

**Stauning Whisky A/S**  
**Central Business Registration No**  
**30900863**  
**Stauningvej 38**  
**6900 Skjern**

**Annual report 2015**

The Annual General Meeting adopted the annual report on 20.05.2016

**Chairman of the General Meeting**

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Name: Jens Aage Jerslev

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## Entity details

### Entity

Stauning Whisky A/S  
Stauningvej 38  
6900 Skjern

Central Business Registration No: 30900863

Registered in: Ringkjøbing-Skjern

Financial year: 01.01.2015 - 31.12.2015

### Board of Directors

Jens Aage Jerslev, chairman

David Bruce Gates

Martin Svoldgård Vesterby

Rasmus Skovmose Vestergaard

### Executive Board

Lasse Svoldgaard Vesterby

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus 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 Stauning Whisky A/S for the financial year 01.01.2015 - 31.12.2015.

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 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

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.

Stauning, 20.05.2016

### **Executive Board**

Lasse Svoldgaard Vesterby

### **Board of Directors**

Jens Aage Jerslev  
chairman

David Bruce Gates

Martin Svoldgård Vesterby

Rasmus Skovmose Vester-  
gaard

## **Independent auditor's reports**

### **To the owner of Stauning Whisky A/S**

#### **Report on the financial statements**

We have audited the financial statements of Stauning Whisky A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

#### **Management's responsibility 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

## **Independent auditor's reports**

### **Statement on the management commentary**

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Aarhus, 20.05.2016

### **Deloitte**

Statsautoriseret Revisionspartnerselskab

Klaus Tvede-Jensen  
State Authorised Public Accountant

CVR-nr. 33963556

## **Management commentary**

### **Primary activities**

The Company's activity consists of producing whisky and running related business.

### **Development in activities and finances**

In 2015, the Company succeeded in making Diageo invest in the Company's parent Stauning Whisky Holding ApS, which makes it possible for the Company to invest in new buildings and to buy new production equipment in order to be able to increase production by up to 30 times the existing production in the long term.

The work with performing the investment has been time-consuming and resulted in considerable expenses to the advisors involved.

Furthermore, investments have been made in rebuilding of the present production, and land has been bought to expand the distillery up until 2018. Finally, further production staff has been employed in 2015.

Nevertheless, the Company succeeded in increasing its revenue to a moderate extent.

Due to the increased expenses, including investments performed, the Company's financial performance for 2015 was negative and therefore not satisfactory.

In 2016, the Company will primarily work on the final project design of the new distillery, marketing and increased focus on attracting international attention and expansion of production in the existing production premises.

### **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.

## **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 for 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 one 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**

#### **Gross profit or loss**

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, other operating income, cost of raw materials and consumables and external expenses.



## Accounting policies

### 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 from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

### Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for office supplies and marketing costs, etc. This item also includes write-downs 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.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to 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 property, plant and equipment.

### Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises.

### Other financial expenses

Other financial expenses comprise interest expenses and transactions in foreign currencies.

### Income taxes

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.

## Accounting policies

The Entity is jointly taxed with Stauning Whisky Holding ApS. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Property, plant and equipment

Land and buildings, other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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.

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:

Buildings	30 years
Other fixtures and fittings, tools and equipment	5-7 years

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 FIFO method and net realisable value.

Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production 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 write-downs 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.

## **Accounting policies**

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.

### **Income tax payable or receivable**

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

### **Cash**

Cash comprises cash in hand and bank deposits.

### **Operating leases**

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

### **Other financial liabilities**

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

## Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
<b>Gross profit</b>		<b>1.119.357</b>	<b>3.581.217</b>
Staff costs		(1.846.370)	(1.494.447)
Depreciation, amortisation and impairment losses		<u>(158.540)</u>	<u>(123.304)</u>
<b>Operating profit/loss</b>		<b>(885.553)</b>	<b>1.963.466</b>
Other financial income	1	961	1.607
Other financial expenses		<u>(73.858)</u>	<u>(62.830)</u>
<b>Profit/loss from ordinary activities before tax</b>		<b>(958.450)</b>	<b>1.902.243</b>
Tax on profit/loss from ordinary activities	2	<u>39.602</u>	<u>(490.709)</u>
<b>Profit/loss for the year</b>		<b><u>(918.848)</u></b>	<b><u>1.411.534</u></b>
<b>Proposed distribution of profit/loss</b>			
Retained earnings		<u>(918.848)</u>	<u>1.411.534</u>
		<b><u>(918.848)</u></b>	<b><u>1.411.534</u></b>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Land and buildings		3.227.702	2.586.480
Other fixtures and fittings, tools and equipment		439.954	147.673
<b>Property, plant and equipment</b>	3	<b><u>3.667.656</u></b>	<b><u>2.734.153</u></b>
<b>Fixed assets</b>		<b><u>3.667.656</u></b>	<b><u>2.734.153</u></b>
Raw materials and consumables		3.633.960	2.583.939
<b>Inventories</b>		<b><u>3.633.960</u></b>	<b><u>2.583.939</u></b>
Trade receivables		188.153	747.721
Receivables from group enterprises		0	28.029
Deferred tax assets		11.000	0
Other short-term receivables		40.663	0
Income tax receivable		54.000	0
<b>Receivables</b>		<b><u>293.816</u></b>	<b><u>775.750</u></b>
<b>Cash</b>		<b><u>280.523</u></b>	<b><u>606.790</u></b>
<b>Current assets</b>		<b><u>4.208.299</u></b>	<b><u>3.966.479</u></b>
<b>Assets</b>		<b><u><u>7.875.955</u></u></b>	<b><u><u>6.700.632</u></u></b>

**Balance sheet at 31.12.2015**

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital	4	2.000.000	2.000.000
Retained earnings		<u>1.548.536</u>	<u>2.467.384</u>
<b>Equity</b>		<b><u>3.548.536</u></b>	<b><u>4.467.384</u></b>
Provisions for deferred tax		<u>0</u>	<u>27.400</u>
<b>Provisions</b>		<b><u>0</u></b>	<b><u>27.400</u></b>
Bank loans		<u>0</u>	<u>768.229</u>
<b>Non-current liabilities other than provisions</b>		<b><u>0</u></b>	<b><u>768.229</u></b>
Trade payables		834.653	571.111
Debt to group enterprises		3.219.557	0
Payables to shareholders and management		49.532	48.068
Income tax payable		0	464.700
Other payables		<u>223.677</u>	<u>353.740</u>
<b>Current liabilities other than provisions</b>		<b><u>4.327.419</u></b>	<b><u>1.437.619</u></b>
<b>Liabilities other than provisions</b>		<b><u>4.327.419</u></b>	<b><u>2.205.848</u></b>
<b>Equity and liabilities</b>		<b><u><u>7.875.955</u></u></b>	<b><u><u>6.700.632</u></u></b>
Unrecognised rental and lease commitments	5		
Contingent liabilities	6		

**Statement of changes in equity for 2015**

	<b>Contributed capital DKK</b>	<b>Retained ear- nings DKK</b>	<b>Total DKK</b>
Equity beginning of year	2.000.000	2.467.384	4.467.384
Profit/loss for the year	0	(918.848)	(918.848)
<b>Equity end of year</b>	<b>2.000.000</b>	<b>1.548.536</b>	<b>3.548.536</b>

## Notes

	<b>2015 DKK</b>	<b>2014 DKK</b>
<b>1. Other financial income</b>		
Financial income arising from group enterprises	914	1.525
Interest income	47	82
	<b>961</b>	<b>1.607</b>
	<b>2015 DKK</b>	<b>2014 DKK</b>
<b>2. Tax on ordinary profit/loss for the year</b>		
Current tax	0	482.700
Change in deferred tax for the year	(38.400)	8.009
Adjustment relating to previous years	(1.202)	0
	<b>(39.602)</b>	<b>490.709</b>
	<b>Land and buildings DKK</b>	<b>Other fix- tures and fittings, tools and equipment DKK</b>
<b>3. Property, plant and equipment</b>		
Cost beginning of year	2.846.502	463.211
Additions	719.444	372.599
<b>Cost end of year</b>	<b>3.565.946</b>	<b>835.810</b>
Depreciation and impairment losses beginning of the year	(260.022)	(315.538)
Depreciation for the year	(78.222)	(80.318)
<b>Depreciation and impairment losses end of the year</b>	<b>(338.244)</b>	<b>(395.856)</b>
<b>Carrying amount end of year</b>	<b>3.227.702</b>	<b>439.954</b>



## Notes

	<u>Number</u>	<u>Par value DKK</u>	<u>Nominal value DKK</u>
<b>4. Contributed capital</b>			
Ordinary shares	2.000	1.000,00	2.000.000
	<u>2.000</u>		<u>2.000.000</u>

There have been no changes in the contributed capital over the past five years.

	<u>2015 DKK</u>	<u>2014 DKK</u>
<b>5. Unrecognised rental and lease commitments</b>		
Commitments under rental agreements or leases until expiry	<u>85.424</u>	<u>0</u>

The Company's total lease commitments including residual values at maturity amount to DKK 85k. Annual lease expenses amount to 15k.

## 6. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Stauning Whisky Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.