

Company Registration No. SC134963 (Scotland)

ISLE OF ARRAN DISTILLERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
PAGES FOR FILING WITH REGISTRAR

ISLE OF ARRAN DISTILLERS LIMITED

COMPANY INFORMATION

Directors	L Auchincloss J MacTaggart E Mitchell M Peirce R Tully
Secretary	M Cornwall
Company number	SC134963
Registered office	Lochranza Isle of Arran KA27 8HJ
Auditor	Campbell Dallas Audit Services Titanium 1 King's Inch Place Renfrew PA4 8WF

ISLE OF ARRAN DISTILLERS LIMITED

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ISLE OF ARRAN DISTILLERS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The chairman presents his strategic report for the year ended 31 December 2018.

Review of the Business

Isle of Arran Distillers Ltd achieved further growth in the fiscal year 2018. Revenues for the year increased by 8% over 2017 to £8,140,952. Brand sales accounted for 69% of total turnover and increased by 8.2% over 2017.

The UK was our largest market overall for brand sales and grew by 20% over 2017. France was our largest export market growing by 19.5% over 2017. After a strong year in 2017 with our new US importer, our shipments out were down in 2018 but notably Arran depletions in the market increased by 10% which is a good omen for future growth. Other notable markets in 2018 include Japan, up 17% over 2017, and China which is rapidly emerging as a strong market for Single Malt Scotch whisky. The Asia-Pacific region as a whole accounted for 20% of our exports compared to 50% for the EU where we continue to monitor the Brexit process very closely. We are focused on growing the global footprint of the Arran Single Malt. A re-launch of our core range in new branding will be launched in 2019 as a key part of this strategy.

Sales by volume of our NAS (No Age Statement) portfolio of Arran bottlings increased by 10.3% over 2017 as demand increased for our Robert Burns Malt, Arran 'Lochranza Reserve' and Machrie Moor Single Malts in particular. Pressure on stocks aged between 12-16 years has meant the removal from our range of the Arran 14 Year Old for the foreseeable future but availability of the Arran 10 Year Old, our biggest volume bottling, will grow from 2019 onwards in line with the increased production laid down since 2009. In 2018 we successfully launched the new Arran Malt Explorers' Series with a limited edition bottling named after Brodick Bay whilst an Arran Marsala Cask Finish was also warmly received and quickly sold out.

The Visitor Centre in Lochranza continued to attract growing numbers of visitors in 2018 with over 115,000 people coming through our doors. As a result turnover for the Visitor Centre grew by 7.6% over 2017 to £1,460,000. We were delighted when the professionalism of the Visitor Centre team was acknowledged by the award of 'Best Visitor Experience' at the 2018 ASVA Awards (Association of Scottish Visitor Attractions).

Work on the Lagg Distillery project continued throughout 2018 but a combination of inclement weather and external factors meant a delay in the start of production until spring 2019. The first spirit ran through the stills at Lagg at 14.35 on Tuesday 19th March 2019 and our Master Distiller, James MacTaggart, and Distillery Manager, Graham Omand, are both delighted with the character and quality. It is of course early days but we are confident the Lagg spirit will mature into one of the finest single malts in the world and further cement the growing reputation of Arran as a centre of whisky excellence. Demand for membership of the Lagg Cask Society has been exceptional and we expect to sell through on the 700 casks made available to this exclusive group in due course. The Lagg Distillery Visitor Experience opened to the public on June 12th 2019. A warm welcome is extended to all who visit this iconic building situated on a stunning location on the south coast of Arran.

Production at the Lochranza Distillery was 577,537 Litres of Pure Alcohol in 2018 with cask maturation spread between the existing site and the new warehouses at the Lagg Distillery.

In 2018 the company posted a net profit of £935,155 after depreciation, interest, taxation and the absorption of increased costs linked to the Lagg development. With an operational second Distillery at Lagg now in place and growing demand for the Arran Single Malt around the world we remain confident of sustained growth as we look ahead to celebrating our 25th anniversary in 2020.

By order of the board

.....
M Peirce
Chairman
.....

ISLE OF ARRAN DISTILLERS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	3		35,190		55,641
Tangible assets	4		23,801,262		14,393,538
			<u>23,836,452</u>		<u>14,449,179</u>
Current assets					
Stocks		12,557,981		11,526,789	
Debtors	5	2,283,917		1,915,043	
Cash at bank and in hand		<u>2,304,711</u>		<u>864,932</u>	
		17,146,609		14,306,764	
Creditors: amounts falling due within one year	6	<u>(5,215,891)</u>		<u>(1,482,662)</u>	
Net current assets			<u>11,930,718</u>		<u>12,824,102</u>
Total assets less current liabilities			<u>35,767,170</u>		<u>27,273,281</u>
Creditors: amounts falling due after more than one year	7		(17,039,696)		(10,006,169)
Provisions for liabilities	9		(546,776)		(359,279)
Deferred income			<u>(535,932)</u>		<u>(198,222)</u>
Net assets			<u>17,644,766</u>		<u>16,709,611</u>
Capital and reserves					
Called up share capital	10		6,306,809		6,306,809
Share premium account	11		6,045,450		6,045,450
Revaluation reserve	12		2,620,970		2,620,970
Profit and loss reserves	13		<u>2,671,537</u>		<u>1,736,382</u>
Total equity			<u>17,644,766</u>		<u>16,709,611</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

ISLE OF ARRAN DISTILLERS LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2018

The financial statements were approved by the board of directors and authorised for issue on 22 August 2019 and are signed on its behalf by:

E Mitchell
Director

M Peirce
Director

Company Registration No. SC134963

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Isle Of Arran Distillers Limited is a private company limited by shares incorporated in Scotland. The registered office is Lochranza, Isle of Arran, KA27 8HJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have assessed, based on current projections that the company has adequate resources to meet ongoing costs of the business, for a minimum of 12 months from the date of signing the financial statements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of cased goods is recognised when the goods are shipped. Revenue from the sale of bulk whisky is recognised when the stock is dispatched or when the ownership of stock is transferred to the purchaser. Revenue from the visitor centre is recognised at the point of sale.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer software	20% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold property	2% straight line
Plant & machinery	5% straight line
Motor vehicles	20% straight line
Casks	5% straight line

Freehold land is not depreciated.

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 50 (2017 - 44).

3 Intangible fixed assets

	Goodwill £	Computer software £	Total £
Cost			
At 1 January 2018 and 31 December 2018	60,289	153,121	213,410
Amortisation and impairment			
At 1 January 2018	60,289	97,480	157,769
Amortisation charged for the year	-	20,451	20,451
At 31 December 2018	60,289	117,931	178,220
Carrying amount			
At 31 December 2018	-	35,190	35,190
At 31 December 2017	-	55,641	55,641

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Tangible fixed assets

	Freehold property £	Assets under construction £	Plant & machinery £	Motor vehicles £	Casks £	Total £
Cost						
At 1 January 2018	10,304,667	382,487	3,557,728	31,886	2,708,477	16,985,245
Additions	88,539	6,391,140	3,164,153	8,000	544,961	10,196,793
Disposals	-	-	-	-	(101,657)	(101,657)
Transfers	(3,813,012)	3,719,212	93,800	-	-	-
At 31 December 2018	6,580,194	10,492,839	6,815,681	39,886	3,151,781	27,080,381
Depreciation and impairment						
At 1 January 2018	306,980	-	1,692,710	31,886	560,131	2,591,707
Depreciation charged in the year	265,915	-	266,935	8,000	179,067	719,917
Eliminated in respect of disposals	-	-	-	-	(32,505)	(32,505)
At 31 December 2018	572,895	-	1,959,645	39,886	706,693	3,279,119
Carrying amount						
At 31 December 2018	6,007,299	10,492,839	4,856,036	-	2,445,088	23,801,262
At 31 December 2017	9,997,687	382,487	1,865,018	-	2,148,346	14,393,538

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Debtors		2018	2017
Amounts falling due within one year:		£	£
Trade debtors		1,687,100	1,652,081
Other debtors		561,144	242,308
Prepayments and accrued income		35,673	20,654
		<u>2,283,917</u>	<u>1,915,043</u>
6 Creditors: amounts falling due within one year		2018	2017
	Notes	£	£
Bank loans and overdrafts	8	250,000	-
Trade creditors		1,225,912	350,529
Corporation tax		59,760	102,567
Other taxation and social security		46,200	31,351
Accruals and deferred income		3,634,019	998,215
		<u>5,215,891</u>	<u>1,482,662</u>
7 Creditors: amounts falling due after more than one year		2018	2017
	Notes	£	£
Bank loans and overdrafts	8	12,457,105	7,819,605
Other borrowings	8	4,582,591	2,186,564
		<u>17,039,696</u>	<u>10,006,169</u>
8 Loans and overdrafts		2018	2017
		£	£
Bank loans		12,707,105	7,819,605
Other loans		4,582,591	2,186,564
		<u>17,289,696</u>	<u>10,006,169</u>
Payable within one year		250,000	-
Payable after one year		<u>17,039,696</u>	<u>10,006,169</u>

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

8 Loans and overdrafts (Continued)

The bank loans are overdraft are secured by a standard bond and floating charge over the assets of the company, and by a first standard security over heritable property and a new bonded warehouse at Lochranza, Isle of Arran.

Other loans relate to stock funding provided by various shareholders/directors and interest is charged over a period of 5 years. The loans converted and are now basic loans with no stock option. Interest is accrued at 5% per annum.

9 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	552,178	363,208
Other short term timing differences	(5,402)	(3,929)
	<u>546,776</u>	<u>359,279</u>
		2018 £
Movements in the year:		
Liability at 1 January 2018		359,279
Charge to profit or loss		187,497
		<u>546,776</u>
Liability at 31 December 2018		<u>546,776</u>

The deferred tax liability set out above is expected to reverse within [12 months] and relates to accelerated capital allowances that are expected to mature within the same period.

10 Called up share capital

	2018 £	2017 £
Ordinary share capital Issued and fully paid		
2,258,644 Ordinary A shares of 50p each	1,129,322	1,129,322
20,709,948 Ordinary B shares of 25p each	5,177,487	5,177,487
	<u>6,306,809</u>	<u>6,306,809</u>

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Share premium account

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

12 Revaluation reserve

The balance held in this reserve is in regards to revaluation of freehold property.

13 Profit and loss reserves

Included within profit and loss reserves are non-distributable profits, as set out below:

14 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Donald Boyd.
The auditor was Campbell Dallas Audit Services.

15 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

2018	2017
£	£
56,821	115,995
<u>56,821</u>	<u>115,995</u>

16 Related party transactions

Transactions with related parties

Included within liabilities is an amount of £4,582,591 (2017 - £2,186,564) representing a stock funding agreement comprising short term loans from various shareholders.

During the year there were interest charges on related party loans of £149,791 (2017 - £113,729).

During the year, loans of £2,000,000 (2017 - £nil) were received from Marigot and £400,000 (2017 - £nil) were received from Microferm Limited.

ISLE OF ARRAN DISTILLERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Parent company

The company is under the control of L Auchincloss by virtue of his controlling interest in the company.

