
	<b>12,755</b>	<b>11,651</b>

The average number of employees, including directors, during the period was:

	No.	No.
Production	126	145
Sales, distribution and administration	165	140
	<b>291</b>	<b>285</b>

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 6 STAFF COSTS (continued)

Remuneration in respect of directors was as follows:

	2017 £000	2016 £000
Emoluments	692	664
Pension contributions to defined contribution pension schemes	41	43
	<b>733</b>	<b>707</b>

During the period the following number of directors:

Accrued benefits under defined contribution pension schemes	<b>2</b>	<b>2</b>
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The above amounts include remuneration in respect of the highest paid director as follows:

	£000	£000
Emoluments	348	298
Pension contributions to defined contribution pension schemes	24	24
	<b>372</b>	<b>322</b>

### 7 TAXATION

#### Analysis of taxation expense

	2017 £000	2016 £000
<b>Current tax:</b>		
In respect of the current year	1,839	1,475
Foreign tax	(145)	6
Adjustments in respect of previous periods	(231)	(120)
	<b>1,463</b>	<b>1,361</b>

#### Deferred tax:

In respect of the origination and reversal of temporary differences	288	346
Resulting from changes in tax rates	(246)	(453)
Adjustments in respect of previous periods	213	4
	<b>255</b>	<b>(103)</b>

#### Total tax expense

	<b>1,718</b>	<b>1,258</b>
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#### Reconciliation of effective tax rate

	2017 £000	2016 £000
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The tax assessed for the period differs from the standard rate of UK corporation tax of 19.75% (2016 - 20%). The differences are reconciled below.

Profit before tax	9,358	7,882
Profit on ordinary activities at 19.75% (2016 - 20%)	1,848	1,576
Effect of:		
Expenses not deductible for tax purposes & non taxable income	136	154
Non qualifying depreciation	143	135
Foreign tax	(145)	-
Movement in deferred tax relating to change in tax rates	(246)	(491)
Movement in deferred tax relating to prior periods	213	4
Adjustments in respect of previous periods	(231)	(120)
	<b>1,718</b>	<b>1,258</b>



# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 8 PROPERTY, PLANT AND EQUIPMENT

#### Group and Company

	Land and Buildings £000	Plant and Equipment £000	Fixtures and Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 July 2016	16,928	23,446	1,140	41,514
Additions	1,347	1,878	246	3,471
Disposals	-	(83)	(127)	(210)
Translation differences	-	-	46	46
At 30 June 2017	18,275	25,241	1,305	44,821
<b>Depreciation</b>				
At 1 July 2016	2,123	3,712	573	6,408
Charge for the year	725	1,691	229	2,645
On disposals	-	-	(125)	(125)
Translation differences	-	-	35	35
At 30 June 2017	2,848	5,403	712	8,963
<b>Carrying amount</b>				
At 30 June 2017	15,427	19,838	593	35,858
At 30 June 2016	14,805	19,734	567	35,106

Included in property, plant and equipment are assets under construction amounting to £1,117,000 (2016 - £878,000) on which no depreciation has been charged.

### 9 OTHER INTANGIBLE FIXED ASSETS

	2017 £000	2016 £000
<b>Brands at cost - group and company</b>		
At 1 July 2016 and 30 June 2017	5,628	5,628

The brands are considered to have an indefinite useful life as there are no foreseeable limits on the time they are expected to provide future cash flows. They are allocated to their respective cash generating units (CGUs) and tested annually for impairment. The recoverable amounts of the CGUs have been based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by management covering a five year period and are discounted using a weighted average cost of capital for each CGU. The long term growth rate does not exceed the long term average growth rate for the business in which the CGU operates. Based on an analysis of the impairment calculations' sensitivities to changes in key parameters (growth rate, discount rate and pre tax cash flow projections), there was no reasonably possible scenario which showed impairment.

The key assumptions used are as follows:

	2017		2016	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Black Bottle	3%	8%	3%	10%
Bunnahabhain	3%	8%	3%	10%

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 10 INVESTMENTS

#### Group

	Joint Ventures £000	Total £000
<b>Cost or valuation</b>		
At 1 July 2016	2,094	2,094
Capital payment	381	381
Share of loss	(336)	(336)
Exchange movement	82	82
At 30 June 2017	2,221	2,221

#### Company

	Investments £000	Joint Ventures £000	Total £000
<b>Cost or valuation</b>			
At 1 July 2016 and 30 June 2017	6,743	1,000	7,743

Details of investments in subsidiary companies and joint ventures are in note 19 to the financial statements.

### 11 INVENTORIES

#### Group

	2017 £000	2016 £000
Raw materials	1,572	1,119
Maturing spirit and other work in progress	88,320	81,503
Finished goods	9,842	8,882
	99,734	91,504

The cost of inventories recognised as an expense during the year was £31,096,000 (2016 £27,606,000).

The carrying amounts of inventories include £99m (2016 £92m) pledged as security for liabilities.

#### Company

	2017 £000	2016 £000
Raw materials	1,572	1,119
Maturing spirit and other work in progress	88,320	81,503
Finished goods	9,828	8,847
	99,720	91,469

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 12 TRADE AND OTHER RECEIVABLES

#### Group

	2017 £000	2016 £000
Trade receivables	13,368	11,033
Less provision for bad and doubtful debts	(229)	(214)
Net trade receivables	13,139	10,819
Receivables from related parties	4,356	3,382
Prepayments	1,161	819
Other receivables	1,468	1,197
	<b>20,124</b>	<b>16,217</b>

#### Company

	2017 £000	2016 £000
Trade receivables	13,294	9,786
Less provision for bad and doubtful debts	(229)	(214)
Net trade receivables	13,065	9,572
Receivables from related parties	4,139	3,382
Prepayments	1,161	819
Other receivables	1,280	1,197
	<b>19,645</b>	<b>14,970</b>

The group has recognised a provision for doubtful debts of £229,000 (2016 £214,000) based on estimated irrecoverable amounts.

The movement in the provision for doubtful debts is as follows:

	Group and company	
	2017 £000	2016 £000
Balance at beginning of year	214	250
Impairment losses recognised	160	-
Amounts written off as uncollectable	(145)	-
Impairment losses reversed	-	(36)
Balance at end of year	<b>229</b>	<b>214</b>

#### Financial assets that are past due but not impaired

Included in trade receivables are amounts which are past due but not impaired of £2,782,000 (2016 £2,592,000). These have not been impaired as the amounts are considered to be recoverable.

An analysis of the amounts which are past due but not impaired is as follows:

	2017 £000	2016 £000
1 - 30 days overdue	2,102	1,276
31 - 60 days overdue	187	148
61 - 90 days overdue	270	376
over 90 days overdue	223	792
	<b>2,782</b>	<b>2,592</b>

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	£000	£000
Sterling	12,951	9,293
US Dollar	1,633	4,018
Euro	3,315	1,453
Taiwan Dollar	2,225	1,453
	<b>20,124</b>	<b>16,217</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as mentioned above. The carrying amounts of trade and other receivables approximate to their fair value.

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 13 EQUITY

	2017 £000	2016 £000
<b>Group and company</b>		
<b>Ordinary Share Capital</b>		
Authorised:		
80,000,000 ordinary shares of 10p each	8,000	8,000
Allotted, issued and fully paid:		
65,232,740 ordinary shares of 10p each	6,523	6,523
<b>Group</b>		
<b>Other reserves</b>		
Share premium account	19,770	19,770
Capital contribution	28,781	28,781
Capital reserve	688	688
	49,239	49,239
<b>Retained earnings</b>	31,592	23,757
<b>Company</b>		
<b>Other reserves</b>		
Share premium account	19,770	19,770
Capital contribution	28,781	28,781
	48,551	48,551
<b>Retained earnings</b>	33,323	25,201

The share premium account represents the consideration received in excess of the nominal value of shares on the issue of ordinary share capital.

The capital contribution account represents equity consideration previously received from shareholders.

The capital reserve represents the value of net assets acquired in excess of consideration paid in previous business combinations.

Retained earnings represents profits and losses retained in previous and the current period.

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 14 LOANS AND BORROWINGS

#### Group and company

	2017 £000	2016 £000
<b>Secured</b>		
Revolving credit facilities	47,470	43,102
Bank loans	-	451
	<b>47,470</b>	<b>43,553</b>
<b>Unsecured</b>		
Loan from parent company	7,033	7,033
Loan from group company	1,746	1,723
	<b>8,779</b>	<b>8,756</b>
<b>Total</b>	<b>56,249</b>	<b>52,309</b>
Current	-	300
Non-current	56,249	52,009
	<b>56,249</b>	<b>52,309</b>

The revolving credit facility was renewed during the year and expires in December 2021.

The effective interest rate on the facility was 1.8% (2016 2.2%).

A 0.5% increase or decrease in market interest rates as at 30 June 2017 would have decreased or increased profit after tax and equity by £190,000 (2016 £174,000).

The bank loans and revolving credit facilities are secured by a bond and floating charge over the whole assets and undertaking of the company, together with a standard security creating a fixed charge over each of the company's heritable properties.

There were no defaults or breaches of loans payable during the year.

The directors estimate that the fair value of borrowings is not significantly different to the carrying value.

### 15 DEFERRED TAX LIABILITY

#### Group and company

Deferred tax relates to the following:

	2017 £000	2016 £000
Accelerated depreciation	1,102	862
Property, plant & equipment	2,117	2,242
Intangible assets	957	1,013
Other timing differences	501	306
<b>Net deferred tax liabilities</b>	<b>4,677</b>	<b>4,423</b>

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16 TRADE AND OTHER PAYABLES

#### Group

	2017 £000	2016 £000
Trade creditors	7,648	10,657
Social security and other taxes	544	415
Other creditors and accruals	6,619	5,737
Amount due to joint venture	191	135
Amounts due to related parties	6,891	2,533
	<b>21,893</b>	<b>19,477</b>

#### Company

	2017 £000	2016 £000
Trade creditors	7,533	10,090
Social security and other taxes	544	415
Other creditors and accruals	6,610	5,728
Amount due to joint venture	191	135
Amounts due to related parties	10,897	6,539
	<b>25,775</b>	<b>22,907</b>

The carrying amount of trade and other payables approximates to their fair value. Trade payables and accruals are non interest bearing and generally mature within six months.

### 17 FINANCIAL COMMITMENTS

#### Operating lease commitments

The group has entered into various leases on property, plant, office equipment and motor vehicles. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017 £000	2016 £000
Within one year	757	399
After one year but not more than five years	1,596	432
After five years	499	-
	<b>2,852</b>	<b>831</b>

Capital commitments contracted but not provided for in the financial statements amounted to £593,000 (2016 - £123,000).

### 18 RETIREMENT BENEFITS

The company operates defined contribution pension schemes to receive contributions from the company and added voluntary contributions from employees. Pension costs represent contributions payable by the company to the schemes, together with defined contributions payable by the company to individual funds administered separately for directors and certain employees in accordance with their respective service contracts or terms and conditions of employment. The total of the contributions charged to the profit and loss account for the year was £623,000 (2016 - £490,000). Contributions totalling £3,000 (2016 - £3,000) remained unpaid at 30 June 2017 and are included in other creditors and accruals.

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 19 RELATED PARTIES

#### Parent and ultimate parent company

As at 30 June 2017, the company's holding company was South African Distilleries and Wines (SA) Limited, a company incorporated in South Africa, which owned 100% of the company's shares. On 4 July 2017 ownership passed to Distell International Holdings Limited, a company incorporated in England.

The ultimate parent company and ultimate controlling party is Distell Group Limited, a company incorporated in South Africa.

Related party relationships exist between the company, its subsidiaries, its parent company and other subsidiaries within the Distell Group.

The following related party transactions took place during the year:

	2017 £000	2016 £000
<b>Sales of goods and services</b>		
Distell Limited	6,435	6,222
Other group companies	104	2,596
<b>Purchases of goods and services</b>		
Distell Limited	4,701	1,507
Other group companies	46	2,510

Year end balances arising from sales / purchases to / from related parties are stated in notes 12 and 16.

#### Principal Subsidiaries

The company owns the entire ordinary share capital of the undemoted dormant companies, registered in Scotland unless otherwise shown:

Albyn Bond (Airdrie) Limited	Nordren McCall Limited (England)
Burn, Stewart & Co. Limited	St. Andrews Distilling Company Limited
Burn Stewart (Berkeley) Limited (England)	St. Leger & Co Limited
Burn Stewart (US Holdings) Limited	The Black Prince Scotch Whisky Company Limited
Deanston Distillery Company Limited	The Bunnahabhain Distillery Company Limited
Gordon Graham and Company Limited	The Wallace Malt Liqueur Company Limited
Hurlingham International Limited (England)	Tobermory Distillers Limited
Ledaig Distillery (Tobermory) Limited	

Burn, Stewart & Co Limited has a number of wholly owned dormant subsidiaries and Nordren McCall Limited has one wholly owned dormant subsidiary.

Burn Stewart (US Holdings) Limited owns 100% of Distell North America Inc, an importer of alcoholic beverages in the United States of America.

#### Joint Ventures

The company has a 50% interest in Scotch Whisky Sub-Sahara LLP, a limited liability partnership, in a joint venture with Distell Mauritius Limited with regard to the sale and licensing of the company's brands in Sub-Saharan Africa.

Distell North America Inc has a 50% interest in TD Spirits LLC, a joint venture with Terlato Wine Group Ltd, with regard to the marketing of their respective spirit portfolios within the USA.

#### Key management compensation

The key management personnel are the directors of the company and their remuneration details are given in note 6.

# DISTELL INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 20 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments as disclosed in the statement of financial position include borrowings, cash, trade and other receivables and trade and other payables.

The following is a summary of the applicable financial instrument categories:

Group	Fair value through profit and loss £000	Loans and receivables £000	Other financial liabilities £000
<b>As at 30 June 2017</b>			
Trade and other receivables (note 12)	-	18,963	-
Cash and cash equivalents	-	7,500	-
Interest bearing borrowings (note 14)	-	-	47,470
Trade and other payables (note 16)	-	-	21,349
<b>As at 30 June 2016</b>			
Trade and other receivables (note 12)	-	15,398	-
Cash and cash equivalents	-	5,857	-
Interest bearing borrowings (note 14)	-	-	43,553
Trade and other payables (note 16)	-	-	19,062
<b>Company</b>			
<b>As at 30 June 2017</b>			
Trade and other receivables (note 12)	-	18,484	-
Cash and cash equivalents	-	7,396	-
Interest bearing borrowings (note 14)	-	-	47,470
Trade and other payables (note 16)	-	-	25,231
<b>As at 30 June 2016</b>			
Trade and other receivables (note 12)	-	14,151	-
Cash and cash equivalents	-	5,676	-
Interest bearing borrowings (note 14)	-	-	43,553
Trade and other payables (note 16)	-	-	22,492

#### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The directors review and agree policies for the management of these risks on a regular basis. Further details of the risks and management policies are included in the Strategic Report.

#### Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The group monitors capital using its gearing ratio, calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash. Total capital is calculated as total equity as shown in the consolidated statement of financial position. The gearing ratio as at 30 June 2017 was 56% (2016 - 58%).