

Edrington Denmark A/S
Dronningens Tværgade 9, 2. sal
1302 Copenhagen K
Central Business Registration No
10216281

Annual report 2016/17

The Annual General Meeting adopted the annual report on 21.08.2017

Chairman of the General Meeting

Name: Peter Malling Lambert

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Entity details

Entity

Edrington Denmark A/S
Dronningens Tværgade 9, 2. sal
1302 Copenhagen K

Central Business Registration No: 10216281

Registered in: Copenhagen

Financial year: 01.04.2016 - 31.03.2017

Phone: +4543225500

Website: www.edrington.dk

Board of Directors

Per Christer Öberg
Paul Andrew Hyde
Rasmus Peter Brøndsted
Jeremy McDowell Chaplin
Peter Malling Lambert
Jeremy Martin Speirs

Executive Board

Jeremy Martin Speirs, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Edrington Denmark A/S for the financial year 01.04.2016 - 31.03.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2017 and of the results of its operations for the financial year 01.04.2016 - 31.03.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 21.08.2017

Executive Board

Jeremy Martin Speirs
Chief Executive Officer

Board of Directors

Per Christer Öberg

Paul Andrew Hyde

Rasmus Peter Brøndsted

Jeremy McDowell Chaplin

Peter Malling Lambert

Jeremy Martin Speirs

Independent auditor's report

To the shareholders of Edrington Denmark A/S

Opinion

We have audited the financial statements of Edrington Denmark A/S for the financial year 01.04.2016 - 31.03.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2017 and of the results of its operations for the financial year 01.04.2016 - 31.03.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and 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 management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 21.08.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jan Larsen
State Authorised Public Accountant

Management commentary

Primary activities

As in earlier years, the Company's activities have consisted in selling and marketing alcoholic beverages.

Development in activities and finances

The Company's income statement for 2016/17 shows a profit of DKK 886 thousand and the balance sheet shows equity of DKK 9.795 thousand at 31.03.2017.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2016/17

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Revenue		90.607.158	87.899.348
Cost of sales		(72.122.049)	(66.969.766)
Other external expenses		<u>(11.544.787)</u>	<u>(11.036.475)</u>
Gross profit/loss		6.940.322	9.893.107
Staff costs	1	(5.497.131)	(6.389.275)
Depreciation, amortisation and impairment losses	2	<u>(264.412)</u>	<u>(75.758)</u>
Operating profit/loss		1.178.779	3.428.074
Other financial income	3	337.063	26.057
Other financial expenses	4	<u>(379.422)</u>	<u>(436.399)</u>
Profit/loss before tax		1.136.420	3.017.732
Tax on profit/loss for the year	5	<u>(250.011)</u>	<u>1.003.232</u>
Profit/loss for the year		886.409	4.020.964
Proposed distribution of profit/loss			
Retained earnings		<u>886.409</u>	<u>4.020.964</u>
		886.409	4.020.964

Balance sheet at 31.03.2017

	<u>Notes</u>	<u>2016/17 DKK</u>	<u>2015/16 DKK</u>
Acquired licences		3.621.447	88.538
Intangible assets	6	<u>3.621.447</u>	<u>88.538</u>
Other fixtures and fittings, tools and equipment		61.131	110.985
Property, plant and equipment	7	<u>61.131</u>	<u>110.985</u>
Fixed assets		<u>3.682.578</u>	<u>199.523</u>
Manufactured goods and goods for resale		11.807.035	12.905.157
Inventories		<u>11.807.035</u>	<u>12.905.157</u>
Trade receivables		32.630.633	22.388.387
Receivables from group enterprises		385.277	9.302.682
Deferred tax		753.221	1.003.232
Other receivables		4.073.332	993.861
Receivables		<u>37.842.463</u>	<u>33.688.162</u>
Cash		<u>1.152.166</u>	<u>4.932.567</u>
Current assets		<u>50.801.664</u>	<u>51.525.886</u>
Assets		<u>54.484.242</u>	<u>51.725.409</u>

Balance sheet at 31.03.2017

	<u>Notes</u>	<u>2016/17</u> <u>DKK</u>	<u>2015/16</u> <u>DKK</u>
Contributed capital		3.000.000	3.000.000
Retained earnings		6.795.193	5.908.784
Equity		9.795.193	8.908.784
Bank loans		18.404.091	23.586.608
Trade payables		21.580.774	7.997.034
Other payables		4.704.184	11.232.983
Current liabilities other than provisions		44.689.049	42.816.625
Liabilities other than provisions		44.689.049	42.816.625
Equity and liabilities		54.484.242	51.725.409
Unrecognised rental and lease commitments	8		
Group relations	9		

Statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	3.000.000	5.908.784	8.908.784
Profit/loss for the year	0	886.409	886.409
Equity end of year	<u>3.000.000</u>	<u>6.795.193</u>	<u>9.795.193</u>

Notes

	2016/17	2015/16
	DKK	DKK
1. Staff costs		
Wages and salaries	5.202.612	5.961.372
Pension costs	282.229	409.300
Other social security costs	12.290	18.603
	5.497.131	6.389.275
Average number of employees	11	11
	2016/17	2015/16
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	214.558	26.946
Depreciation of property, plant and equipment	49.854	48.812
	264.412	75.758
	2016/17	2015/16
	DKK	DKK
3. Other financial income		
Other financial income	337.063	26.057
	337.063	26.057
	2016/17	2015/16
	DKK	DKK
4. Other financial expenses		
Other financial expenses	379.422	436.399
	379.422	436.399
	2016/17	2015/16
	DKK	DKK
5. Tax on profit/loss for the year		
Change in deferred tax for the year	250.011	(1.003.232)
	250.011	(1.003.232)

Notes

	Acquired licences DKK	
6. Intangible assets		
Cost beginning of year	5.714.997	
Additions	3.747.467	
Disposals	<u>(5.599.513)</u>	
Cost end of year	<u>3.862.951</u>	
Amortisation and impairment losses beginning of year	(5.626.459)	
Amortisation for the year	(214.558)	
Reversal regarding disposals	<u>5.599.513</u>	
Amortisation and impairment losses end of year	<u>(241.504)</u>	
Carrying amount end of year	<u>3.621.447</u>	
		Other fixtures and fittings, tools and equipment DKK
7. Property, plant and equipment		
Cost beginning of year		<u>341.859</u>
Cost end of year		<u>341.859</u>
Depreciation and impairment losses beginning of the year		(230.874)
Depreciation for the year		<u>(49.854)</u>
Depreciation and impairment losses end of the year		<u>(280.728)</u>
Carrying amount end of year		<u>61.131</u>
	2016/17	2015/16
	DKK	DKK
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	<u>791.000</u>	<u>1.144.000</u>

Notes

9. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Highland Distribution Company Limited, Scotland

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial income

Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises as well as net capital losses on securities, payables and transactions in foreign currencies.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise software licences and other intellectual property rights acquired.

Intellectual property rights acquired are measured at cost less accumulated amortisation.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-5 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Inventories

Inventories are measured at the lower of cost using the average cost formula and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.