

# **BB&R Spirits Limited**

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

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Company Registration No. 0379553

# Directors and advisers

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BB&R Spirits Limited

## Directors

M.A. Cooke  
A.W. Frizzell

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## Company Secretary

G.M. Robson

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## Registered office

One Fleet Place  
London  
EC4M 7WS

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## Independent auditor

Deloitte LLP  
110 Queen Street  
Glasgow  
G1 3BX

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## Solicitor

Dentons LLP  
1 George Square  
Glasgow  
G2 1AL

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# Annual report and financial statements

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BB&R Spirits Limited

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# Report of the directors

BB&R Spirits Limited

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

## Principal activities

The company's principal activity is the sale of alcoholic spirits. On 28 April 2017, the company including 'The Glenrothes' brand and associated business was sold to Highland Distillers Ltd. All assets and liabilities associated with non-Glenrothes business were transferred to companies in the BB&R group. Following the sale, the trade and assets of the company were transferred to Highland Distillers Limited at carrying value and therefore no gain or loss on disposal was generated.

## Review of the business

The Company made a profit before taxation of £83,000 in the year (2017: £2,629,000) which relates to one month's trade prior to the sale of the company. Dividends of £1,182,000 have been paid in the year (2017: £Nil) and the Directors did not propose any further dividend payments (2017: nil).

## Going concern

On 28 April 2017, the trade and assets were transferred to Highland Distillers Ltd. As a result of the transaction the company ceased to trade. Accordingly, the financial statements have been prepared on a basis other than a going concern.

## Directors

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

M.A. Cooke  
A.W. Frizzell

## Directors' responsibilities statement

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## Company Information

BB&R Spirits Ltd (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England; its registered number is 0379553. The address of the company's registered office is shown on 'Directors and advisers'.

# Report of the directors

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BB&R Spirits Limited

## Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

As the auditor is now deemed, under section 487(2) of the Companies Act 2006, to be reappointed automatically, Deloitte LLP, having expressed its willingness, will continue as statutory auditor.

## Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and as such there is no requirement to prepare a strategic report.

Approved and signed by order of the Board:



G. M. Robson  
Company Secretary  
6th December 2018

# Independent auditor's report

For the year ended 31 March 2018

BB&R Spirits Limited

## Independent auditor's report to the members of BB&R Spirits Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion the financial statements of BB&R Spirits Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 17

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102.

#### 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

#### Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to the Report of the directors and accounting policies, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 respect of these matters.

#### Responsibilities of directors

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

# Notes to the financial statements

Year to 31 March 2018

BB&R Spirits Limited

## Responsibilities of directors (continued)

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

## 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

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

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

### Use of our report

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



Colin Gibson, CA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom  
6th December 2018

# Income Statement

for the year ended 31 March 2018

BB&R Spirits Limited

	Note	2018 £000's	Pre- exceptional 2017 £000's	Exceptional 2017 (Note 2) £000's	Total 2017 £000's
Revenue		949	17,709	-	17,709
Cost of sales		(495)	(11,578)	-	(11,578)
<b>Gross profit</b>		<b>454</b>	<b>6,131</b>	<b>-</b>	<b>6,131</b>
Administrative Expenses		(367)	(3,091)	(87)	(3,178)
Distribution Costs		(5)	(82)	-	(82)
Other Income	3	1	325	-	325
<b>Operating profit</b>		<b>83</b>	<b>3,283</b>	<b>(87)</b>	<b>3,196</b>
Interest receivable	4	-	232	-	232
Interest payable	4	-	(524)	-	(524)
Loss on revaluation of investment properties		-	(275)	-	(275)
<b>Profit before taxation</b>	5	<b>83</b>	<b>2,716</b>	<b>(87)</b>	<b>2,629</b>
Taxation	6	(1,474)	-	-	-
<b>Profit/(Loss) for the financial year</b>		<b>(1,391)</b>	<b>2,716</b>	<b>(87)</b>	<b>2,629</b>

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements.

Turnover and profit/(loss) derive wholly from discontinued operations.



# Statement of Comprehensive Income

for the year ended 31 March 2018

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BB&R Spirits Limited

	2018 £000s	2017 £000s
Profit/(Loss) for the year attributable to owner after exceptional items	(1,391)	2,629
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gain/(loss) on pension scheme (note 13)	-	(5,231)
Total other comprehensive income for the year	-	(5,231)
Total comprehensive income for the year	(1,391)	(2,602)

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements.

# Statement of Financial Position

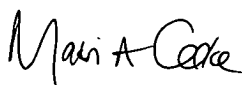
as at 31 March 2018

BB&R Spirits Limited

	Note	2018 £000s	2017 £000s
<b>Non-Current Assets</b>			
<b>Fixed assets</b>			
Intangible assets	8	-	6,456
Tangible assets	9	-	657
		<u>-</u>	<u>7,113</u>
<b>Current Assets</b>			
Inventory	10	-	29,163
Trade and other receivables	11	28,968	17,262
Short-term deposits and cash		-	19
		<u>28,968</u>	<u>46,444</u>
<b>Total Assets</b>		<u>28,968</u>	<u>53,557</u>
<b>Equity and Liabilities</b>			
Called up share capital	16	250	250
Revaluation reserve		-	68
Retained earnings		27,244	29,749
<b>Total Equity</b>		<u>27,494</u>	<u>30,067</u>
<b>Non-current Liabilities</b>			
Post-employment benefit obligation	14	-	17,522
<b>Total Non-current Liabilities</b>		<u>-</u>	<u>17,522</u>
<b>Current Liabilities</b>			
Bank overdraft		-	1,957
Trade payables	12	-	545
Amounts owed to group undertakings	12	-	1,344
Accruals and other payables	12	-	2,064
Current tax liability	12	1,474	58
<b>Total Current Liabilities</b>		<u>1,474</u>	<u>5,968</u>
<b>Total Liabilities</b>		<u>1,474</u>	<u>23,490</u>
<b>Total Equity and Liabilities</b>		<u>28,968</u>	<u>53,557</u>

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements.

The financial statements of BB&R Spirits Limited (registered number 0379553) were approved by the Board of Directors and signed on behalf of the board



M.A. Cooke  
Director  
6th December 2018

# Statement of changes in equity

For the year ended 31 March 2018

BB&R Spirits Limited

	Notes	Share capital	Revaluation reserve	Retained earnings	Total equity
		£000s	£000s	£000s	£000s
Balance at 1 April 2017		250	68	29,749	30,067
Loss for the year		-	-	(1,391)	(1,391)
Other comprehensive income		-	(68)	68	-
<b>Total comprehensive income for the year</b>		-	(68)	(1,323)	(1,391)
Dividend paid	7	-	-	(1,182)	(1,182)
<b>Balance at 31 March 2018</b>		<b>250</b>	<b>-</b>	<b>27,244</b>	<b>27,494</b>

	Notes	Share capital	Revaluation reserve	Retained earnings	Total equity
		£000s	£000s	£000s	£000s
Balance at 1 April 2016		250	68	32,351	32,669
Profit for the year		-	-	2,629	2,629
Other comprehensive income		-	-	(5,231)	(5,231)
<b>Balance at 31 March 2017</b>		<b>250</b>	<b>68</b>	<b>29,749</b>	<b>30,067</b>

The accounting policies and notes on pages 10 to 21 form an integral part of these financial statements.

# Accounting policies

BB&R Spirits Limited

## Basis of accounting

BB&R Spirits Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's principal activities are set out in the Directors Report on page 2.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the modification to a fair value basis for certain financial instruments. They have been prepared on a basis other than going concern as explained in the Directors' Report on page 2.

BB&R Spirits Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. BB&R Spirits Limited is consolidated in the financial statements of its parent, as disclosed in note 17. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

## Consolidation

In view of the fact that consolidated financial statements have been prepared by the Company's parent undertaking, The 1887 Company Limited, the Company has not prepared consolidated financial statements as permitted by s400 of the Companies Act 2006 and information is presented for the individual Company and not the group.

## Going concern

On 28 April 2018, the company was sold to Highland Distillers Ltd and subsequently the trade and assets of the company were transferred to Highland Distillers Ltd. As a result of this transaction the business will cease to trade. Accordingly, the financial statements have been prepared on a basis other than that of going concern.

## Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation of other fixed assets has been calculated on cost, on a straight-line basis by reference to the useful life of the assets. The principal annual rates used for this purpose are:

Fixtures and fittings	5% to 20%
Plant and machinery	10% to 20%
Computer equipment	33%
Motor Vehicles	20%

## Revenue Recognition

Sales comprise revenue from the sale of goods, royalties, interest and rents receivable. Revenue is measured at the fair value of consideration received or receivable, excluding sales tax, and reduced by any rebates and trade discounts allowed. Sale of goods are recognised depending upon individual customer terms at the time of despatch, delivery or when the risk of loss transfers. Royalties, interest and rents receivable are recognised on an accruals basis. Dividend income is recognised at the point the right to receive payment is established.

## Inventories

Scotch whisky inventories are valued at the lower of:

- production costs (including Distillery overheads) or purchase price, as appropriate, plus carrying costs (excluding interest); and
- net realisable value.

Other stocks are valued at the lower of cost or net realisable value. Cost is defined as the invoiced cost of materials plus labour and attributable overheads where appropriate. Provision is made for obsolete and slow moving items where appropriate.

## Exceptional items

Exceptional items are those that in management's judgement need to be disclosed by virtue of their size or incidence. These items are included within the income statement caption to which they relate, and are separately disclosed in the notes to the financial statements, and on the face of the consolidated income statement.

## Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

## Accounting policies (continued)

BB&R Spirits Limited

### Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Taxable income differs from the profit before tax reported in the income statement because of items of income/expense which are taxable/deductible in other years ("temporary differences") and items that are never taxable/deductible ("permanent differences"). Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

### Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

### Foreign currencies

The Company presents its financial statements in sterling and conducts business in many currencies. As a result it is subject to foreign currency risk due to exchange rate movements which will affect the Company's transactions and translation of the results and underlying net assets of its operations.

Transactions in foreign currencies are translated at the spot rate at the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at each balance sheet date, with exchange gains and losses recognised in the income statement.

### Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

When the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and contributions relating to equity instruments are debited directly to equity.

### Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Allowances are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions. Interest is recognised by applying the effective interest method except for short-term receivables when recognition of interest would be immaterial.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and deposits which are readily convertible to known amounts of cash and have an original maturity of three months or less.

### Financial liabilities at amortised cost

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently reported at amortised cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognised in the income statement over the contractual terms using the effective interest method.

## Accounting policies (continued)

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BB&R Spirits Limited

### Intangible Assets

Intangible assets are primarily brands with a material value, which are long term in nature and are recorded at cost less appropriate provision for impairment if necessary. Such brands are only recognised where title is clear, brand earnings are separately identifiable and the brand could be sold separately from the rest of the business.

Brands that are regarded as having a limited useful life are amortised on a straight-line basis over those lives and are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable.

Brands that in the opinion of the directors, on the basis of their assessment on the strength of the brands and industry, are regarded as having an indefinite economic life are not amortised. These assets are reviewed for impairment at least annually or when there is an indication that the asset may be impaired. The impairment reviews compare the carrying value of the brand with its value in use based on discounted future cash flows.

# Notes to the financial statements

Year to 31 March 2018

BB&R Spirits Limited

## 1. Revenue

Revenue is stated after deducting discounts and allowances and excluding VAT. Turnover by geographical market area is not disclosed as, in the opinion of the Directors, such disclosure would be detrimental to the interests of the Company. The company's turnover is solely derived from the sale of goods.

2. Exceptional items	2018	2017
	£000s	£000s
Restructuring costs	-	(87)
<b>Total of exceptional items</b>	<b>-</b>	<b>(87)</b>

In 2017, the Company commenced a restructuring programme. Costs associated with this, such as redundancy costs and office closure, have been included in the exceptional item above.

## 3. Other Income

	2018	2017
	£000s	£000s
Management fees	1	33
Rent receivable	-	292
	<b>1</b>	<b>325</b>

## 4. Finance income and finance costs

	2018	2017
	£000s	£000s
Intercompany interest receivable	-	232
Interest payable and similar charges:		
Bank Interest	-	125
Net finance cost in respect of retirement benefit schemes	-	397
<b>Total interest payable and similar charges</b>	<b>-</b>	<b>524</b>

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

<b>5. Profit on ordinary activities before taxation</b>	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Profit on ordinary activities before taxation is stated after charging		
Foreign exchange loss/(gain)	129	(322)
Auditors remuneration	4	-
Depreciation of fixed assets	1	20
Amortisation of intangible assets	21	248
Cost of stock recognised as an expense	436	7,972

The Company did not employ any staff nor did any of the directors hold a service contract with the Company in the current or preceding financial years. The Directors are all employed by associated companies within the group and no portion of their remuneration can be specifically attributed to their services to the Company.

In 2017, Auditors remuneration for both audit and non-audit services was paid and borne by Berry Bros. & Rudd limited, the parent company of BB&R Spirits Limited.

## 6. Taxation

	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
<b>Current tax charge</b>		
In respect of current year	1,474	-
Income tax expense recognised in the current year relating to continuing operations	1,474	-

The income tax expense for the year can be reconciled to the accounting profit as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Profit before tax from continuing operations	83	2,629
Income tax expense calculated at 19% (2017: 20%)	16	526
Effect of expenses that are not deductible in determining taxable profit	4	67
Effects of group relief	-	(98)
Movement in unrecognised deferred tax	(646)	(495)
Transfer pricing adjustment	2,100	-
Income tax expense recognised in profit or loss (relating to continuing operations)	1,474	-

The tax rate used for the reconciliation above is the corporation tax rate of 19% (2017: 20%) payable by corporate entities in the UK and on taxable profits under tax law in that jurisdiction. Finance Act 2016, which was enacted in September 2016 provides that the main UK rate of corporation tax for the financial year commencing 1 April 2017 is 19% (previously 20%).

Details of the company's deferred tax assets are contained in note 12.

## 7. Dividends

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Final dividend per ordinary share of £4.73 (2017: £Nil)	1,182	-



# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

## 8. Intangible fixed assets

	Brand
	£000s
<b>Cost</b>	
At 1 April 2017	9,000
Disposals	(9,000)
At 31 March 2018	-
<b>Amortisation</b>	
At 1 April 2017	2,544
Disposals	(2,544)
At 31 March 2018	-
<b>Net book value</b>	
At 31 March 2018	-
At 31 March 2017	6,456

On April 1st 2010, the Company acquired the brand The Glenrothes. The total consideration paid and the fair value was £9,000,000. On 28 April 2017, The Glenrothes brand was transferred to Highland Distillers Ltd at net book value.

## 9. Tangible fixed assets

	Freehold Land and Buildings £000s	Plant and Machinery £000s	Total £000s
<b>Cost</b>			
At 1 April 2017	620	118	738
Disposals	(620)	(118)	(738)
At 31 March 2018	-	-	-
<b>Depreciation</b>			
At 1 April 2017	-	81	81
Disposals	-	(81)	(81)
At 31 March 2018	-	-	-
<b>Net book value</b>			
At 31 March 2018	-	-	-
At 31 March 2017	620	37	657

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

<b>10. Inventory</b>	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Scotch whisky	-	28,543
Other inventory	-	620
	<u>-</u>	<u>29,163</u>

<b>11. Trade and other receivables</b>	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Trade receivables	-	4,698
Amounts owed by group undertakings	<b>28,968</b>	11,834
Prepayments and accrued income	-	485
Other debtors	-	245
	<u><b>28,968</b></u>	<u>17,262</u>

Amounts from group undertakings are repayable on demand.

<b>12. Trade and other payables</b>	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
<b>Current</b>		
Bank overdraft	-	1,957
Trade creditors	-	545
Amounts owed to group undertakings	-	1,344
Accruals and other creditors	-	1,958
Corporation tax payable	<b>1,474</b>	58
Other creditors	-	106
	<u><b>1,474</b></u>	<u>5,968</u>

<b>13. Deferred Tax</b>	<b>2018</b>	<b>2017</b>
	<b>£000s</b>	<b>£000s</b>
Decelerated capital allowances	-	50
Tax losses	-	836
Short term timing differences	-	2,980
Total deferred tax asset not recognised in financial statements	<u>-</u>	<u>3,866</u>

## UK corporation tax rate changes

Finance Act 2016, which was enacted in September 2016, provides that the main UK rate of corporation tax for the financial year commencing 1<sup>st</sup> April 2020 will be 17%. Consequently, UK deferred tax has been provided at a rate of 17%, being the rate at which the majority of temporary differences are expected to unwind.

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

## 14. Retirement benefit liabilities

In 2017, the company operated a defined benefit pension scheme and post-retirement healthcare scheme. The amounts carried in the balance sheet are shown below.

BB&R Spirits Ltd ceased to be a participating employer in the plan from the 28 April 2017 following the transfer of the business to Highland Distillers Ltd. The plan's liabilities were transferred to companies within the BB&R group.

	2018 £000s			2017 £000s		
	Defined benefit pension scheme	Post-retirement healthcare scheme	Total	Defined benefit pension scheme	Post-retirement healthcare scheme	Total
Fair value of scheme assets	-	-	-	39,330	-	39,330
Present value of scheme liabilities	-	-	-	(56,300)	(552)	(56,852)
Net scheme liability	-	-	-	(16,970)	(552)	(17,522)

### Defined benefit scheme

The pension scheme provides benefits based on final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund. The most recent actuarial valuations of scheme assets and the present value of defined benefit obligation were carried out at 31st March, 2017 by Xafinity Consulting Ltd.

Pension contributions are determined with the advice of independent qualified actuaries, Xafinity Consulting Ltd, on the basis of triennial valuations using the projected unit credit method. The valuation of 31st March, 2013 was approved in October 2014 and showed an actuarial deficit on the scheme of £11,424,000. On the 31st March 2012 the pension scheme was closed to future accrual. The annual deficit funding contribution of £404,000 was made in the year but there were no further employer's regular contributions. The company contributed £523,000 during the year ending 31st March 2017, being £425,000 relating to the special contribution and £98,000 in respect of the Pension Protection Fund levy.

The major assumptions used by the actuary were:	2018	2017
Discount rate	-	2.6%
Inflation assumption	-	3.3%
Deferred revaluation rate	-	2.3%

Mortality Assumptions	31 March 2018		31 March 2017	
	Males	Females	Males	Females
Average future life expectancy (in years) at 65 of future pensioners currently aged 45 at 31 March	-	-	24.5	27.3
Average future life expectancy (in years) at 65 of current pensioners at 31 March	-	-	23.1	25.7

	2018	2017
Rate of pension increases:		
For pensions accrued before December 1999	-	5.0%
For pensions accrued after December 1999	-	3.3%
For pensions accrued after May 2007	-	2.4%

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

## 14. Retirement benefit liabilities (continued)

The post-retirement mortality assumptions allow for expected increases in longevity. The current disclosures above relate to assumptions based on longevity (in years) following retirement at the Balance sheet date.

The fair value of the scheme assets, the present value of the scheme liabilities and the resulting deficit were:-

	2018	2017
	£000s	£000s
Equities	-	1,363
Government Bonds	-	13,799
Cash	-	146
Diversified Growth Fund	-	10,218
Multi-asset Growth	-	3,486
Managed Funds	-	9,149
Illiquid Debt	-	1,169
	<hr/>	<hr/>
Total market value of assets	-	39,330
Present value of scheme liabilities	-	(56,300)
	<hr/>	<hr/>
Surplus/(deficit) in pension scheme	-	(16,970)
	<hr/>	<hr/>

Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying the relevant corporate bond yield.

The pension plan has not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The amounts recognised in the profit and loss account and the statement of recognised gains and losses are as follows:-

### Defined benefit schemes

Analysis of amounts charged to operating profit in respect of defined benefit schemes	2018	2017
	£000s	£000s
Administration expenses	-	114
	<hr/>	<hr/>
	-	114
	<hr/>	<hr/>
Analysis of net charge to finance costs	2018	2017
	£000s	£000s
Expected return on pension scheme assets	-	(1,274)
Interest on pension scheme liabilities	-	1,656
	<hr/>	<hr/>
Net charge to finance costs	-	382
	<hr/>	<hr/>

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

## 14. Retirement benefit liabilities (continued)

Analysis of amount recognised in the statement of comprehensive income (OCI):	2018	2017
	£000s	£000s
Actual return less expected return on assets	-	2,898
Experience gains and losses on liabilities	-	275
Changes in assumptions	-	(8,237)
Actuarial gain/(loss) recognised in OCI	-	(5,064)

	2018	2017
	£000s	£000s
<b>Reconciliation of fair value of scheme assets</b>		
Opening fair value of scheme assets	39,330	35,994
Expected return on assets	-	2,898
Interest income	-	1,274
Administration expenses	-	(114)
Employers' contributions	-	550
Benefits paid	-	(1,272)
Transferred benefit scheme	(39,330)	-
Closing fair value of scheme assets	-	39,330

	2018	2017
	£000s	£000s
<b>Reconciliation of defined benefit obligation</b>		
Opening defined benefit obligation	56,300	47,954
Interest cost	-	1,656
Actuarial (losses)/gains	-	7,962
Benefits paid	-	(1,272)
Transferred benefit scheme	(56,300)	-
Closing defined benefit obligation	-	56,300

	2018	2017
	£000s	£000s
<b>Movement in deficit during the year</b>		
Opening deficit in scheme	16,970	(11,960)
Administration expenses	-	(114)
Contributions	-	550
Net interest cost	-	(382)
Actuarial (losses)/gains	-	(5,064)
Transferred benefit scheme	(16,970)	-
Closing deficit in scheme	-	(16,970)

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

## 14. Retirement benefit liabilities (continued)

### Post-Retirement Healthcare Scheme

In 2017, the company operated a post-retirement healthcare scheme. The company has obtained independent, professionally qualified actuarial advice to quantify financial obligations under the scheme.

The major assumptions used by the actuary were:	2018	2017
Discount rate	-	2.6%
Medical cost inflation	-	6.0%
Rate at which employees leave employment	-	5.0%
Assumed age of retirement	-	65
Pre and post retirement mortality	-	86%/80% SAPS CMI 2015 1%
Post retirement premiums for projection:		
Single member's premium (p.a.)	-	£1,442
Married member's premium (p.a.)	-	£2,885

Analysis of movement in deficit and present value of the post-retirement healthcare liability during the year:-

	2018	2017
	£000s	£000s
<b>Movement in deficit during the year</b>		
Opening deficit in scheme	552	(374)
Net interest cost	-	(15)
Actuarial (losses)/gains	-	(163)
Transferred benefit scheme	(552)	-
Closing deficit in scheme	-	(552)

# Notes to the financial statements (continued)

Year to 31 March 2018

BB&R Spirits Limited

## 14. Retirement benefit liabilities (continued)

Analysis of amount recognised in the statement of comprehensive income (OCI):	2018	2017
	£000s	£000s
Experience gains and losses on liabilities	-	(28)
Changes in assumptions	-	(135)
Actuarial gain/(loss) recognised in OCI	-	(163)

### Sensitivity

Valuation of post-retirement benefits involves judgments about uncertain future events. Sensitivities in respect of the key assumption used to measure the liability as at 31st March 2017 are set out below. These sensitivities show the hypothetical impact of a change in the listed assumption in isolation. While both of these sensitivities holds all other assumptions constant, in practice such assumptions rarely change in isolation and the impacts may offset to some extent.

Assumption	Sensitivity	Increase/(decrease) in profit before tax Year to 31 March 2017 £000s	Financial impact on overall liability Year to 31 March 2017 £000s
Base medical inflation	- 1%	3	136
Rate of mortality	+ 1 year	(1)	(36)

## 15. Transactions with related parties

The Company is exempt under FRS 102 paragraph 33.1A from disclosing related party transactions with entities which are part of the 1887 group.

## 16. Share Capital

	Authorised £000s	Issued and fully paid £000s
At 31 March 2018 and 2017		
Ordinary shares of £ 1 each	300	250

The Company's other reserves are as follows:

- The revaluation reserve represents the cumulative effect of the revaluations of freehold land and buildings which are revalued to fair value at each reporting date.
- The profit and loss account reserve represents cumulative profits or losses including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

## 17. Ultimate Controlling Party

The Company's immediate parent company is Highland Distillers Limited, whose ultimate parent company is The Edrington Group Limited which is registered in Scotland and which is ultimately controlled by The Robertson Trust, a registered charity. Copies of The Edrington Group Limited financial statements, which is the largest group into which these financial statements are consolidated, are available from its registered office, 100 Queen Street, Glasgow, G1 3DN. The smallest group into which these financial statements are consolidated is The 1887 Company Limited and its financial statements are available from its registered office, 100 Queen Street, Glasgow, G1 3DN.