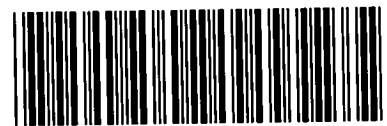


REGISTERED NUMBER: SC210027 (Scotland)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
FOR
TULLIBARDINE LIMITED**

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TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Page |
|---|-------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Report of the Directors | 3 |
| Report of the Independent Auditors | 5 |
| Statement of Comprehensive Income | 7 |
| Balance Sheet | 8 |
| Statement of Changes in Equity | 9 |
| Cash Flow Statement | 10 |
| Notes to the Cash Flow Statement | 11 |
| Notes to the Financial Statements | 12 |

TULLIBARDINE LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS:

G J Picard
M B Picard

SECRETARY:

Lycidas Secretaries Limited

REGISTERED OFFICE:

Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

REGISTERED NUMBER:

SC210027 (Scotland)

AUDITORS:

Callanders Limited
Chartered Accountants
Statutory Auditors
53 High Street
Dumbarton
G82 1LS

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

The directors are satisfied with the overall results for the year. The decrease of 5.57% in turnover in 2016 was partly due to a decrease in sales to the United States of America. It is expected that sales to the USA in 2017 will return to the volume achieved in earlier years. The lower level of revenue combined with increased operating costs resulted in a reduction in operating profit of 42% from the previous year to £2,771,818. The company's net liquidity ratio remains healthy at 127.1% (2015: 130.8%).

The directors consider the financial position of the company at 31 December 2016 to be strong, with shareholders' funds of £12,753,399 (2015: £10,831,734).

The company continues to invest in plant and machinery, the most significant item of expenditure in 2016 being the company's bottling plant. This became operational during 2016 and it is expected that the full benefits generated by this will be reaped in the current year. Tullibardine is one of only a few distilleries in Scotland to distill, mature and bottle on site, thus giving complete control over the whole process.

The distillery again operated at close to its maximum capacity throughout 2016 and it is expected to continue to operate at this level in 2017. The company continues to seek new opportunities and markets both domestic and international to develop further the success of the company's brand. Key to this success is the commitment and dedication of the company's employees and accordingly the directors strive to ensure that the company continues to develop its workforce to enable them to meet the challenges of operating in a global market.

PRINCIPAL RISKS AND UNCERTAINTIES

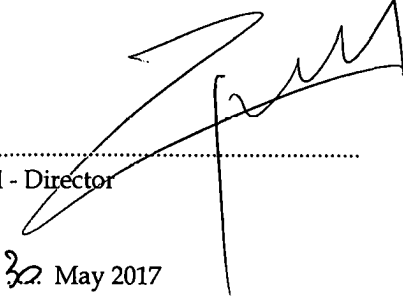
The directors have procedures in place to ensure that the major risks faced by the company are identified, assessed and managed in an appropriate manner.

Credit risk exposes the company to the risk of non-payment for goods supplied. The directors strive to minimise this risk by evaluating the credit risk of potential new customers and ensuring credit control procedures are diligently observed, thereby ensuring that the risk is significantly reduced.

The profitability of the company is at risk from fluctuations in the cost of raw materials, particularly oil and malted barley. Whilst these costs are outwith the control of the company, procedures are in place to ensure that these costs are carefully monitored and the impact of fluctuations in raw material prices minimised whenever possible.

The vote for the United Kingdom to leave the European Union brings with it great uncertainty. At the time of signing these accounts, the impact of the United Kingdom's exit from the European Union is unknown but the directors have no intention of changing their plans for the business at this time or in the immediate future.

ON BEHALF OF THE BOARD:



.....
G J Picard - Director

Date: 30 May 2017

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

G J Picard
M B Picard

The company has taken out insurance to indemnify the directors against third party claims.

FINANCIAL RISK MANAGEMENT

The company finances its business through retained profits and an inter-company loan account. Other financial instruments, for example trade debtors and trade creditors, arise in the course of the company's operations. The company does not enter into any hedging agreements.

The company is exposed to credit risk from credit sales. It is company policy to assess the credit risk of new customers and to take account of this information in any dealings with new customers. At 31 December 2016, there were no significant concentrations of credit risk. The maximum exposure to risk is represented by the carrying amount of each asset in the balance sheet.

The directors constantly monitor the liquidity and cash flow of the business.

DISCLOSURE IN THE STRATEGIC REPORT

In accordance with S414C(11) of the Companies Act 2006, the company has chosen to set out in the Strategic Report the information required to be contained in the Report of the Directors in respect of the principal risks and uncertainties facing the company and future developments in the business.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Financial Reporting Standard 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 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2016**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Callanders Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
G J Picard - Director

Date: 30 May 2017

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TULLIBARDINE LIMITED

We have audited the financial statements of Tullibardine Limited for the year ended 31 December 2016 on pages seven to twenty one. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TULLIBARDINE LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



David Callander (Senior Statutory Auditor)
for and on behalf of Callanders Limited
Chartered Accountants
Statutory Auditors
53 High Street
Dumbarton
G82 1LS

Date: 30 May 2017

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Notes | 2016 £ | 2015 £ |
|--|-------|------------|------------|
| TURNOVER | 3 | 18,883,633 | 19,997,089 |
| Cost of sales | | 13,141,948 | 12,136,395 |
| GROSS PROFIT | | 5,741,685 | 7,860,694 |
| Operating and administrative expenses | | 2,969,867 | 3,115,464 |
| | | 2,771,818 | 4,745,230 |
| Other operating income | 4 | - | 45,559 |
| OPERATING PROFIT | 6 | 2,771,818 | 4,790,789 |
| - Interest receivable and similar income | | 542 | 1,180 |
| | | 2,772,360 | 4,791,969 |
| Interest payable and similar expenses | 7 | 297,331 | 246,901 |
| PROFIT BEFORE TAXATION | | 2,475,029 | 4,545,068 |
| Tax on profit | 8 | 553,364 | 737,084 |
| PROFIT FOR THE FINANCIAL YEAR | | 1,921,665 | 3,807,984 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,921,665 | 3,807,984 |

The notes on pages 12 to 21 form part of these financial statements

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

BALANCE SHEET
31 DECEMBER 2016

| | Notes | 2016 £ | 2015 £ |
|--|-------|--------------------------|--------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 6,905,036 | 5,502,675 |
| CURRENT ASSETS | | | |
| Stocks | 10 | 24,379,657 | 20,804,790 |
| Debtors | 11 | 5,066,811 | 3,031,619 |
| Cash at bank and in hand | | 472,271 | 768,849 |
| | | <u>29,918,739</u> | <u>24,605,258</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | <u>23,533,476</u> | <u>18,812,999</u> |
| NET CURRENT ASSETS | | <u>6,385,263</u> | <u>5,792,259</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>13,290,299</u> | <u>11,294,934</u> |
| PROVISIONS FOR LIABILITIES | 14 | <u>536,900</u> | <u>463,200</u> |
| NET ASSETS | | <u><u>12,753,399</u></u> | <u><u>10,831,734</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 15 | 186 | 186 |
| Share premium | 16 | 1,567,812 | 1,567,812 |
| Revaluation reserve | 16 | 62,961 | 62,961 |
| Retained earnings | 16 | <u>11,122,440</u> | <u>9,200,775</u> |
| SHAREHOLDERS' FUNDS | | <u><u>12,753,399</u></u> | <u><u>10,831,734</u></u> |

The financial statements were approved by the Board of Directors on 30 May 2017 and were signed on its behalf by:

.....
G J Picard - Director

The notes on pages 12 to 21 form part of these financial statements

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | <i>Called up share capital £</i> | <i>Retained earnings £</i> | <i>Share premium £</i> | <i>Revaluation reserve £</i> | <i>Total equity £</i> |
|-----------------------------|--|------------------------------------|--------------------------------|--------------------------------------|-------------------------------|
| Balance at 1 January 2015 | 186 | 5,392,791 | 1,567,812 | 62,961 | 7,023,750 |
| Changes in equity | | | | | |
| Total comprehensive income | - | 3,807,984 | - | - | 3,807,984 |
| Balance at 31 December 2015 | 186 | 9,200,775 | 1,567,812 | 62,961 | 10,831,734 |
| Changes in equity | | | | | |
| Total comprehensive income | - | 1,921,665 | - | - | 1,921,665 |
| Balance at 31 December 2016 | 186 | 11,122,440 | 1,567,812 | 62,961 | 12,753,399 |

The notes on pages 12 to 21 form part of these financial statements

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Notes | 2016 £ | 2015 £ |
|---|-------|-----------------------|-----------------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 1 | (2,839,138) | 4,822,486 |
| Interest paid | | (287,331) | (246,901) |
| Tax paid | | (1,145,227) | (159,307) |
| Net cash from operating activities | | <u>(4,271,696)</u> | <u>4,416,278</u> |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | (2,109,712) | (1,111,534) |
| Sale of tangible fixed assets | | 87,180 | 72,980 |
| Interest received | | 542 | 1,180 |
| Net cash from investing activities | | <u>(2,021,990)</u> | <u>(1,037,374)</u> |
| Cash flows from financing activities | | | |
| Loan advances in year | | 12,048,933 | 3,783,060 |
| Loan repayments in year | | (6,051,825) | (7,669,024) |
| Net cash from financing activities | | <u>5,997,108</u> | <u>(3,885,964)</u> |
| Decrease in cash and cash equivalents | | <u>(296,578)</u> | <u>(507,060)</u> |
| Cash and cash equivalents at beginning of year | 2 | <u>768,849</u> | <u>1,275,909</u> |
| Cash and cash equivalents at end of year | 2 | <u><u>472,271</u></u> | <u><u>768,849</u></u> |

The notes on pages 12 to 21 form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

| | 2016 | 2015 |
|--|---------------------------|-------------------------|
| | £ | £ |
| Profit before taxation | 2,475,029 | 4,545,068 |
| Depreciation charges | 478,143 | 320,132 |
| Finance costs | 297,331 | 246,901 |
| Finance income | (542) | (1,180) |
| | <u>3,249,961</u> | <u>5,110,921</u> |
| Increase in stocks | (3,574,867) | (2,389,111) |
| Increase in trade and other debtors | (1,963,347) | (76,766) |
| (Decrease)/increase in trade and other creditors | <u>(550,885)</u> | <u>2,177,442</u> |
| Cash generated from operations | <u>(2,839,138)</u> | <u>4,822,486</u> |

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

| | 31.12.16 | 1.1.16 |
|---------------------------|----------------|----------------|
| | £ | £ |
| Cash and cash equivalents | <u>472,271</u> | <u>768,849</u> |

Year ended 31 December 2015

| | 31.12.15 | 1.1.15 |
|---------------------------|----------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>768,849</u> | <u>1,275,909</u> |

The notes on pages 12 to 21 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. STATUTORY INFORMATION

The principal activity of Tullibardine Limited is the distillation, maturation and sale of malt whisky as well as the operation of a retail outlet.

The company is a private company limited by shares (registered number SC210027) and is incorporated in Scotland. The registered office is 65 Haymarket Terrace, Edinburgh EH12 5HD. The company's principal place of business is Blackford, Perthshire PH4 1QG.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Turnover

Turnover represents net invoiced sales of spirit, malt whisky and retail sales exclusive of value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

| | |
|-----------------------|---------------------|
| Leasehold property | - 10% on cost |
| Plant and machinery | - 5% - 33% on cost |
| Fixtures and fittings | - 10% - 25% on cost |
| Office equipment | - 15% - 33% on cost |
| Casks | - 8.33% on cost |

Land is not depreciated. Freehold buildings and leasehold property are maintained in a state of good repair and it is considered that the lives of these assets are so long and the residual values, based on prices prevailing at the time of acquisition, are so high that the depreciation is not significant; consequently these buildings are not depreciated.

Stocks

Whisky stocks are valued at the lower of production costs (including distillery overheads) or purchase price, as appropriate, plus carrying costs (excluding interest), and net realisable value.

Other stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

The company's functional and presentation currency is the pound sterling.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating profit.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Deferred government grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

Government grants of a revenue nature are included in other operating income and are credited to the profit and loss account in the period to which the expenditure relates.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES - continued

Operating lease commitments

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

3. TURNOVER

The analysis of turnover by geographical market has not been disclosed as the directors consider that this could be seriously prejudicial to the company's interests.

4. OTHER OPERATING INCOME

| | 2016 £ | 2015 £ |
|----------------|-------------------|-------------------|
| Exchange gains | - | 45,559 |
| | <u> </u> | <u> </u> |

5. EMPLOYEES AND DIRECTORS

| | 2016 £ | 2015 £ |
|-----------------------|------------------|----------------|
| Wages and salaries | 951,488 | 683,773 |
| Social security costs | 86,651 | 64,690 |
| Other pension costs | 4,175 | - |
| | <u>1,042,314</u> | <u>748,463</u> |

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

| | 2016 | 2015 |
|----------------|-----------|-----------|
| Distillery | 13 | 14 |
| Bottling | 4 | - |
| Administrative | 4 | 3 |
| Shop/retail | 8 | 8 |
| | <u>29</u> | <u>25</u> |

| | 2016 £ | 2015 £ |
|-------------------------|-------------------|-------------------|
| Directors' remuneration | - | - |
| | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2016 | 2015 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Other operating leases | 490,000 | 490,000 |
| Depreciation - owned assets | 478,143 | 320,132 |
| Auditors' remuneration | 12,000 | 12,000 |
| Taxation compliance services | 1,100 | 2,400 |
| Other non-audit services | 2,400 | 4,850 |
| Foreign exchange differences | 77,825 | (45,559) |
| | <u>490,000</u> | <u>490,000</u> |

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2016 | 2015 |
|-------------------------------|----------------|----------------|
| | £ | £ |
| Interest on intercompany loan | 277,023 | 246,901 |
| Interest on late payment | 20,308 | - |
| | <u>297,331</u> | <u>246,901</u> |

8. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

| | 2016 | 2015 |
|---|----------------|----------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 479,664 | 845,227 |
| Adjustment re prior years - corporation tax | - | (298,743) |
| Total current tax | 479,664 | 546,484 |
| Deferred tax | 73,700 | 190,600 |
| Tax on profit | <u>553,364</u> | <u>737,084</u> |

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

8. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Profit before tax | <u>2,475,029</u> | <u>4,545,068</u> |
| Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%) | 495,006 | 920,376 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 18,382 | 12,148 |
| Capital allowances in excess of depreciation | (33,724) | (87,203) |
| Utilisation of tax losses | - | (95) |
| Adjustments to tax charge in respect of previous periods | - | (298,742) |
| Deferred tax | <u>73,700</u> | <u>190,600</u> |
| Total tax charge | <u>553,364</u> | <u>737,084</u> |

9. TANGIBLE FIXED ASSETS

| | <i>Freehold property</i> £ | <i>Leasehold property</i> £ | <i>Casks</i> £ |
|--------------------------|-----------------------------------|------------------------------------|-------------------|
| COST OR VALUATION | | | |
| At 1 January 2016 | 758,978 | 2,337,257 | 3,069,938 |
| Additions | - | 365,858 | 1,002,651 |
| Disposals | - | - | (159,025) |
| At 31 December 2016 | <u>758,978</u> | <u>2,703,115</u> | <u>3,913,564</u> |
| DEPRECIATION | | | |
| At 1 January 2016 | - | 555,154 | 671,794 |
| Charge for year | - | - | 296,219 |
| At 31 December 2016 | <u>-</u> | <u>555,154</u> | <u>968,013</u> |
| NET BOOK VALUE | | | |
| At 31 December 2016 | <u>758,978</u> | <u>2,147,961</u> | <u>2,945,551</u> |
| At 31 December 2015 | <u>758,978</u> | <u>1,782,103</u> | <u>2,398,144</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

9. TANGIBLE FIXED ASSETS - continued

| | <i>Plant and machinery</i> £ | <i>Fixtures and fittings</i> £ | <i>Office equipment</i> £ | <i>Totals</i> £ |
|--------------------------|-------------------------------------|---|----------------------------------|--------------------|
| COST OR VALUATION | | | | |
| At 1 January 2016 | 1,023,499 | 56,520 | 68,206 | 7,314,398 |
| Additions | 671,020 | - | - | 2,039,529 |
| Disposals | - | - | - | (159,025) |
| At 31 December 2016 | 1,694,519 | 56,520 | 68,206 | 9,194,902 |
| DEPRECIATION | | | | |
| At 1 January 2016 | 473,829 | 56,520 | 54,426 | 1,811,723 |
| Charge for year | 169,549 | - | 12,375 | 478,143 |
| At 31 December 2016 | 643,378 | 56,520 | 66,801 | 2,289,866 |
| NET BOOK VALUE | | | | |
| At 31 December 2016 | 1,051,141 | - | 1,405 | 6,905,036 |
| At 31 December 2015 | 549,670 | - | 13,780 | 5,502,675 |

Freehold property with a cost of £117,039 is stated in the balance sheet at its estimated open market value of £180,000 based on information received from professional valuers in 2004 and as determined by the directors.

The directors have considered the value of all fixed assets without actually revaluing those assets. The directors are satisfied that the aggregate value of the fixed assets at 31 December 2014 is not less than the aggregate amount at which they are stated.

Cost or valuation at 31 December 2016 is represented by:

| | <i>Freehold property</i> £ | <i>Leasehold property</i> £ | <i>Casks</i> £ |
|-------------------|-----------------------------------|------------------------------------|-------------------|
| Valuation in 2004 | 180,000 | - | - |
| Cost | 578,978 | 2,703,115 | 3,913,564 |
| | 758,978 | 2,703,115 | 3,913,564 |

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

9. TANGIBLE FIXED ASSETS - continued

| | <i>Plant and machinery</i> £ | <i>Fixtures and fittings</i> £ | <i>Office equipment</i> £ | <i>Totals</i> £ |
|-------------------|-------------------------------------|---|----------------------------------|--------------------|
| Valuation in 2004 | - | - | - | 180,000 |
| Cost | 1,694,519 | 56,520 | 68,206 | 9,014,902 |
| | <u>1,694,519</u> | <u>56,520</u> | <u>68,206</u> | <u>9,194,902</u> |

10. STOCKS

| | 2016 £ | 2015 £ |
|---------------|-------------------|-------------------|
| Whisky stocks | 23,940,084 | 20,510,508 |
| Other stocks | 439,573 | 294,282 |
| | <u>24,379,657</u> | <u>20,804,790</u> |

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 £ | 2015 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 4,462,313 | 2,036,636 |
| Amounts owed by group undertakings | 240,155 | 755,389 |
| Other debtors | 183,335 | - |
| VAT | 118,852 | 117,636 |
| Prepayments and accrued income | 62,156 | 121,958 |
| | <u>5,066,811</u> | <u>3,031,619</u> |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 £ | 2015 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 5,735,357 | 5,555,967 |
| Amounts owed to group undertakings | 16,692,394 | 10,678,442 |
| Tax | 179,664 | 845,227 |
| Social security and other taxes | 23,557 | 19,673 |
| Pension contributions | 2,642 | - |
| Accruals and deferred income | 899,862 | 1,713,690 |
| | <u>23,533,476</u> | <u>18,812,999</u> |

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

13. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2016 | 2015 |
|----------------------------|------------------|------------------|
| | £ | £ |
| Within one year | 350,000 | 350,000 |
| Between one and five years | 1,400,000 | 1,400,000 |
| In more than five years | 4,550,000 | 4,900,000 |
| | <u>6,300,000</u> | <u>6,650,000</u> |

14. PROVISIONS FOR LIABILITIES

| | 2016 | 2015 |
|--------------------------------|----------------|---------------------|
| | £ | £ |
| Deferred tax | <u>536,900</u> | <u>463,200</u> |
| | | <i>Deferred tax</i> |
| | | £ |
| Balance at 1 January 2016 | | 463,200 |
| Accelerated capital allowances | | 73,700 |
| Balance at 31 December 2016 | | <u>536,900</u> |

15. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | | 2016 | 2015 |
|----------------------------------|-----------------------|----------------|------------|------------|
| Number: | Class: | Nominal value: | £ | £ |
| 185 | Ordinary | £1 | 185 | 185 |
| 1 | Preferred Convertible | | | |
| | Redeemable Ordinary | £1 | <u>1</u> | <u>1</u> |
| | | | <u>186</u> | <u>186</u> |

TULLIBARDINE LIMITED (REGISTERED NUMBER: SC210027)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

16. RESERVES

| | <i>Retained earnings</i> £ | <i>Share premium</i> £ | <i>Revaluation reserve</i> £ | <i>Totals</i> £ |
|---------------------|-----------------------------------|-------------------------------|-------------------------------------|--------------------|
| At 1 January 2016 | 9,200,775 | 1,567,812 | 62,961 | 10,831,548 |
| Profit for the year | 1,921,665 | - | - | 1,921,665 |
| At 31 December 2016 | <u>11,122,440</u> | <u>1,567,812</u> | <u>62,961</u> | <u>12,753,213</u> |

17. ULTIMATE PARENT COMPANY

Picard Vins & Spiritueux SA (incorporated in France) is regarded by the directors as being the company's ultimate parent company.

The immediate parent company of Tullibardine Limited is Terroirs Distillers SAS (incorporated in France).

Copies of the accounts of Picard Vins & Spiritueux SA, which is the largest group into which these financial statements are consolidated, are available from its office at 5 Chemin du Château, 21190 Chassagne-Montrachet, France. The smallest group into which these financial statements are consolidated is Terroirs Distillers SAS and copies of its accounts are available from its office at 5 Chemin du Château, 21190 Chassagne-Montrachet, France.

18. CAPITAL COMMITMENTS

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Contracted but not provided for in the financial statements | <u>157,124</u> | <u>240,738</u> |

19. RELATED PARTY DISCLOSURES

Transactions with group companies

The company has taken advantage of exemption, under the terms of FRS 102, not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions with other related parties

The company leases property from Spirits Development & Management Company (SDMC) Limited. The shares of this company are owned 80% by Michel Picard and 20% by Picard Vins & Spiritueux SA. Rental payable during the lease totalled £490,000 (2015: £490,000). The balance due to Spirits Development & Management Company (SDMC) Limited at 31 December 2016 was £147,000 (2015: £146,790)

20. ULTIMATE CONTROLLING PARTY

The controlling party is Terroirs Distillers SAS (incorporated in France), the immediate parent company.

The ultimate controlling party is Picard Vins & Spiritueux SA.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016

21. REDEEMABLE SHARES

The Preferred Convertible Redeemable Ordinary Share shall become redeemable only on the occurrence of an exit event.

The redemption price of the Preferred Convertible Redeemable Ordinary Share is determined as being a sum equal to the capital gains tax liability suffered by the holder in respect of the shares held. If there is no capital gains tax liability, the redemption price shall be £1.