Highland Distribution Ventures Limited

Annual report and financial statements
for the year ended 31 March 2023

Company Registration No. SC198207

Directors and auditor

Directors

P A Hyde

S J McCroskie

Company Secretary

N J McManus

Registered office

100 Queen Street
Glasgow
United Kingdom
G1 3DN

Independent auditor

Deloitte LLP
Statutory Auditor
110 Queen Street
Glasgow
United Kingdom
G1 3BX

Annual report and financial statements

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Strategic report

Highland Distribution Ventures Limited

Principal activities

The company's primary responsibility is to manage investments within The 1887 Group of companies, a subsidiary group of The Edrington Group Limited (the "Group"), engaged in the production and sale of premium alcoholic beverages.

Our business model

The company receives dividend income from the investments held in Edrington UK Distribution Limited and Maxxium Cyprus Limited, and uses this to pay a dividend to its shareholders. During the year the Group entered into an agreement, alongside its joint venture partner Beam Suntory, to sell our investment in Maxxium Cyprus Limited to the local management team, which resulted in a loss on disposal of £2,539,403. Prior to the sale the company received dividend income of £9,661,044.

Principal risks and uncertainties

The principal risks faced by the company relate to any material financial impacts to the company's investments, and as such The 1887 Group Limited (the "Group"), as this is the key source of income for the business. Further details of the group risks can be found in The 1887 Group Limited annual report.

The ongoing geopolitical instability in some regions along with greater global inflationary pressures and climate concerns have intensified risks relating to supply chain disruptions and raw material scarcity. Measures required to respond to these challenges continue to be monitored closely.

Financial performance

There has been a decrease of £2,878,359 (2022: increase of £609,925) within retained earnings due to a dividend paid to Highland Distillers Limited and the above loss on disposal, partly offset by dividend income received. Given the nature of the company no other key performance measures are tracked.

Statement by the directors in performance of their statutory duties in accordance with s172(1) of Companies Act 2006

The following statement describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duties under section 172(1) of the Companies Act 2006.

When making decisions, each director ensures that they act in a way that they consider, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

Section 172(1)	Overview of performance of statutory duties
(a) – The likely consequences of any decision in the long term.	The directors understand the business and the evolving environment in which we operate. The strategy followed by the directors and the decisions taken to implement it, is intended to strengthen our position in the market over the longer term.
(b) – The interest of the company's employees	Given the company is a holding company, there are no employees.
(c) – The need to foster the company's business relationships with suppliers, customers and others.	Given the company is a holding company, there are no external suppliers or customers. Communication and proactive engagement with internal stakeholders enables informed decision making and long term success of the company and wider group. The directors factor the implication of decisions on stakeholders, where relevant and feasible.
(d) – The impact of the company's operations on the community and the environment.	Given the company is a holding company its operations on the wider community and environment are limited. Further details on the wider group's impact on the community and environment are detailed within The Edrington Group Financial Statements within the "Stakeholder Engagement" section.
(e) – The desirability of the company maintaining a reputation for high standards of business conduct.	The directors apply The Edrington Group Code of Conduct which is designed to provide guidance on the Group's standards of integrity and compliance. By doing so the directors ensure that high standards are maintained within the business and its relationships.
(f) – The need to act fairly as between members of the company	The company only had 1 shareholder which is internal to the group. The directors consider the course of action which best enables the delivery of the long-term group wide strategy.

Principal decisions

Being part of a large multinational group of companies, the company adheres to policies and procedures which are being set up by the ultimate parent company, The Edrington Group Limited. During the year there were no principal decisions, within the context of Section 172(1) reporting, for the company to disclose which have not already been discussed elsewhere in the annual report.

Approved and signed by order of the Board

Paul Hyde

P A Hyde
Director

31 August 2023

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 March 2023.

Review of the business

The company made a profit of £11,121,641 in the year (2022: £2,109,925) which is driven by dividends received in the year. Dividends of £14,000,000 have been paid out in the year (2022: £1,500,000).

On 15 July 2022, the company sold our joint venture stake in Maxxium Cyprus Limited to members of its local management team. Further information on the transaction are detailed within note 12.

View of future prospects

The company is a holding company for distribution entities within the Group globally. The strong investment income in the year highlights strong trading performance particularly in Edrington UK, reflected in an increased dividend in the year.

We consider that the wider business is well-equipped to respond to changes in both consumer preferences and channels through which spirits are sold. Fundamentally the wider business capabilities are strong, we have healthy brands which remain desirable to customers and a capable and motivated workforce, and we are confident that the group is well-positioned to deliver continued success going forward.

Directors

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

P A Hyde
S J McCroskie

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 101 "Reduced Disclosure Framework" 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 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;
- state whether applicable UK Accounting Standards 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.

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. each of the directors has 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 section 418 of the Companies Act 2006.

Going concern

The company is a holding company with net assets but does not otherwise trade. The company is reliant on the performance of its subsidiary investments which have sufficient financial resources together with a strong customer and supplier base. To assess the appropriateness of adopting the going concern basis for the Group, the directors have reviewed the strategic and financial plan over the next three years. The underlying assumption continues to be that our operations will remain open, and that our global supply chain continues to support the shipment of product to our markets.

The experience of the Covid-19 driven uncertainty over the last three years has given us the confidence that we have the ability to adapt quickly and decisively. With the support of our multiple stakeholders, we have the potential to flex the level of dividends and investment levels to manage our liquidity.

The 1887 Company Limited has provided a letter of financial support to the company which together with the forecasts indicate, to the Directors' satisfaction, that the company has resources more than sufficient to continue in operational existence for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Financial risk management objectives and policies

The company has in place a financial risk management programme that seeks to limit the adverse effects on the financial performance of the company. The company has no debt finance and therefore has sufficient funds available for company activities.

The company only transacts in sterling, and as a consequence, is not exposed to exchange rate movements.

The board retains overall responsibility for the company's system of internal financial control, which is designed to give reasonable assurance against material financial misstatement or loss. Financial controls have been established which the board believes enable it to meet its responsibility for the integrity and accuracy of the company's financial records.

Auditor

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

Approved and signed by order of the Board

Paul Hyde

P A Hyde
Director
31 August 2023

Independent auditor's report to the members of Highland Distribution Ventures Limited

Opinion

In our opinion the financial statements of Highland Distribution Ventures Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

Conclusions relating to going concern

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent auditor's report to the members of Highland Distribution Ventures Limited (continued)

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.

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. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- *do not have a direct effect on the financial statements but compliance with which may be fundamental to the* company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Independent auditor's report to the members of Highland Distribution Ventures Limited (continued)

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 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.

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 strategic report or 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.

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.

David Mitchell

David Mitchell, CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, UK
31 August 2023

Income statement

for year ended 31 March 2023

Highland Distribution Ventures Limited

	Note	2023 £	2022 £
Investment income	1	**4,000,000**	2,396,089
Income from investment in joint venture	2	**9,661,044**	-
Loss on sale of investment	2	**(2,539,403)**	(286,164)
Profit before taxation	3	**11,121,641**	2,109,925
Taxation on profit	5	**-**	-
Profit for the financial year		**11,121,641**	2,109,925

The accounting policies and notes on pages 12 to 17 form an integral part of these financial statements.

All activities of the company in the current and prior year are classified as continuing.

The company had no recognised gains or losses other than those reported above; accordingly no statement of other comprehensive income has been presented.

Statement of financial position
as at 31 March 2023

Highland Distribution Ventures Limited

	Note	2023 £	2022 £
Assets			
Non-current			
Investments	6	**10,557,113**	13,096,516
Long-term loans	7	**14,417,630**	14,417,630
Trade and other receivables	8	**2,000,000**	3,000,000
Non-current assets		**26,974,743**	30,514,146
Current			
Trade and other receivables	8	**1,000,000**	1,000,000
Cash at bank and in hand		**179**	17,654
Current assets		**1,000,179**	1,017,654
Total assets		**27,974,922**	31,531,800
Equity and liabilities			
Equity			
Share capital	10	**100**	100
Retained earnings		**3,981,224**	6,859,583
Total equity		**3,981,324**	6,859,683
Liabilities			
Current			
Trade and other payables	9	**23,993,598**	24,672,117
Total liabilities		**23,993,598**	24,672,117
Total equity and liabilities		**27,974,922**	31,531,800

The accounting policies and notes on pages 12 to 17 form an integral part of these financial statements.

The financial statements of Highland Distribution Ventures Limited (registered number SC198207), were approved by the Board of Directors and authorised for issue on 31 August 2023. They were signed on behalf of the Board by:

Paul Hyde

P A Hyde
Director
31 August 2023

Statement of changes in equity

for the year ending 31 March 2023

Highland Distribution Ventures Limited

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 April 2022	100	6,859,583	6,859,683
Profit for the year	-	11,121,641	11,121,641
Total comprehensive income for the year	-	11,121,641	11,121,641
Dividend (note 4)	-	(14,000,000)	(14,000,000)
Transaction with owners	-	(14,000,000)	(14,000,000)
Balance at 31 March 2023	**100**	**3,981,224**	**3,981,324**

	Share capital	Retained earnings	Total equity
	£	£	£
Balance at 1 April 2021	100	6,249,658	6,249,758
Profit for the year	-	2,109,925	2,109,925
Total comprehensive income for the year	-	2,109,925	2,109,925
Dividend (note 4)	-	(1,500,000)	(1,500,000)
Transaction with owners	-	(1,500,000)	(1,500,000)
Balance at 31 March 2022	**100**	**6,859,583**	**6,859,683**

The accounting policies and notes on pages 12 to 17 form an integral part of these financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

Highland Distribution Ventures Limited is a private company limited by shares which is incorporated in the United Kingdom under Companies Act 2006 and registered in Scotland. The address of the company's registered office is shown on the "Directors and auditor" page.

The principal activities of the company and the nature of its operations are set out in the Strategic Report.

The financial statements are presented in Sterling and all values are to the nearest £ except where otherwise stated.

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were newly in effect:

• Amendment to IFRS 3	Reference to the Conceptual Framework.
• Amendment to IAS 16	Property, plant and equipment – proceeds before intended use.
• Amendment to IAS 37	Onerous Contracts – cost of fulfilling a contract.
• Amendments to IAS 1	Classification of Liabilities as Current or Non-current.
• Annual improvements to IFRS Standards (2018-20)	Amendment to IFRS 1 First-time adoption of international financial reporting standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

The adoption of the Standards above do not have a material impact on the current year financial statements and the directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new or revised IFRS Accounting Standards that have been issued but are not yet effective and in some cases had not yet been adopted in the UK.

• IFRS 17 (including the June 2020 and December 2021 amendments)	Insurance Contracts.
• Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
• Amendments to IAS 1 and IFRS Practise Statement 2	Disclosure of Accounting Policies.
• Amendment to IAS 8	Definition of Accounting Estimates.
• Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101.

Therefore these financial statements do not include:
- a statement of cash flows and related notes;
- the requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of The 1887 Group as they are wholly-owned within The 1887 Group;
- disclosure of key management personnel compensation;
- capital management disclosures;
- business combination disclosures;
- certain share-based payments disclosures; and
- certain disclosures in respect of financial instruments.

Consolidation

In view of the fact that consolidated financial statements have been prepared by the company's ultimate parent undertaking, The Edrington Group Limited, the company has not prepared consolidated financial statements as permitted by Section 400 of the Companies Act 2006. Information is therefore presented for the individual company, not its group.

Going concern

A full assessment of the appropriateness of the going concern method of preparation has been included in the Directors' Report. *The company and group annually forecasts future trading performance and cash flow in order to* assess compliance with banking covenants and to confirm that the going concern assumption remains appropriate for the preparation of the financial statements. The forecast reflects the challenges and growth potential faced by the company, and indicates, to the company's satisfaction, that it has resources more than sufficient to continue as a going concern for the foreseeable future.

The 1887 Company Limited has provided a letter of financial support to the company which together with the forecasts indicate, to the Directors' satisfaction, that the company has resources more than sufficient to continue in operational existence for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Investment income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Taxation

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

<u>Current Tax</u>
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.

Investments

Fixed asset investments are stated at cost, less any provision for diminution in value.

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 statement of financial position. 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.

The company classifies its financial assets and liabilities into the following categories: amortised cost and cash and cash equivalents:

Amortised Cost
Financial assets measured at amortised cost, are assets held for the purpose of collecting contractual cash flows where the contractual terms of the financial asset give rise to cash flows, on specified dates that are solely payments of principal and/or principal and interest on the principal amount outstanding.

Trade and other receivables are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less an allowance for expected credit loss (ECL). The amount of the ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivable. The ECL on financial assets is estimated using a provision matrix by reference to past default experience and an analysis of current financial position, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date. The company only writes off trade receivables when there is information that the debtor is in financial distress (liquidation or bankruptcy) and there is no prospect of recovery. The carrying amount of the asset is reduced by the allowance for ECL and the amount of the loss is recognised in the income statement within cost of sales.

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.

Estimation uncertainty and significant judgements

In the application of the company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There is no significant estimation uncertainty or significant judgements within the company.

Notes to the financial statements
for year ended 31 March 2023

Highland Distribution Ventures Limited

1. Investment income

	2023	2022
	£	£
Dividends received from subsidiary undertakings	**4,000,000**	2,396,089

2. Income from investments in joint ventures

	2023	2022
	£	£
Income from investment in joint venture	**9,661,044**	-
Loss on disposal of investment	**(2,539,403)**	(286,164)
	7,121,641	**(286,164)**

During the current year we sold our investment in Maxxium Cyprus Limited to local management for €1, resulting in a loss on disposal of £2,539,403. Prior to the sale we received dividend income of £9,661,044. This is recorded as income from investment in joint venture and is exceptional in nature.

In the prior year the gain on disposal of investment related to the disposal of 50% of the share capital of Maxxium España SL on the 2 August 2021.

3. Profit before taxation

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. Details of total Directors' remuneration are detailed in note 6 of the group financial statements, which are available to the public as set out in note 13.

Auditor's remuneration in relation to the audit of the annual financial statements of £2,632 (2022: £2,393) was borne by another group company. There were no non-audit fees paid in the current or prior years.

4. Dividend

	2023	2022
	£	£
Final dividend per ordinary share of £140,000 (2022: £15,000)	**14,000,000**	1,500,000

5. Taxation on profit

	2023	2022
	£	£
The taxation charge represents:		
Current year corporation tax at 19% (2022: 19%)	-	-
Total current tax and total tax	-	-

Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below.

	2023	2022
	£	£
Profit before tax	**11,121,641**	2,109,925
Income tax expense calculated at 19% (2022: 19%)	**2,113,112**	400,886
Effect of expenses that are not deductible in determining taxable profit	**482,487**	54,371
Effect of income that is exempt from taxation	**(2,595,599)**	(455,257)
	-	-

5. Taxation on profit (continued)

UK corporation tax rate changes

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the UK company's future current tax charge accordingly.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group is reviewing these rules to understand any potential impacts. The Company does not account for deferred tax on top-up taxes and therefore, if these rules had been substantively enacted on the balance sheet date, there would have been no deferred tax accounting impact.

6. Investments	**Joint Ventures**	**Subsidiaries**	**Total**
	£	**£**	**£**
As at 1 April 2022	2,539,403	10,557,113	13,096,516
Disposal of investment	(2,539,403)	-	(2,539,403)
As at 31 March 2023	**-**	**10,557,113**	**10,557,113**

In the year the Company disposed of its investment in the joint venture partnership Maxxium Cyprus, further details are within Note 12.

Principal subsidiary undertakings

Name of company/ Registered address	**Holding**	**Proportion held at 31 March 2023**	**Country of registration**
Edrington UK Distribution Limited (191 West George Street, Glasgow, G2 2LD)	Ordinary shares	100%	UK

7. Long-term loans

	2023	2022
	£	£
Loans to group undertakings	**14,417,630**	14,417,630

Loans to group undertakings are non-interest bearing, unsecured and repayable on demand but not expected to be settled within the next 12 months. No ECL is provided for loans to group undertakings as there are sufficient funds in the counterparties via access to committed facility.

8. Trade and other receivables	**2023**	2022
	£	£
Current		
Other receivables	**1,000,000**	1,000,000
Non-Current		
Other receivables	**2,000,000**	3,000,000

Other receivables relate to the sale of Maxxium Espana SL, with the purchase price of £5,000,000 due in equal annual instalments.

9. Trade and other payables

	2023	2022
	£	£
Loans from group undertakings	**23,993,598**	24,672,117

Loans from group undertakings are unsecured, repayable on demand and do not accrue interest.

10. Share capital

	Number of Shares	£
At 31 March 2023 and 2022		
100 Ordinary shares of £ 1 each – Authorised, called-up, issued and fully paid	**100**	**100**

11. Related party transactions

The company has taken advantage of the exemptions available in IAS 24: Related party transactions not to make disclosure of transactions with other wholly owned group companies.

Bank loans of £751,000,000 (2022: £584,000,000) in the 1887 Company Limited are secured by a floating charge over the assets of the group's subsidiary undertakings, including those of the company.

12. Disposal of Investment

On the 15 July 2022 the Group entered into an agreement, alongside its joint venture partner Beam Suntory, to sell its 50% investment in Maxxium Cyprus Limited inclusive of its investment in Russia to the local management team for consideration of €1, this resulted in a loss on disposal of £2,539,403.

13. 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 financial statements of The Edrington Group Limited, which is the largest group into which these financial statements are consolidated, are available at 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.