Registered number: SC037522

SPEYMALT WHISKY DISTRIBUTORS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2022

Directors	J A Bishop I M Chapman B A Cookman (appointed 18 August 2021) D T King E C Mackintosh A P Manson (appointed 1 June 2022) S A M Rankin N E Urquhart (Chair) R G Urquhart S D Urquhart
Company secretary	B A Cookman (appointed 18 August 2021)
Registered number	SC037522
Registered office	George House Boroughbriggs Road Elgin IV30 1JY
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Glasgow G1 3BX
Bankers	Barclays Bank plc 120 Bothwell Street Glasgow G2 7JT
Solicitors	Wright Johnston & Mackenzie LLP The Green House Beechwood Park North Inverness IV2 3BL

SPEYMALT WHISKY DISTRIBUTORS LIMITED

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Principal activities

Speymalt Whisky Distributors Limited (trading as Gordon & MacPhail) ('the company'), is a family owned premium spirits company based in Elgin, Scotland. Owner of Scotch whisky distilleries Benromach and The Cairn, Gordon & MacPhail is also a Scotch whisky maturation expert, the owner of Scottish Gin brand, Red Door, and the operator of a wholesale business in the United Kingdom selling premium Scotch whiskies and spirits, along with a high-quality retail outlet.

Overall strategy

Long-term thinking, investment and growth remain the foundations of the Gordon & MacPhail business.

The company owns Benromach Distillery located in Forres in Moray. Benromach Single Malt Scotch Whisky is handcrafted using traditional methods by a small team of distillers using the finest Scottish barley and the purest spring water from the nearby Romach Hills. The multi award-winning portfolio of Single Malts is enjoyed by whisky drinkers worldwide.

The company continues to support and invest in the development of Red Door, an award winning, small batch Scottish gin which forms a strategic part of the company's product portfolio.

Work commenced in July 2020 on The Cairn, the company's second distillery, located on the banks of the River Spey overlooking the Cairngorm mountains near Grantown-on-Spey. With completion expected in the summer of 2022, the new site adds further distillation capacity and brand ownership to the company's asset base and is a key part of the plans to continue building a long-term sustainable business.

Since the founding of the business in 1895, Gordon & MacPhail has sent casks to Scotch whisky distilleries throughout Scotland to be filled with new-make spirit, before being left to mature for many years either at the distillery or in their bonded warehouses in Elgin and Forres. The Gordon & MacPhail portfolio offers some of the world's rarest and most sought-after Single Malt Scotch Whiskies to discerning whisky drinkers globally.

The company's wholesale business serves customers throughout the United Kingdom selling Benromach Single Malt, Red Door gin and Gordon & MacPhail whiskies into the on and off trade. The business also exclusively represents a number of 'distributor' brands and stocks premium whiskies and spirits.

The retail shop in Elgin remains the 'spiritual home' of the business, over 125 years after it was first established in 1895. The shop is home to a large selection of Single Malt Scotch Whiskies and is a destination for many whisky aficionados from around the world.

Business review and future developments

The directors continue to chart the strategic direction of the business. Following unprecedented disruption from the Covid-19 pandemic during the prior period, the year ending February 2022 generally saw a progressive return to a more routine working and operational environment.

Nonetheless, the pandemic has continued to have an impact, and as a consequence, the directors have kept the activities and plans of the company under constant review. Working practices have continued to be adapted to ensure that the health and safety of our employees was prioritised. The majority of the workforce continued to work from home for the majority of the year: only latterly has a phased move to a more "hybrid" working model been possible.

During this period of uncertainty, the company prioritised regular communication with employees and other stakeholders to support them through the difficult circumstances caused by the crisis.

From a commercial perspective, certain markets have continued to experience significant disruption to trading activity, whilst others have been less affected, meaning the company has been able to focus on specific opportunities that sustain strong profitability and liquidity.

Sales increased in the year by 9.8% to £37,411,000. The profit on ordinary activities before tax amounted to £10,373,000 *(2021: £13,856,000)* with profit and total comprehensive income for the financial year of £7,532,000 *(2021: £11,062,000)* being transferred to reserves. The net assets of the company as at 28 February 2022 were £72,736,000 *(2021: £65,690,000).*

The company continued to focus on Benromach: sales value and volumes grew by 15.5% and 14.3% respectively, with the rebranding exercise undertaken in the prior year proving successful across all major markets. The company continued to invest and fill Benromach spirit into first fill casks. Plans to continually increase maturation capacity in the company's warehousing complex at Benromach are in place over the coming years.

The Gordon & MacPhail whisky portfolio has delivered strong financial results throughout the year, across a pleasingly broad range of markets. A particular milestone was the release of the world's oldest Single Malt Scotch, an 80-year-old whisky from the Glenlivet distillery.

The construction of the company's second distillery, The Cairn, has progressed well throughout the current financial year. In the context of widely reported supply chain challenges across the sector, the Directors are pleased with the project's progress, and completion is targeted for the summer of 2022.

The company continued to focus on the future by investing in infrastructure at its main site in Elgin, including various capacity and operational enhancements, as well as the implementation of a new ERP system.

Overall, despite the disruption arising from the pandemic and the current uncertainties in the global economy, the Board considers that the company remains in a strong position, and are positive about the prospects and opportunities for the business.

Principal risks and uncertainties

Financial risk

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has a risk management programme that seeks to limit the adverse effects of the financial performance of the company by monitoring the level of debt finances and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies are set by the Board of directors and implemented by the executive directors and monitored by the finance department.

Covid-19 risk

The Board continues to monitor the impact of the global pandemic. Routine updates are received and incorporate the latest guidance and financial impacts. Longer term plans include a consideration of potential impacts to future growth opportunities, and the implications for profitability and liquidity.

US Tariffs risk

A 25% tariff on exports to the USA of Single Malt Scotch Whiskies and Scotch Whisky Liqueurs was introduced in October 2019, but subsequently lifted from the summer of 2021, initially for a period of five years. As a result, this risk is largely mitigated in the medium-term, but remains a consideration for the future.

Credit risk

Trade debt is proactively monitored across the company. The UK market credit risk is managed using a due diligence model, which includes but is not limited to, third party credit references, payment history and knowledge of the customer's business and plans. The credit risk on export debtors is managed on a similar basis with several export balances being insured via a reputable credit insurer.

Key performance indicators

The directors have monitored the progress of the company's strategy and the individual strategic elements by reference to certain key performance indicators. Specifically, the company measures performance based on sales growth, gross profit % and net assets:

	2022	**2021**
Sales growth	9.8%	1.1%
Gross profit %	58.5%	64.0%
Net assets	£72,736,000	£65,690,000

This report was approved by the Board on 20 June 2022 and signed on its behalf.

B A Cookman
Company Secretary

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 28 February 2022.

Results and dividends

The profit for the year, after taxation amounted to £7,532,000 *(2021: £11,062,000)*.

The company paid dividends during the year of £2.56 *(2021: £4.30)* per ordinary share being £486,400 *(2021: £817,000)* and the directors recommend a dividend of £12.66 *(2021: £2.56)* per ordinary share being £2,406,000 *(2021: £486,400)*, not recognised as a liability in the financial statements. Full details of dividends paid and proposed are included in note 11 to the financial statements.

Directors

The directors who served during the year and up to the date of this report were:
J A Bishop
I M Chapman
B A Cookman (appointed 18 August 2021)
D T King
E C Mackintosh
A P Manson (appointed 1 June 2022)
S A M Rankin
N Ross (resigned 23 May 2021)
N E Urquhart (Chair)
R G Urquhart
S D Urquhart

Directors' Responsibilities Statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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 company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- ensure that UK Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The company prepares financial projections which fully incorporate expected developments in trading, costs, stock levels, working capital requirements, dividends and expected capital expenditure. These projections are tested against existing credit facilities to ensure the company can operate within agreed limits.

The directors report that the company has access to the necessary funds to trade and meet its obligations for the foreseeable future, and a strong balance sheet with significant equity in maturing stock, thus confirm that it is appropriate to prepare the financial statements on a going concern basis.

Matters covered in the strategic report

Information relating to future developments, assessment of financial risks and risk management are considered to be of strategic importance and have therefore been addressed within the Strategic Report.

Streamlined Energy and Carbon Reporting (SECR)

The company's energy use and emissions for the year ended 28 February 2022 has been as follows:

Metric		Unit
Scope 1 & 2 energy use covering electricity, gas, fuel and LPG	4,740,327	kWh
Equivalent Greenhouse Gas Emissions (GHG)	881	tonnes $C0_2e$
Intensity Measure: GHG per Litre of Alcohol Produced	2.27	kg CO_2 / LoA

Energy usage data is collated in an online portal using meter readings and supplier invoices as the core inputs. The conversion from kWh to CO2 emissions is calculated by reference to the UK Government published conversion factors for company reporting.

Distillation activity at Benromach comprise a significant majority of the company's energy usage, and as such, forms the basis of the energy intensity measure shown in the schedule above.

The company aims to reduce its carbon footprint through effective management and identification of improvements across its sites and operations. The overall ambition is to meet the commitments as a Scotch Whisky Association (SWA) member company and to reach Net Zero by 2040.

In the coming financial year, the company intends to refine its strategic policies around sustainability. More specifically, alongside maintaining Green Energy electricity supply contracts, the company will continue its implementation programme of energy-saving measures across its sites, including investment in lighting, timers and heat recovery technologies.

Obligations under Companies Act s172

Each Director must act, in good faith, in a way that is likely to promote the success of the company for the benefits of its stakeholders as a whole. The matters that are expected to be considered are the long-term consequences of any decisions taken, the interests of the company's employees, the development and maintenance of good relations with customers and suppliers, the impact of the company's operations on the community and the environment and the maintenance of high standards of conduct.

The ownership and management of the company is closely aligned, meaning the interests of the shareholders are directly represented on the Board of Directors. A formal decision-making framework exists between the company and its shareholders, and in addition, specific forums exist that promote engagement, discussion and collaboration with the shareholder group as a whole.

As a family-owned business, the long-term interest is central to the company's objectives. This is demonstrated by the commitment to investment in capital projects, brand development, and by the exercise of prudence in managing the company's physical stocks.

The Board recognises that its employees are critical to the success of the company, and adopts strategies and policies to foster positive engagement, welfare, and a culture of continued professional development, led by an experienced HR function. Employee surveys are conducted on a quarterly basis, and regular Town Hall events take place to share updates around the performance and operations of the business. The company is certified as a Living Wage Scotland employer.

The Board also recognises that good conduct is essential. The company pursues decisions that have regard to the interests of the relevant stakeholders, and will allow time for matters of debate to be resolved. As well as building strong relationships with its customers and suppliers through dedicated sales and procurement teams, the company engages more broadly through membership of industry bodies and community forums. The community interest is a key driver of decision-making, particularly given the geographical concentration of the company's operations. Upholding its good reputation is important, both within the local community and wider business network.

The Board will consider the impact of decision-making on the environment. The assessment of major capital projects includes a consideration of sustainability, and as noted in the company's energy and carbon reporting disclosures, the company aims to reduce its carbon footprint by effective management and identification of improvements across its operations.

The Directors, both individually and collectively as a Board, consider the decisions taken during the year ended 28 February 2022 were in conformance with their duty under s172 of the Companies Act 2006 Strategic Report and Directors' Report Regulation 2013.

Disclosure of information to auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- 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.

Post balance sheet events

In May 2022, the company renewed its Inventory Finance facility with its bankers, Barclays. The facility is secured against eligible bulk Scotch whisky stocks and can be drawn down by the business to meet trading and capital cash requirements.

There have been no events which have significantly affected the company's reported financial position since the year end.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 20 June 2022 and signed on its behalf.

B A Cookman
Company Secretary

Opinion

We have audited the financial statements of Speymalt Whisky Distributors Limited (the 'company') for the year ended 28 February 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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 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 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, 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.

Responsibilities of directors for the financial statements
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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We have obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and industry in which it operates through our general commercial and sector experience and discussions with management. We determined the following laws and regulations were most significant: FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The industry is also heavily regulated by HM Revenue and Customs.

- We have enquired with management as to any instances of non-compliance with any of the applicable laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We have assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by making enquiries of management. Audit procedures performed by the engagement team included:
  - identifying and evaluating the design effectiveness of controls that management has in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in their judgement of significant accounting estimates;
  - identifying and testing journal entries with a focus on material and unusual manual journals, considered by the engagement team to carry a higher risk of fraud;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item;
  - performed audit procedures to conclude on the compliance of disclosures in the annual report with the applicable financial reporting requirements.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those resulting from error, as those resulting from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentation.

- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the following:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge and experience of the industry in which the client operates
  - understanding of the requirements of FRS 102 in conformity with the requirements of the Companies Act 2006 and the application of the legal and regulatory requirements to the Company.

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the company's operations, including the nature of its revenue sources and revenue recognition policy, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatements; and
  - the company's control environment, including the policies and procedures implemented to comply with the requirements of accounting standards in conformity with the requirements of the Companies Act 2006, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of laws and regulations are appropriately investigated and reported

- From the procedures performed we did not identify any matters relating to non-compliance with laws and regulations or matters in relation to fraud.

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.

Grant Thornton UK LLP

James Chadwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
23 June 2022

SPEYMALT WHISKY DISTRIBUTORS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2022

	Note	2022 £'000	2021 £'000
Turnover	4	37,411	34,064
Cost of sales		(15,535)	(12,279)
Gross profit		21,876	21,785
Distribution costs		(5,354)	(3,475)
Administrative expenses		(6,144)	(5,157)
Other operating income	5	-	720
Operating profit	5	10,378	13,873
Net interest payable	9	(5)	(17)
Profit on ordinary activities before taxation		10,373	13,856
Taxation	10	(2,841)	(2,794)
Profit and total comprehensive income for the financial year		7,532	11,062

The notes on pages 16 to 30 form part of these financial statements.

There were no recognised gains and losses for the years ending 28 February 2022 or 28 February 2021 other than those included in the statement of comprehensive income, and there was no other comprehensive income in either year.

SPEYMALT WHISKY DISTRIBUTORS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	12	1,596	-
Tangible assets	13	42,347	30,358
Investments	14	17	34
		43,960	30,392
Current assets			
Stock	15	29,313	27,324
Debtors	16	6,655	3,577
Cash at bank and in hand		7,913	13,061
		43,881	43,962
Creditors: amounts falling due within one year	17	(12,405)	(7,476)
Net current assets		31,476	36,486
Total assets less current liabilities		75,436	66,878
Creditors: amounts falling due after more than one year	18	-	(17)
Provisions for liabilities	21	(2,700)	(1,171)
Net assets		72,736	65,690
Capital and reserves			
Called up share capital	22	190	190
Share premium account	23	7	7
Profit and loss account	23	72,539	65,493
		72,736	65,690

The notes on pages 16 to 30 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on 20 June 2022 and were signed on its behalf.

EMackintosh

E C Mackintosh

B A Cookman

SPEYMALT WHISKY DISTRIBUTORS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£'000	**£'000**	**£'000**	**£,000**
At 1 March 2020	190	7	55,248	55,445
Comprehensive income for the year				
Profit for the year	-	-	11,062	11,062
Dividends	-	-	(817)	(817)
At 28 February 2021	**190**	**7**	**65,493**	**65,690**
Comprehensive income for the year				
Profit for the year	-	-	7,532	7,532
Dividends	-	-	(486)	(486)
At 28 February 2022	**190**	**7**	**72,539**	**72,736**

The notes on pages 16 to 30 form part of these financial statements

SPEYMALT WHISKY DISTRIBUTORS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Operating profit	10,378	13,873
Adjustments for:		
Depreciation of tangible assets	875	984
Depreciation of intangible assets	150	-
Gain on disposal of tangible assets	(50)	(55)
Gain on disposal of unlisted investments	(5)	-
Loss on revaluation of investment	-	1
Increase in stocks	(1,989)	(995)
(Increase)/decrease in debtors	(3,078)	499
Increase in creditors	5,379	1,792
Corporation tax paid	(2,259)	(1,694)
Net cash generated from operating activities	9,401	14,405
Cash flows from investing activities		
Purchase of tangible fixed assets	(14,116)	(12,609)
Sale of tangible fixed assets	77	63
Sale of unlisted investments	22	-
Interest received	-	9
Net cash flow from investing activities	(14,017)	(12,537)
Cash flows from financing activities		
Repayment of loans	-	(527)
Repayment of finance leases	(41)	(83)
Dividends paid	(486)	(817)
Interest paid	(5)	(26)
Net cash used in financing activities	(532)	(1,453)
Net (decrease)/increase in cash and cash equivalents	(5,148)	415
Cash and cash equivalents at beginning of the year	13,061	12,646
Cash and cash equivalents at the end of the year	7,913	13,061

1. General information

Speymalt Whisky Distributors Limited is a private company, limited by shares and incorporated in Scotland, registration number SC037522. The registered office is George House, Boroughbriggs Road, Elgin, IV30 1JY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

Consolidated accounts have not been prepared on the basis that the company's subsidiaries are non-trading and thus the company's results are reflective of the group as a whole.

The following principal accounting policies have been applied:

2.2 Going concern

The company prepares financial projections which fully incorporate expected developments in trading, costs, stock levels, working capital requirements, dividends and expected capital expenditure. These projections are tested against existing credit facilities to ensure the company can operate within agreed limits.

The directors report that the company has access to sufficient funds to trade for the foreseeable future, and a strong balance sheet with significant equity in maturing stock, thus confirm that it is appropriate to prepare the financial statements on a going concern basis.

2.3 Foreign currency translation

The company's functional currency is pounds Sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions. At each period end foreign currency monetary items are retranslated using the closing rate. Foreign exchange gains and losses are credited or charged to the Statement of Comprehensive Income account as they arise.

2.4 Revenue

Turnover is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have been transferred to the buyer. This may be upon shipment, depending on shipping terms used, or the product being ready for delivery or use based on specific contract terms. Where applicable, revenue associated with goods and services is unbundled and recognised when the significant risks and benefits of ownership have been transferred to the buyer. Duty payable on the sale of alcohol is included within revenue and deducted as a cost of sale.

2.5 Government grants

Government grants of a revenue nature are credited to income in the period to which they relate. Government grants relating to capital expenditure are credited to the Statement of Financial Position and are released to revenue once recognition criteria are satisfied. They are released by equal amounts over the expected useful life of the asset to which they relate.

2.6 Hire Purchase and Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

2.9 Current and deferred taxation (continued)

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Intangible fixed assets

Capitalised software development costs are recognised as an intangible fixed asset, and are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Costs include software licences, design and implementation of the software, and any internal costs directly attributable to the software development. Depreciation is provided for at 20% per year.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method for heritable property and plant and machinery and on a reducing balance basis for motor vehicles.

Depreciation is provided on the following basis:

Freehold property	-	2%
Plant and machinery (including casks)	-	5% to $33^{1/3}$%
Motor Vehicles	-	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Depreciation is charged on assets in the course of construction only when construction is completed and the asset commissioned.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Stocks

Stocks are stated at the lower of acquisition/manufactured cost plus warehousing and production costs, where applicable, and net realisable value. Net realisable value is the estimated selling price (less trade discount) less all further costs to completion and all costs to be incurred in marketing, selling and distribution. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

The cost of stock is uplifted for the amount of duty payable upon its transfer from the company's bonded facilities.

2.14 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.15 Creditors

Short term creditors are measured at the transaction price.

2.16 Provisions

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation and are measured at the best estimate of the amount required to settle the obligation at the reporting date. The relevant risks and uncertainties are considered in calculating the obligation.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.17 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable or loans from banks and other third parties. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Dividends

Dividends are recognised in the Statement of Changes in Equity when they become legally payable. Interim dividends are recognised when paid and final dividends when approved by the shareholders at an annual general meeting.

2.19 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.20 Cash

Cash, for the purposes of the cashflow statement, comprises cash on hand and cash in short term deposits.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Judgements

When management enter into any sales contract, they consider all the terms and conditions of the sale and apply judgement in determining at which point to recognise the revenue. This takes into consideration items such as ownership, insurance, dispatch of the goods and all of the various risks and rewards relating to the assets being sold and the services provided.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Estimates

Management considers whether there are indicators of impairment of the company's stock. The company performs an annual stockholding review to determine any slow-moving or obsolete stock lines and accordingly makes a provision in its financial statements in order to reflect the true value of the stock.

The annual depreciation charge for property, plant and equipment varies in line with the estimates of useful economic lives of the assets. An assessment is made at each Statement of Financial Position date of the economic lives of the assets. They are amended when necessary, to reflect current estimates, based on future investment plans, economic utilisation, technological advancement and the physical condition of the asset.

The adequacy of the allowances for doubtful accounts receivable is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management reviews the age of debtors, the payment history and correspondence with customers alongside performing credit checks.

4. Turnover

	2022 £'000	2021 £'000
Analysis of turnover by destination:		
United Kingdom	12,999	20,250
International	24,412	13,814
	37,411	34,064

5. Operating profit

	2022 £'000	2021 £'000
Operating profit is stated after charging/(crediting):		
Government grants – Coronavirus Job Retention Scheme	-	(720)
Depreciation of tangible fixed assets	875	984
Depreciation of intangible fixed assets	150	-
Gain on disposal of fixed assets	(50)	(55)
Gain on disposal of unlisted investments	(5)	-
Loss on revaluation of listed investments to fair value	-	1

6. Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor and its associates for:		
The audit of the company's annual accounts	53	43
Taxation compliance, advisory and payroll services	13	22
	66	65

7. Employee remuneration

	2022 £'000	2021 £'000
Wages and salaries	5,905	5,040
Social security costs	587	546
Costs of defined contribution scheme	510	472
	7,002	6,058

The average monthly number of employees, including directors, during the year was as follows:

	2022 No.	2021 No.
Production	62	70
Selling and distribution	21	24
Administration	48	50
	131	144

8. Directors' remuneration

	2022 £'000	2021 £'000
Directors' emoluments	1,292	1,072
Company contributions to defined contribution pension scheme	123	118
	1,415	1,190

During the year retirement benefits were accruing to 5 directors *(2021 - 5)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £280,000 *(2021 - £189,000)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil *(2021 - £29,000)*.

9. Net interest payable

	2022 £'000	2021 £'000
Bank interest payable	1	3
Finance leases and hire purchase contracts	4	23
Bank interest receivable	-	(9)
	5	17

10. Taxation

	2022 £'000	2021 £'000
Corporation tax		
Current taxation charge on profits for the year	1,339	2,447
Adjustments in respect of previous periods	(27)	1
Corporation tax charge	1,312	2,448
Deferred tax		
Origination and reversal of timing differences	860	275
Adjustments in respect of previous periods	227	(23)
Effect of tax rate change on opening balance	442	94
Deferred tax charge	1,529	346
Total tax charge	2,841	2,794

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - higher than)* the standard rate of corporation tax in the UK of 19% *(2021 – 19%)*. The differences are explained below:

	2022	2021
Profit on ordinary activities before tax	10,373	13,856
Tax on ordinary profits at standard rate of 19% (2021 – 19%)	1,971	2,633
Effects of:		
Expenses not deductible for tax purposes	14	12
Fixed asset timing differences	8	76
R&D expenditure credits	-	1
Adjustment in respect of prior periods – current tax	(27)	-
Adjustment in respect of prior periods – deferred tax	227	-
Changes in rate	648	72
Total tax charge	2,841	2,794

10. Taxation (continued)

Factors that may affect future tax charges

Changes to UK corporation tax rates were enacted as part of the Finance Act 2021 which received Royal Assent on 10th June 2021. The main rate will remain at 19% before increasing to 25% from 1st April 2023. The deferred tax liability has been calculated in accordance with the enacted rates where applicable.

11. Dividends

	2022 £'000	2021 £'000
Dividends paid during the year £2.56 per ordinary share (2021: £4.30)	486	817

On 20 June 2022 the directors proposed a dividend of £2,406,000 (*2021: £486,400*). As at 28 February 2022, no liability is recognised in the financial statements for that dividend.

12. Intangible fixed assets

	Capitalised software development costs £'000
Cost or valuation	
At 1 March 2021	-
Transferred from assets under construction	1,746
At 28 February 2022	1,746
Depreciation	
At 1 March 2021	-
Charge for the year	150
At 28 February 2022	150
Net book value	
At 28 February 2022	1,596
At 28 February 2021	-

13. Tangible fixed assets

	Freehold property	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 March 2021	21,147	17,881	426	39,454
Additions	7,681	6,956	-	14,637
Disposals	-	-	(147)	(147)
Transferred to intangible fixed assets	-	(1,746)	-	(1,746)
At 28 February 2022	28,828	23,091	279	52,198
Depreciation				
At 1 March 2021	2,085	6,715	296	9,096
Charge for the year	219	581	75	875
On disposals	-	-	(120)	(120)
At 28 February 2022	2,304	7,296	251	9,851
Net book value				
At 28 February 2022	26,524	15,795	28	42,347
At 28 February 2021	19,062	11,166	130	30,358

At 28 February 2022 the net book value of the assets held under finance leases was £17,000 (*2021: £134,000*). The depreciation charge on assets held under finance leases in the year was £63,000 (*2021: £73,000*).

Included within Freehold property are assets in the course of construction of £16,332,000 at 28 February 2022 (2021: £8,654,000), and included within Plant and Machinery are assets in the course of construction of £8,646,000 at 28 February 2022 (2021: £1,150,000), which are not subject to depreciation until completion.

In the prior year, capitalised software development costs were included within tangible fixed assets as assets under construction. These assets were completed in the current year and upon being brought into use, have been transferred to intangible fixed assets.

14. Fixed asset investments

	Investments in subsidiary companies	Unlisted investments	Listed investments	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 March 2021	11	17	6	34
Disposals	-	(17)	-	(17)
At 28 February 2022	11	-	6	17

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Avonside Whisky Ltd	Ordinary shares	100%
Glen Gordon Whisky Company Ltd	Ordinary shares	100%
James Gordon Whisky Company Ltd	Ordinary shares	100%
Gordon Bonding Company Ltd	Ordinary shares	100%
Strathnairn Whisky Ltd	Ordinary shares	100%
Elgin Bonding Company Ltd	Ordinary shares	100%
The Benromach Distillery Co Ltd	Ordinary shares	100%
Gordon & MacPhail Ltd	Ordinary shares	100%
Red Door Gin Company Ltd	Ordinary shares	100%
The Cairn Distillery Co Ltd	Ordinary shares	100%

All companies are registered in Scotland and did not trade during the year; accordingly, no group accounts have been included within these financial statements. The registered office address for Strathnairn Whisky Ltd is WJM LLP, The Green House, Beechwood Park North, Inverness, Scotland, IV2 3BL. The registered office address for The Benromach Distillery Co Ltd is Benromach Distillery, Invererne Road, Forres, IV36 3EB. The registered office address for all of the other subsidiary undertakings is the same as the registered office address of the company.

Unlisted investments
These were disposed of during the year.

Unlisted investment – Loan notes
These were disposed of during the year. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method, less any impairment. These are convertible loan notes that mature in 2025 and are interest bearing at a variable rate. They have a fair value of £nil (*2021: £15,000*)

Listed investments
Listed investments consist of non-convertible ordinary shares, quoted on the London Stock Exchange and measured at market value through the Statement of Comprehensive Income. They have a market value of £6,000 (*2021: £6,000*).

15. Stock

	2022 £'000	2021 £'000
Raw materials and consumables	2,019	1,756
Maturing whisky stocks	22,355	21,495
Finished goods	4,939	4,073
	29,313	27,324

Stock recognised in cost of sales during the year as an expense was £14,010,000 (*2021: £11,283,000*).

16. Debtors

	2022 £'000	2021 £'000
Trade debtors	4,714	2,291
Other debtors	1,050	679
Prepayments and accrued income	891	607
	6,655	3,577

An impairment loss of £20,000 (*2021: £30,000*) is reflected within the above totals for trade debtors.

17. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	2,377	2,197
Amounts owed to group undertakings	11	11
Corporation tax	475	1,433
Other taxation and social security	215	117
Obligations under hire purchase and finance leases (note 19)	13	37
Accruals and deferred income	9,314	3,681
	12,405	7,476

18. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Obligations under hire purchase and finance leases (note 19)	-	17

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £'000	2021 £'000
Within one year	13	37
Between 1-2 years	-	17
	13	54

20. Financial instruments

	2022 £'000	2021 £'000
Financial assets measured at fair value through the Statement of Comprehensive Income	6	23
Financial assets measured at amortised cost	5,764	2,981
	5,770	3,004

Financial liabilities

	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost	8,743	5,968

Financial assets measured at fair value through the Statement of Comprehensive Income comprise Loans, Listed Investments at market value and Unlisted Investments at fair value.

Financial assets measured at amortised cost comprise Debtors (note 16) less prepayments and accrued income.

Financial liabilities measured at amortised cost comprise Creditors (notes 17 and 18) less deferred income and amounts owed to group undertakings.

21. Provision for liabilities

	2022 £'000	2021 £'000
Deferred taxation		
At the beginning of the year	1,171	825
Provided in the year	1,529	346
At the end of the year	2,700	1,171

The provision for deferred taxation is made up as follows:

	2022 £'000	2021 £'000
Fixed asset timing differences	2,612	1,097
Capital gains	98	74
Short term timing differences	(10)	-
	2,700	1,171

22. Share capital

	2022 £'000	2021 £'000
Allotted, called up and fully paid		
190,000 (2021: 190,000) ordinary shares of £1.00 each	190	190

Each share is entitled to one vote in any circumstances and each share is also entitled, pari passu, to dividend payments or any other distribution.

23. Reserves

Share capital
Called-up share capital represents the nominal value of shares that have been issued.

Share premium account
The share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premiums.

Profit and loss account
The profit and loss account includes all current and prior period retained profits and losses.

24. Related party transactions

Key management personnel compensation in the period amounted to £1,585,000 (*2021: £1,329,000*).

Dividends paid to directors in the period amounted to £224,000 (*2021: £376,000*).

25. Net funds reconciliation

	At 1 March 2021	Cashflow	At 28 February 2022
Cash on hand	13,061	(5,148)	7,913
Total net funds	13,061	(5,148)	7,913

26. Capital commitments

The company had the following capital commitments at 28 February 2022; Land & Buildings £2,873,000 (*2021: £11,100,000*) and Plant & Machinery £379,000 (*2021: £3,300,000*).

27. Commitments under operating leases

The company had commitments for minimum lease payments under non-cancellable operating leases as follows:

	2022 £'000	2021 £'000
Within one year	17	-
Between 1-2 years	50	-
	67	-