

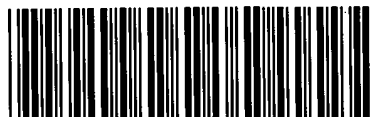
# **Quintessential Brands UK Holdings Limited**

## **Annual report and Consolidated financial statements**

Registered number 07604265

Year ended 31 March 2017

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## Strategic Report

The Directors present their Strategic Report for Quintessential Brands UK Holdings Limited (the “Company”) and the Group for the year ended 31 March 2017.

### Principal activities

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company and its subsidiaries (the “Group”) are:

- the production, distillation, bottling of spirits and spirit based drinks;
- the supply of private label, contract manufacture services and brand distribution; and
- marketing and brand development of the Group’s branded spirits portfolio.

### Business strategy

The business strategy of the Group, of which the Company is a part, is:

- To create an independent spirits group with global reach and world class brands;
- To grow the existing brand portfolio through the launch of new products and through acquisitions in additional categories;
- To develop world class production capabilities across multiple spirit categories;
- To build an effective sales and distribution platform with global coverage;
- To build an international spirits services business working with retailers, brand owners and international spirits companies;
- Develop strong partnerships with likeminded spirit brand owners and distribution companies through a combination of contractual relationships, JVs and shared acquisitions; and
- To create profitable business scale leveraging distribution and production capabilities.

### Business review and results

For the year ended 31 March 2017 the Group made a profit before tax of £462,000 (2016: £167,000) as set out in the consolidated profit and loss account on page 8. Turnover increased to £92,155,000 (2016: £80,852,000) driven by volume growth in both the Group’s branded spirits portfolio and private label supply contracts.

The Group continued to invest in operational efficiencies, marketing activities and the internal brand marketing team to drive growth and expansion in line with strategy. A key part of the strategy is to grow and develop the brand portfolio and profits are currently reinvested into the business in the form of marketing expenses to drive future growth. The results for the year ended 31 March 2017 were in line with expectations of the Group’s Directors.

### Key performance indicators

The business is measured through a series of key performance indicators that are monitored regularly and discussed as part of the monthly executive meeting. The business is managed as three divisions which reflects the principal activities of the Group and where respective senior management can best effect improvements in the operations.

As well as weekly and monthly financial analysis comparing performance against budget and forecasts, there are a number of other key performance indicators:

- Gross profitability
- Stock levels
- Number of Stock-Keeping Units (“SKUs”)
- On Time In Full Deliveries (“OTIF”)
- Forecasting accuracy
- Review of customer indebtedness
- Compliance with British Retail Consortium quality standards
- Regulatory and duty compliance

## **Strategic Report** *(continued)*

### **Key performance indicators** *(continued)*

#### **Principal risks and uncertainties**

As the transactions of the Company are for and with other group entities, the principal risks facing the Company are considered to reflect the risks faced by the wider Group. These are set out below:

##### ***Financial risk management***

The business is subject to credit risk on its customers. This is mitigated through ongoing financial assessment of the credit worthiness of customers and a willingness to change payment terms in the event of the customer's financial circumstances deteriorating.

Certain of the customers operate in markets that are subject to political risk. The Group works with these customers to ensure appropriate legal compliance.

##### ***Liquidity risk***

The Group conducts weekly cash flow monitoring of both the immediate and medium term future outlook to ensure that there is sufficient liquidity to continue to support the business and to ensure compliance with appropriate banking covenants and to operate within the existing facilities of the Group.

##### ***Pricing risk***

The business operates with raw materials that are subject to commodity price fluctuations. The Group enters into annual contracts for the majority of its requirements in order to provide pricing certainty and it then seeks to ensure that such cost fluctuations can be priced through to its customers as necessary.

##### ***Currency risk***

The Group purchases some goods and makes some sales in foreign currencies. The finance department seeks to mitigate currency risk through natural hedging which applies to the Euro currency. Where such hedging is not practicable and there is an ongoing exposure, as the Group is exposed to on the US Dollar, the finance department operates with a budgeted exchange rate and a US Dollar denominated bank account. The ongoing US Dollar liability is settled regularly to minimise gains or losses on exchange.

##### ***Product risk***

The business makes products for consumer consumption. There is a possible risk of contamination in a manufacturing process either through accident or sabotage. The consequences of contamination that might be harmful to human health would result in product liability and recall costs. The business seeks to mitigate such risks by working to the highest operating standards and quality procedures. In addition, the business has put in place appropriate insurance to help mitigate the impact of such loss.

#### **Future developments**

It is expected that a competitive production and supply environment will persist in the near and long-term. The Group strives to retain existing contracts and win new contracts through a focus on quality of production, customer service and innovation of both liquids and packaging. The Directors continue to look at potential opportunities to grow the Group including opportunities to increase production capacity and operational flexibility. The Group continues to develop new products and brands that will be launched in subsequent financial periods.

#### **Environmental issues**

The Group considers its impact on the environment and, as a conscientious supplier to major retail groups, takes part in appropriate packaging and waste recycling initiatives. The Group was one of the first to embark on the use of extreme light-weight glass bottles. The Group has initiated process improvements to remove excess packaging from products without compromising quality and has adopted an initiative to reduce the wasted spirit within the distillation process.

## **Strategic Report (continued)**

### **Research and development**

The Group seeks to develop its expertise in the field of spirit development utilising its best in class techniques combined with 250 year old heritage. In the year the Group has developed a number of new products utilising the craft and skills of our Master Distiller and other colleagues, these developments resulted from activities not focused specifically on research and development and as such no incremental cost in relation to research and development is recognised in the financial statements (2016: nil)

### **Health, safety and welfare at work**

The Group strives to have the most comprehensive, up to date and proactive policies and procedures that inspire our people to achieve their most professional and productive achievements in safe operations within all our workplaces.

The Group's health and safety performance is an everyday priority, and is maintained and competitively modernised by clear day to day ownership in each of our UK businesses.

All of our colleagues have confidential and free access to external support and counselling which provides support on a wide a range of work and life-related matters, as well as access to health and dental insurance schemes.

### **Employee communications**

Within the bounds of commercial confidentiality, information is shared with people at all levels about matters that affect the progress of the Group and are of interest and concern to them as employees. Periodic surveys are undertaken to gauge progress and invite input from every colleague in our journey to develop a culture based on our four core values that "We want to make a difference", "We really care", "We are great team players", and "We have the courage to win".

### **Equal opportunities and employment policy**

The Group is committed to offering equal opportunities to all employees that join us, progress with us and grow with us; no employee or potential employee receives more or less favourable treatment due to their gender, age, race, national or ethnic origin, disability, sexual orientation or marital status.

Should any existing employee's circumstances change, it is the Group's approach that wherever practicable the Group will support continuing Group membership and employment and provide career development and promotion wherever possible.

### **Wider responsibility to people**

In our dealings with numerous suppliers worldwide, both within the drinks industry and within wider procurement markets, the Group takes a robust approach to the avoidance of slavery and/or human trafficking in any of its supply chains. The Company is absolutely committed to preventing slavery and human trafficking in its activities, and to ensuring that its supply chains are free from such things.

By order of the Board,

  
**Steve Lister**  
Director

Melbury Park  
Clayton Road  
Warrington  
Cheshire  
WA3 6PH  
15 November 2017

## Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 31 March 2017.

### Proposed dividend

The Directors do not recommend the payment of a dividend (2016: *£nil*).

### Directors

The Directors who held office during the year were as follows:

Warren Scott  
Vincenzo Visone  
Sophie Brown – resigned 3 October 2016  
Steve Lister – appointed 3 October 2016

### Political and charitable contributions

The Group did not make any political or charitable donations or incur any political expenditure during the year (2016: *£nil*).

### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's and Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's and Group's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board,

  
Steve Lister  
Director

Melbury Park  
Clayton Road  
Warrington  
Cheshire  
WA3 6PH  
15 November 2017

## **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

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 they have elected to prepare the Group and Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 of the Company and Group and of the profit or loss of the Company and Group 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 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 and Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.



1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

## **Independent Auditor's Report to the Members of Quintessential Brands UK Holdings Limited**

We have audited the financial statements of Quintessential Brands UK Holdings Limited for the year ended 31 March 2017 set out on pages 8 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice, including FRS 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 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.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs at 31 March 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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 Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

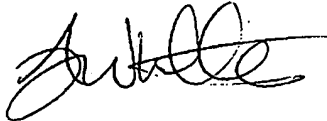


## **Independent Auditor's Report to the members of Quintessential Brands UK Holdings Limited *(continued)***

### **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 by the parent company or group, 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.



**Antony Whittle (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 St Peter's Square  
Manchester  
M2 3AE

23 November 2017

**Consolidated Profit and Loss Account and Other Comprehensive Income**  
*for year ended 31 March 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>92,155</b>	<b>80,852</b>
<b>Cost of sales</b>		<b>(72,630)</b>	<b>(66,099)</b>
<b>Gross profit</b>		<b>19,525</b>	<b>14,753</b>
<b>Distribution costs</b>		<b>(1,590)</b>	<b>(1,187)</b>
<b>Administrative expenses</b>		<b>(17,276)</b>	<b>(12,998)</b>
<b>Group operating profit</b>	<b>3,4,5</b>	<b>659</b>	<b>568</b>
<b>Interest receivable</b>	<b>6</b>	<b>123</b>	<b>-</b>
<b>Interest payable</b>	<b>6</b>	<b>(320)</b>	<b>(401)</b>
<b>Profit on ordinary activities before taxation</b>		<b>462</b>	<b>167</b>
<b>Tax on profit on ordinary activities</b>	<b>7</b>	<b>(40)</b>	<b>10</b>
<b>Profit and total comprehensive result for the year</b>		<b>422</b>	<b>177</b>

All amounts relate to continuing activities.

The notes on pages 14 to 32 form part of these financial statements.

Other than those shown above the Company has no other gains or losses for the current year (2016: £nil) and therefore no statement of Other Comprehensive Income has been prepared.

**Consolidated Balance Sheet**  
*at 31 March 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Negative Goodwill	8	(1,192)	(1,788)
Tangible assets	9	4,094	4,570
		<hr/>	<hr/>
		2,902	2,782
<b>Current assets</b>			
Stocks	11	9,339	8,608
Debtors (including £704,000 due after more than one year; 2016: £701,000)	12	20,997	19,114
Cash	13	470	534
		<hr/>	<hr/>
		30,806	28,256
<b>Creditors: amounts falling due within one year</b>	14	(29,261)	(26,973)
		<hr/>	<hr/>
<b>Net current assets</b>		1,545	1,283
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		4,447	4,065
<b>Creditors: amounts falling due after more than one year</b>	15	(1,025)	(1,082)
		<hr/>	<hr/>
<b>Provisions for liabilities</b>			
Deferred tax liability	16	(189)	(172)
		<hr/>	<hr/>
<b>Net assets</b>		3,233	2,811
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Other reserves		999	999
Profit and loss account		2,233	1,811
		<hr/>	<hr/>
<b>Shareholders' funds</b>		3,233	2,811
		<hr/>	<hr/>

The notes on pages 14 to 32 form part of these financial statements.

These financial statements were approved by the board of Directors on 15 November 2017 and were signed on its behalf by:

  
**Steve Lister**  
Director

**Company Balance Sheet**  
*at 31 March 2017*

	<i>Note</i>	<b>2017 £000</b>	<b>2016 £000</b>
<b>Fixed assets</b>			
Investments	10	1,000	1,000
<b>Current assets</b>			
Debtors	12	463	634
<b>Creditors: amounts falling due within one year</b>	14	(209)	(302)
<b>Net current assets</b>		<u>254</u>	<u>332</u>
<b>Total assets less current liabilities</b>		<u>1,254</u>	<u>1,332</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(264)	(342)
<b>Net assets</b>		<u>990</u>	<u>990</u>
<b>Capital and reserves</b>			
Called up share capital	17	1	1
Other reserves		999	999
Profit and loss account		(10)	(10)
<b>Shareholders' funds</b>		<u>990</u>	<u>990</u>

The notes on pages 14 to 32 form part of these financial statements.

These financial statements were approved by the board of Directors on 15 November 2017 and were signed on its behalf by:

  
**Steve Lister**  
Director

**Consolidated Cash Flow Statement**  
*for the year ended 31 March 2017*

	Note	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
Profit for the year		422	177
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		614	504
Interest receivable and similar income		(123)	-
Interest payable and similar charges		320	401
Taxation		40	(10)
		<u>1,273</u>	<u>1,072</u>
Increase in trade and other debtors		(1,494)	(4,715)
Increase in stocks		(784)	(3,738)
(Decrease)/increase in trade and other creditors		(29)	6,092
Increase in provisions and employee benefits		23	25
		<u>(1,011)</u>	<u>(1,264)</u>
Interest paid		(197)	(401)
Tax paid		14	(24)
		<u>(1,194)</u>	<u>(1,689)</u>
<b>Cash flows from investing activities</b>			
Acquisition of tangible fixed assets	9	(734)	(428)
		<u>(734)</u>	<u>(428)</u>
<b>Cash flows from financing activities</b>			
Proceeds from new loan	14	2,617	4,105
Repayment of borrowings		(150)	(292)
		<u>2,467</u>	<u>3,813</u>
<b>Net increase in cash and cash equivalents</b>		<b>539</b>	<b>1,696</b>
Cash and cash equivalents at 1 April		(69)	(1,765)
<b>Cash and cash equivalents at 31 March</b>	13	<u><b>470</b></u>	<u><b>(69)</b></u>

The notes on pages 14 to 32 form part of these financial statements.

# Consolidated Statement of Changes in Equity

	Called up Share Capital £000	Share Premium account £000	Profit & loss account £000	Total equity £000
Balance at 1 April 2015	1	999	1,634	2,634
Total comprehensive result for the year	-	-	177	177
<b>Balance at 31 March 2016</b>	<b>1</b>	<b>999</b>	<b>1,811</b>	<b>2,811</b>
Total comprehensive result for the year	-	-	422	509
<b>Balance at 31 March 2017</b>	<b>1</b>	<b>999</b>	<b>2,233</b>	<b>3,233</b>

The notes on pages 14 to 32 form part of these financial statements.

## Company Statement of Changes in Equity

	Called up Share Capital £000	Share Premium account £000	Profit & loss account £000	Total equity £000
Balance at 1 April 2015	1	999	(10)	990
Total comprehensive result for the year	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>1</b>	<b>999</b>	<b>(10)</b>	<b>990</b>
Total comprehensive result for the year	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>1</b>	<b>999</b>	<b>(10)</b>	<b>990</b>

The notes on pages 14 to 32 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Quintessential Brand UK Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.16

#### 1.1. Measurement convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### 1.2. Going concern

The accounts have been prepared on a going concern basis as the Directors, having reviewed forecast trading and current funding arrangements and having considered reasonable sensitivities, believe this to be appropriate.

The Company, together with its subsidiary undertakings (collectively the "Group"), is a party to a financing arrangement under which the Company has provided guarantees. For this reason, and the operational support provided by the Group, the going concern assessment of the Company is dependent on that of the Group as a whole. The Group has a lending facility provided by Wells Fargo Capital Finance, which is a subsidiary of Wells Fargo Bank, for a period of 5 years, from November 2014, which is sufficient to meet the needs of the Group as it continues to grow.

As at the date of signing these accounts the Group has obtained confirmation from the other loan holders that loans will not be repayable until such time as the Group has the reasonable means to do so.



## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.3. Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

#### **1.4. Basic financial instruments**

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

##### *Investments in ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### **1.5. Goodwill and negative goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation/business combinations in respect of acquisitions since 1 January 1998 is capitalised.

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the year in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold land and buildings	-	10 to 15 years
Plant and machinery	-	3 to 15 years
Fixtures and fittings	-	3 to 15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### 1.7. Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the budgeted standard cost for the material is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### 1.8. Impairment

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.8 Impairment** *(continued)*

##### *Non-financial assets*

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

#### **1.9. Foreign currencies**

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

#### **1.10. Employee benefits**

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11. Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### 1.12. Turnover

Turnover is the value of goods and services sold to third parties, excluding all excise duties and Value Added Tax (VAT).

#### 1.13. Expenses

##### *Operating Lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.14. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**1.14 Taxation** *(continued)*

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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.

**1.15. Dividends**

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**1.16. Professional Judgements and estimates**

In the application of the accounting policies, described above, the directors are required to make judgements, estimates and assumptions about the carrying value of the 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.

*Critical judgements in applying the accounting policies*

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Provisions**

The Group has recognised provisions for impairment of inventories, impairment of trade receivables, employee bonuses and income tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

**Notes (continued)**

**2. Turnover**

Group	2017 £000	2016 £000
<i>By geographical market</i>		
UK	34,408	26,850
Europe	6,286	2,576
USA	7,601	5,894
Rest of World	43,860	45,532
	<u>92,155</u>	<u>80,852</u>

**3. Notes to the profit and loss account**

Group	2017 £000	2016 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	1,210	1,100
Amortisation of negative goodwill	(596)	(596)
Hire of plant and machinery - operating leases	182	177
Hire of other assets - operating leases	790	776
	<u>1,210</u>	<u>1,100</u>

*Auditor's remuneration:*

Group	2017 £000	2016 £000
Audit of these financial statements	50	42
Audit of financial statements of subsidiaries	6	6
Taxation Compliance services	12	12
	<u>68</u>	<u>60</u>

**Notes** *(continued)*

**4. Remuneration of Directors**

<b>Group</b>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Directors' remuneration	196	140
Company contributions to defined contribution pension schemes	9	9
	<u>          </u>	<u>          </u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director was £104,000 (2016: £140,000), and Company pension contributions of £6,000 (2016: £9,000) were made to a defined contribution scheme on their behalf.

**5. Staff numbers and costs**

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b> <b>Group</b>	
	<b>2017</b>	<b>2016</b>
Full-time	177	153
Part-time	2	2
	<u>          </u>	<u>          </u>
	179	155
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
Wages and salaries	8,676	7,339
Social security costs	700	568
Contributions to defined contribution plans (note 20)	283	270
	<u>          </u>	<u>          </u>
	9,659	8,177
	<u>          </u>	<u>          </u>

**Notes** *(continued)*

**6. Interest receivable/payable and similar charges**

	2017 £000	2016 £000
Interest Income on other loans	(123)	-
On bank loans and overdrafts	268	348
On all other loans	52	53
Interest payable and similar charges	320	401
Net interest payable	197	401

**7. Taxation**

	2017 £000	2016 £000
<i>UK corporation tax</i>		
Current tax on income for the period	23	(18)
Total current tax	23	(18)
<i>Deferred tax (see note 16)</i>		
Origination of timing differences	17	(5)
Prior period adjustment	-	13
Total deferred tax	17	8
Tax on profit on ordinary activities	40	(10)

All amounts are recognised directly in the profit and loss account



**Notes** *(continued)*

**7. Taxation** *(continued)*

*Reconciliation of effective tax rate*

	2017 £000	2016 £000
Profit for the year	422	177
Total tax expense / (credit)	40	(10)
Profit excluding taxation	462	167
Tax using the UK corporation tax rate of 19% (2016: 20%)	88	33
Non-deductible expenses	(48)	(56)
Prior year adjustments	-	13
Total tax charge (see above)	40	(10)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2017 has been calculated based on these rates.

**Notes** *(continued)*

**8. Intangible fixed assets**

	Negative goodwill
	£000
<b>Group</b>	
<i>Cost</i>	
At beginning and end of year	(4,572)
	<hr/>
<i>Amortisation</i>	
At beginning of year	2,784
Charge for year	596
	<hr/>
At end of year	3,380
	<hr/>
<i>Net book value</i>	
At 31 March 2017	(1,192)
	<hr/>
At 31 March 2016	(1,788)
	<hr/>

*Amortisation and impairment charge*

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	Group 2017 £000	Group 2016 £000
Cost of sales	596	596
	<hr/>	<hr/>

Negative goodwill arose on the acquisition of the trade and assets of Essential Drinks Company Limited on 5 August 2011 as the fair value of the non-monetary assets acquired was in excess of the consideration paid. An amount equal to the fair value of the non-monetary assets acquired is being released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired. The useful economic life has been estimated as 8 years from the date of acquisition.

**Notes** *(continued)*

**9. Tangible fixed assets**

<b>Group</b>	<b>Land and buildings £000</b>	<b>Plant and Machinery £000</b>	<b>Total £000</b>
<b><i>Cost</i></b>			
At beginning of year	2,401	6,982	9,383
Additions	-	734	734
	<hr/>	<hr/>	<hr/>
At end of year	2,401	7,716	10,117
	<hr/>	<hr/>	<hr/>
<b><i>Depreciation</i></b>			
At beginning of year	(1,050)	(3,763)	(4,813)
Charge for year	(226)	(984)	(1,210)
	<hr/>	<hr/>	<hr/>
At end of year	(1,276)	(4,747)	(6,023)
	<hr/>	<hr/>	<hr/>
<b><i>Net book value</i></b>			
At 31 March 2017	1,125	2,969	4,094
	<hr/>	<hr/>	<hr/>
At 31 March 2016	1,351	3,219	4,570
	<hr/>	<hr/>	<hr/>

The Group does not hold any assets under finance leases.

No fixed assets are held by the Company.

**Notes (continued)**

**10. Fixed asset investments**

	Shares in Group Undertaking £000
<b>Company</b>	
<b>Cost</b>	
At beginning and end of year	1,000
<b>Provisions</b>	
At beginning and end of year	-
<b>Net book value</b>	
At 31 March 2017	1,000
At 31 March 2016	1,000

The companies and related undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Address	Country of incorporation	Principal activity	Class and percentage of shares held	
				Direct	Indirect
<b>Subsidiary undertakings</b>					
Quintessential Brands UK Group Limited	Melbury Park, Calyton Road, Warrington	UK	Group activities	100%	-
Essential Drinks Company Limited	Melbury Park, Calyton Road, Warrington	UK	Sales & Distribution	-	100%
G&J Distillers Ltd.	Melbury Park, Calyton Road, Warrington	UK	Production	-	100%
Quintessential Brands Company Limited	Melbury Park, Calyton Road, Warrington	UK	Marketing and brand development	-	100%

**Notes** *(continued)*

**11. Stocks**

	Group 2017 £000	Group 2016 £000
Raw materials and consumables	4,195	3,944
Finished goods and goods for resale	5,144	4,664
	<u>9,339</u>	<u>8,608</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £61,951,000 (2016: £58,042,000)

No stocks are held by the Company.

**12. Debtors**

	Group 2017 £000	Company 2017 £000	Group 2016 £000	Company 2016 £000
Trade debtors	13,531	-	13,867	-
Amounts owed by Group undertakings	-	463	-	634
Other debtors	4,140	-	3,510	-
Corporation tax	24	-	20	-
Other tax and Social Security	1,002	-	968	-
Prepayments and accrued income	2,300	-	749	-
	<u>20,997</u>	<u>463</u>	<u>19,114</u>	<u>634</u>

Other debtors include £704,000 (2016: £701,000) relating to a rent deposit on the Risley site lodged in escrow with the landlord due after more than one year in respect of the Group.

Other debtors also include £2,653,000 (2016: £2,077,000) of loans to related parties through common ownership (see note 21).

**Notes** *(continued)*

**13. Cash and cash equivalents / bank overdrafts**

	<b>Group</b> <b>2017</b> <b>£000</b>	<b>Group</b> <b>2016</b> <b>£000</b>
Cash at bank and in hand	470	534
Bank overdrafts	-	(603)
Cash and cash equivalents per cashflow statement	<u>470</u>	<u>(69)</u>

**14. Creditors: amounts falling due within one year**

	<b>Group</b> <b>2017</b> <b>£000</b>	<b>Company</b> <b>2017</b> <b>£000</b>	<b>Group</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>2016</b> <b>£000</b>
Bank loan	12,093	-	9,476	-
Bank overdraft (note 13)	-	-	603	-
Other loans	199	199	292	292
Trade creditors	9,295	-	10,473	-
Other taxation and social security	191	-	168	-
Other creditors	227	-	157	-
Corporation tax	55	10	-	10
Amounts owed to Group undertakings	-	-	-	-
Accruals and deferred income	7,201	-	5,804	-
	<u>29,261</u>	<u>209</u>	<u>26,973</u>	<u>302</u>

The bank loan relates to the lending facility provided by Wells Fargo Capital Finance, which is a subsidiary of Wells Fargo Bank. The facility provides for a first charge over all assets of the business. Lloyds Bank plc provides day to day banking facilities and has a secondary charge over all assets of the business. The Wells Fargo Capital Finance facility is drawn upon as required by the Group. The lending facility was renewed for 5 years in November 2014 with a total facility of £14.5 million and interest at LIBOR +1.5% to LIBOR + 2%.

Other loans at 31 March 2017 included an amount of £199,000 (2016: £292,000) relating to loans provided to Quintessential Brands UK Holdings Limited by certain shareholders and related parties. The rate of interest charged on such loans is 8%. The shareholder and related party loans are held by Quintessential Brands UK Holdings Limited which through a subordinated agreement passes these loans down to Quintessential Brands UK Group Limited, a subsidiary, on the same terms as the original shareholder and related party loans.

**Notes** *(continued)*

**15. Creditors: amounts falling due after more than one year**

	<b>Group 2017 £000</b>	<b>Company 2017 £000</b>	<b>Group 2016 £000</b>	<b>Company 2016 £000</b>
Other loans	650	-	759	109
Accruals and deferred income	375	264	323	233
	<u>1,025</u>	<u>264</u>	<u>1,082</u>	<u>342</u>

Other loans at 31 March 2017 include an amount of £nil (2016: £109,000) relating to loans provided to Quintessential Brands UK Holdings Limited by certain shareholders and related parties. The rate of interest charged on such loans is 8%. The shareholder and related party loans are held by Quintessential Brands UK Holdings Limited which through a subordinated agreement passes these loans down to Quintessential Brands UK Group Limited on the same terms as the original shareholder and related party loans. Other loans also include a loan provided from Quintessential Brands S.A. of £650,000 (2016: £650,000) on commercial arm's length terms to Quintessential Brands UK Group Limited on 5 August 2011 at a rate of interest of 3%.

**16. Deferred tax liability**

<b>Group</b>	<b>£'000</b>
At beginning of year	172
Charge to the profit and loss for the year	17
	<u>189</u>
At end of year	<u>189</u>

The elements of deferred taxation are as follows:

	<b>2017 £000</b>	<b>2016 £000</b>
Difference between accumulated depreciation and amortisation and capital allowances	189	180
Other timing differences	(7)	(8)
Tax losses	7	-
	<u>189</u>	<u>172</u>
Deferred tax liability	<u>189</u>	<u>172</u>

**Notes (continued)**

**17. Called up share capital**

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
1,002 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>
Shares classified in shareholders' funds	1	1
	<u>1</u>	<u>1</u>

**18. Contingent liabilities**

The Company has guaranteed the overdrafts and liabilities of its subsidiaries; the amount outstanding at the period end was £nil (2016: £603,000) of overdraft and £12,093,000 (2016: £9,476,000) of loans outstanding to Wells Fargo Capital Finance. The overdraft is the cash book position of the Group rather than the actual bank balance. The Group does not have an overdraft facility but draws down on the Wells Fargo Capital Finance lending facility to ensure that cash is available in appropriate bank accounts.

**19. Commitments**

Non-cancellable operating lease rentals are payable as follows:

	2017		2016	
Group	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Less than one year	746	133	746	162
Between one and five years	2,599	91	3,305	196
More than five years	48	-	627	-
	<u>3,393</u>	<u>224</u>	<u>4,678</u>	<u>358</u>

During the year £972,000 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £953,000).

The Company has no commitments as at 31 March 2017 (2016: £nil)



## Notes (continued)

### 20. Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £283,000 (2016: £270,000).

Contributions by the Group amounting to £41,000 (2016: £36,000) were payable to the scheme and are included in creditors.

### 21. Related party disclosures

The Company is controlled by individual shareholders, Vincenzo Visone and Warren Scott, who are the ultimate controlling party.

The Group produces a range of spirit products for third parties, related parties and the Group. A number of the products that it produces and sells are brands owned and licensed to the Group by Quintessential Brands S.A. The owners of Quintessential Brands S.A. are Vincenzo Visone and Warren Scott.

Certain shareholders and related parties have lent amounts of £401,000 (2016: £693,000) included within Other Loans to Quintessential Brands UK Holdings Limited (notes 14 and 15). The rate of interest charged on such loans ranges between 8% and 12%. The shareholder and related party loans are held by Quintessential Brands UK Holdings Limited which through a subordinated agreement passes these loans down to Quintessential Brands UK Group Limited on the same terms as the original shareholder and related party loans.

As part of the acquisition of the Essential Drinks Company Limited (formally G&J Greenall) business, Quintessential Brands S.A. lent £650,000 on commercial arm's length terms to Quintessential Brands UK Group Limited, a subsidiary of Quintessential Brands UK Holdings Limited, to finance the acquisition of assets representing the business trading as Essential Drinks Company Limited.

Other debtors include the following loans to companies that are owned by Vincenzo Visone and Warren Scott:

- a £500,000 (2016: £1,076,000) loan to Quintessential Brands Ireland Holdings Limited;
- a £1,176,000 (2016: £nil) loan to Quintessential Brands Irish Whiskey Ltd
- a £120,000 (2016: £120,000) loan to Quintessential Brands Ireland Group Limited;
- a £177,000 (2016: £177,000) loan to Quintessential Spirits UK Limited; and
- a £1,280,000 (2016: £1,280,000) loan to Quintessential Brands International SARL

#### Other related party transactions

Group	Sales and recharges to		Purchases and recharges from	
	2017 £000	2016 £000	2017 £000	2016 £000
First Ireland Spirits Company Limited	500	568	5,021	3,408
Marblehead Brand Development Limited	1,000	494	-	12
Clanconnel	-	-	124	-
Ignitus Consultancy	-	-	3	-
L&L SaS	1,577	174	1,095	993
	<u>3,077</u>	<u>1,236</u>	<u>6,243</u>	<u>4,413</u>

**Notes (continued)**

**21. Related party disclosures (continued)**

<b>Group</b>	<b>Receivables outstanding</b>		<b>Creditors outstanding</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
First Ireland Spirits Company Limited	244	448	168	121
Clanconnel	-	-	21	-
Marblehead Brand Development Limited	526	762	16	442
L&L SaS	258	174	585	290
	<u>1,028</u>	<u>1,384</u>	<u>790</u>	<u>853</u>