

REGISTERED NUMBER: 03620949 (England and Wales)

THE WELSH WHISKY COMPANY LIMITED
STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2023

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FOR THE YEAR ENDED 31 AUGUST 2023**

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THE WELSH WHISKY COMPANY LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2023**

DIRECTORS:

N V Short
S R Davies
N R Quigley
N Burchell
H Thomas
R Noble
G H Holtham
L E Short
N Gallivan

SECRETARY:

H Thomas

REGISTERED OFFICE:

Penderyn Distillery
Penderyn
CF44 0SX

REGISTERED NUMBER:

03620949 (England and Wales)

AUDITORS:

MHA
Statutory Auditor
Elfed House
Oak Tree Court
Cardiff Gate Business Park
CARDIFF
County of Cardiff
CF23 8RS

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2023**

REVIEW OF BUSINESS

The key financial highlights are as follows

	2023	2022
	£000	£000
Turnover	23,104	19,684
Gross Profit Margin	35%	36%
Operating Profit	2,173	1,872
Operating profit as a % of turnover	9.4%	9.5%
Net Assets	13,289	11,088

Given the challenges the company faced operating in a economy with significant rising input costs, market recovering from the effects of the Covid pandemic, and rising interest rates, the financial result achieved was pleasing, with turnover and profit up from the previous year and continuing the trend of annual growth.

The company opened its third distillery and visitors centre Swansea in June 2023, following the second at Llandudno in May 2021. Both are impressive production facilities and tourism attractions and have both attracted significant numbers of visitors and contributed to the growth of the Penderyn brand.

Penderyn Single Malt Whisky continues to be the main focus with several awards achieved.

Finish	Competition	Award
Portwood	Spirit Business World Whisky Masters	Gold
Peated	Spirit Business World Whisky Masters	Gold
Madeira	Ultimate Spirits Challenge Finalist	94/100
Rich Oak	Ultimate Spirits Challenge	92/100

FUTURE DEVELOPMENTS

The support of the company's funders will enable the investment in building maturing whisky stock to continue. The company's commitment to innovation in whisky maturation and blending and branding will enable exciting new products to be developed and launched.

PRINCIPAL RISKS AND UNCERTAINTIES

The company funds its working capital and whisky stock programme by invoice discounting and revolving credit facilities with HSBC. The directors endeavour to fix these facilities for the medium term and monitor compliance with covenants as set out in the facility agreements. Similarly, currency and interest rate risks are closely monitored.

The directors have focused on broadening the company's customer base by increasing exports. New importers have been appointed for the USA and China and additional investment channelled to brand building in established markets in France, Germany, Japan and others.

The continued challenges to supply chains and the wider economy after the UK left the EU Customs Union and Single Market and also after the Covid Pandemic, as well and ongoing uncertainty with Bank of England interest rates, are given due consideration.

ON BEHALF OF THE BOARD:



.....
H Thomas - Secretary

Date: 19 February 2024

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 AUGUST 2023**

The directors present their report with the financial statements of the company for the year ended 31 August 2023.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of spirit distillation, bottling, transportation and sale.

DIVIDENDS

No dividends will be distributed for the year ended 31 August 2023.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 September 2022 to the date of this report.

N V Short
S R Davies
N R Quigley
N Burchell
H Thomas
R Noble
G H Holtham
L E Short
N Gallivan

Other changes in directors holding office are as follows:

G Bianchi ceased to be a director after 31 August 2023 but prior to the date of this report.

POLITICAL DONATIONS AND EXPENDITURE

In the current year, there were donations totalling £5,000 (2022 £13,767). These donations were to registered charities and were not political in nature.

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen in accordance with s.414C(11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report. It has done so in respect of future developments and financial risk management.

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). 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE WELSH WHISKY COMPANY LIMITED (REGISTERED NUMBER: 03620949)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 AUGUST 2023**

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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITOR

On 30 June 2023 as a result of a recent merger, Watts Gregory LLP resigned as auditor in accordance with Section 516 of the Companies Act 2006 and re-engaged its services as MHA.

ON BEHALF OF THE BOARD:



.....
H Thomas - Secretary

Date: 19/2/2024

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH WHISKY COMPANY LIMITED

Opinion

We have audited the financial statements of The Welsh Whisky Company Limited (the 'company') for the year ended 31 August 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE WELSH WHISKY COMPANY LIMITED

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inaccurate journals and management bias in accounting estimates. We addressed these risks by carrying out specifically targeted procedures, which included:

- Enquiries of management, those charged with governance around actual and potential litigation and claims;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness and evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing minutes of meetings of those charged with governance;
- Evaluating the reasons for any large or unusual transactions;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations to underlying supporting documentation.

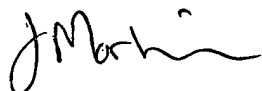
Because of the inherent limitations of an audit there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE WELSH WHISKY COMPANY LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.



Julia Mortimer (Senior Statutory Auditor)
for and on behalf of MHA
Statutory Auditor
CARDIFF
CF23 8RS

Date: 22 February 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2023**

	Notes	2023 £	2022 £
TURNOVER	3	23,104,372	19,684,492
Cost of sales		(15,080,785)	(12,638,588)
GROSS PROFIT		8,023,587	7,045,904
Distribution costs		(1,643,017)	(1,647,362)
Administrative expenses		(4,207,835)	(3,526,111)
OPERATING PROFIT	5	2,172,735	1,872,431
Interest payable and similar expenses	6	(714,748)	(425,022)
PROFIT BEFORE TAXATION		1,457,987	1,447,409
Tax on profit	7	(260,771)	(288,705)
PROFIT FOR THE FINANCIAL YEAR		1,197,216	1,158,704
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,197,216	1,158,704


The notes form part of these financial statements

THE WELSH WHISKY COMPANY LIMITED (REGISTERED NUMBER: 03620949)

BALANCE SHEET
31 AUGUST 2023

	Notes	2023 £	2022 £
FIXED ASSETS			
Tangible assets	8	14,474,299	10,407,717
Investments	9	232,408	232,408
		<u>14,706,707</u>	<u>10,640,125</u>
CURRENT ASSETS			
Stocks	10	15,192,532	13,761,401
Debts			
Debts factored without recourse		4,413,094	2,857,757
Non-returnable proceeds		(2,864,779)	(1,172,856)
	11	<u>1,548,315</u>	<u>1,684,901</u>
Debtors: amounts falling due within one year	11	1,242,256	605,744
Cash at bank and in hand		72,826	81,057
		<u>18,055,929</u>	<u>16,133,103</u>
CREDITORS			
Amounts falling due within one year	12	(4,259,662)	(3,163,537)
NET CURRENT ASSETS		<u>13,796,267</u>	<u>12,969,566</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,502,974	23,609,691
CREDITORS			
Amounts falling due after more than one year	13	(12,114,683)	(10,430,016)
PROVISIONS FOR LIABILITIES	17	(926,632)	(665,861)
ACCUALS AND DEFERRED INCOME	18	(2,173,129)	(1,425,501)
NET ASSETS		<u>13,288,530</u>	<u>11,088,313</u>
CAPITAL AND RESERVES			
Called up share capital	19	5,954,891	5,453,390
Share premium		3,811,227	3,309,727
Retained earnings		3,522,412	2,325,196
SHAREHOLDERS' FUNDS		<u>13,288,530</u>	<u>11,088,313</u>

The financial statements were approved by the Board of Directors and authorised for issue on 19/2/2024 and were signed on its behalf by:


H Thomas - Director

The notes form part of these financial statements

THE WELSH WHISKY COMPANY LIMITED (REGISTERED NUMBER: 03620949)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2023

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 September 2021	5,411,390	1,166,492	3,293,727	9,871,609
Changes in equity				
Increase in share capital	42,000	-	16,000	58,000
Total comprehensive income	-	1,158,704	-	1,158,704
Balance at 31 August 2022	<u>5,453,390</u>	<u>2,325,196</u>	<u>3,309,727</u>	<u>11,088,313</u>
Changes in equity				
Increase in share capital	501,501	-	501,500	1,003,001
Total comprehensive income	-	1,197,216	-	1,197,216
Balance at 31 August 2023	<u><u>5,954,891</u></u>	<u><u>3,522,412</u></u>	<u><u>3,811,227</u></u>	<u><u>13,288,530</u></u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2023**

	Notes	2023 £	2022 £
Cash flows from operating activities			
Cash generated from operations	1	2,649,013	868,036
Interest paid		(714,748)	(424,087)
Interest element of hire purchase or finance lease rental payments paid		-	(935)
Net cash from operating activities		1,934,265	443,014
Cash flows from investing activities			
Purchase of tangible fixed assets		(4,584,009)	(1,526,952)
Purchase of fixed asset investments		-	(132,408)
Net cash from investing activities		(4,584,009)	(1,659,360)
Cash flows from financing activities			
New loans in year		2,000,000	1,465,000
Loan repayments in year		(361,487)	(260,325)
Capital repayments in year		-	(6,275)
Share issue		501,500	42,000
Share premium		501,500	16,000
Net cash from financing activities		2,641,513	1,256,400
(Decrease)/increase in cash and cash equivalents		(8,231)	40,054
Cash and cash equivalents at beginning of year	2	81,057	41,003
Cash and cash equivalents at end of year	2	72,826	81,057

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2023

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

	2023 £	2022 £
Profit before taxation	1,457,987	1,447,409
Depreciation charges	517,427	516,706
Amortisation	(69,376)	(69,376)
Release of deferred grant	-	(68,226)
Finance costs	714,748	425,022
	<u>2,620,786</u>	<u>2,251,535</u>
Increase in stocks	(1,431,131)	(1,548,432)
Decrease/(increase) in trade and other debtors	317,074	(113,637)
Increase in trade and other creditors	1,142,284	278,570
	<u>2,649,013</u>	<u>868,036</u>
Cash generated from operations	<u>2,649,013</u>	<u>868,036</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 August 2023

	31/8/23 £	1/9/22 £
Cash and cash equivalents	<u>72,826</u>	<u>81,057</u>

Year ended 31 August 2022

	31/8/22 £	1/9/21 £
Cash and cash equivalents	<u>81,057</u>	<u>41,003</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/9/22 £	Cash flow £	At 31/8/23 £
Net cash			
Cash at bank and in hand	<u>81,057</u>	<u>(8,231)</u>	<u>72,826</u>
	<u>81,057</u>	<u>(8,231)</u>	<u>72,826</u>
Debt			
Debts falling due within 1 year	(429,782)	46,159	(383,623)
Debts falling due after 1 year	<u>(10,430,016)</u>	<u>(1,684,667)</u>	<u>(12,114,683)</u>
	<u>(10,859,798)</u>	<u>(1,638,508)</u>	<u>(12,498,306)</u>
Total	<u>(10,778,741)</u>	<u>(1,646,739)</u>	<u>(12,425,480)</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2023**

1. STATUTORY INFORMATION

The Welsh Whisky Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The company's functional and presentational currency in the financial statements is the Sterling (£), rounded to the nearest pound.

The significant accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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.

There have been no material departures from Financial Reporting Standard 102.

Significant accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Stock valuation

The final whisky stock valuation includes absorbed material, overhead and labour costs, that are based on an estimate of actual use in whisky distillation process. There is a risk that the actual value of whisky varies from the value in the financial statements.

Freehold property valuation

The financial statements include freehold property held at cost. A value in use calculation has been performed, however there remains a risk that the value of the property is less than the cost in the financial statements.

Provision for impairment of stock

The financial statements include a provision for impairment of stocks that are based on management's estimation of recoverability. There is a risk that the provision will not match the stocks that ultimately prove to be impaired.

Turnover

Turnover is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer when goods are dispatched, or a specific bill and hold invoice has been agreed.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at rates calculated to write off fixed assets, less their estimated residual value, over their expected useful lives, other than freehold land, on the following bases:

Freehold property	- 2% - 4% on cost
Short leasehold	- 10% on cost
Plant and machinery	- 5% - 10% on cost
Fixtures and fittings	- 10% on cost
Office equipment	- 20% - 33% on cost

Government grants

Government grants are recognised on an accruals basis. Grants relating to revenue are recognised in income on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. A grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support with no future related costs, is recognised in income in the period in which it becomes receivable.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Maturing whisky

Maturing whisky is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of maturing whisky.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, trade and other creditors and interest free loans.

Unless otherwise stated, the carrying value of the company's financial assets and liabilities are a reasonable approximation of their fair values.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

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 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.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

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 result.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease rentals

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.

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.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the director using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and no vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Fixed asset investments

Fixed asset investments are initially recorded at cost and subsequently amortised.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

2. ACCOUNTING POLICIES - continued

Linked presentation

Trade debtors financed by invoice discounting are disclosed gross on the face of the Balance Sheet. Amounts received from the invoice discounting company are shown as a deduction disclosed as 'non returnable proceeds'. Bank charges and interest payable to the invoice discounting company are charged to the profit and loss account as they are incurred.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2023 £	2022 £
UK	17,297,691	16,224,296
Overseas	5,806,681	3,460,196
	<u>23,104,372</u>	<u>19,684,492</u>

4. EMPLOYEES AND DIRECTORS

	2023 £	2022 £
Wages and salaries	3,040,672	2,721,529
Social security costs	282,362	251,661
Other pension costs	111,077	126,950
	<u>3,434,111</u>	<u>3,100,140</u>

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

	2023	2022
Sales & Administration	47	43
Production	48	44
	<u>95</u>	<u>87</u>

	2023 £	2022 £
Directors' remuneration	519,159	542,766
Directors' pension contributions to money purchase schemes	42,517	31,066
	<u></u>	<u></u>

The number of directors to whom retirement benefits were accruing was as follows:

	2023	2022
Money purchase schemes	<u>4</u>	<u>5</u>

Information regarding the highest paid director is as follows:

	2023 £	2022 £
Emoluments etc	213,291	212,999
Pension contributions to money purchase schemes	<u>6,399</u>	<u>6,330</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

5. OPERATING PROFIT

The operating profit is stated after charging:

	2023	2022
	£	£
Hire of plant and machinery	13,600	2,808
Depreciation - owned assets	517,427	516,706
Auditors' remuneration	12,400	12,000
	<u>543,427</u>	<u>531,514</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2023	2022
	£	£
Bank interest	494,015	285,364
Invoice discounting charges	220,733	138,723
Hire purchase interest	-	935
	<u>714,748</u>	<u>425,022</u>

7. TAXATION

Analysis of the tax charge

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

	2023	2022
	£	£
Deferred tax	260,771	288,705
Tax on profit	<u>260,771</u>	<u>288,705</u>

Reconciliation of total tax charge included in profit and loss

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

	2023	2022
	£	£
Profit before tax	<u>1,457,987</u>	<u>1,447,409</u>
Profit multiplied by the standard rate of corporation tax in the UK of 21.500% (2022 - 19%)	313,467	275,008
Effects of:		
Expenses not deductible for tax purposes	2,437	2,823
Capital allowances in excess of depreciation	(26,694)	(66,065)
Change of rate	59,700	76,939
Overprovision DT prior years	(88,139)	-
Total tax charge	<u>260,771</u>	<u>288,705</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

8. TANGIBLE FIXED ASSETS

	Land and Property £	Short Leasehold £	Long leasehold £
COST			
At 1 September 2022	6,743,108	461,141	-
Additions	60,048	-	2,139,410
Reclassification/transfer	-	(279,136)	279,136
At 31 August 2023	6,803,156	182,005	2,418,546
DEPRECIATION			
At 1 September 2022	864,854	110,155	-
Charge for year	141,688	-	-
At 31 August 2023	1,006,542	110,155	-
NET BOOK VALUE			
At 31 August 2023	5,796,614	71,850	2,418,546
At 31 August 2022	5,878,254	350,986	-

	Plant and machinery £	Fixtures and Fittings £	Office equipment £	Totals £
COST				
At 1 September 2022	5,462,412	555,348	306,920	13,528,929
Additions	1,470,823	890,818	22,910	4,584,009
Reclassification/transfer	-	-	-	-
At 31 August 2023	6,933,235	1,446,166	329,830	18,112,938
DEPRECIATION				
At 1 September 2022	1,710,971	204,014	231,218	3,121,212
Charge for year	279,318	55,377	41,044	517,427
At 31 August 2023	1,990,289	259,391	272,262	3,638,639
NET BOOK VALUE				
At 31 August 2023	4,942,946	1,186,775	57,568	14,474,299
At 31 August 2022	3,751,441	351,334	75,702	10,407,717

Included in cost of land and buildings is freehold land of £137,345 (2022 - £137,345) which is not depreciated.

9. FIXED ASSET INVESTMENTS

	2023 £	2022 £
Other investments not loans	132,408	132,408
Other loans	100,000	100,000
	<u>232,408</u>	<u>232,408</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

9. FIXED ASSET INVESTMENTS - continued

Additional information is as follows:

	Unlisted investments £
COST	
At 1 September 2022 and 31 August 2023	132,408
NET BOOK VALUE	
At 31 August 2023	132,408
At 31 August 2022	132,408
	Other loans £
At 1 September 2022 and 31 August 2023	100,000

10. STOCKS

	2023 £	2022 £
Raw materials and consumables	1,952,562	1,116,123
Maturing whisky	10,745,230	10,930,982
Goods for resale	2,494,740	1,714,296
	<u>15,192,532</u>	<u>13,761,401</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Trade debtors	55,129	133,849
Other debtors	854,635	196,004
Prepayments and accrued income	332,492	275,891
	<u>1,242,256</u>	<u>605,744</u>

Linked presentation:

The directors hereby state that the entity is not obliged to support any losses, nor does it intend to do so.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Bank loans (see note 14)	304,423	280,497
Other loans (see note 14)	79,200	149,285
Trade creditors	2,874,276	1,742,795
Social security and other taxes	77,927	59,038
VAT	129,642	299,870
Other creditors	21,846	104,584
Duty payable	333,619	293,951
Accruals and deferred income	438,729	233,517
	<u>4,259,662</u>	<u>3,163,537</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £	2022 £
Bank loans (see note 14)	12,053,090	10,289,223
Other loans (see note 14)	61,593	140,793
	<u>12,114,683</u>	<u>10,430,016</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2023 £	2022 £
Amounts falling due within one year or on demand:		
Bank loans	304,423	280,497
Welsh Government loan	-	70,085
TISS Loan	79,200	79,200
	<u>383,623</u>	<u>429,782</u>
Amounts falling due between one and two years:		
Bank loans - due over 1 year	9,505,333	9,207,463
TISS Loan	61,593	140,793
	<u>9,566,926</u>	<u>9,348,256</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans - due over 5 years	<u>2,547,757</u>	<u>1,081,760</u>

The Welsh Government loan was repayable in 5 annual instalments, no interest was charged on this loan.

The TISS loan is repayable by 35 equal monthly instalment, no interest is charged on this loan.

The bank loans comprise a revolving credit facility of £7,000,000, a commercial mortgage of £883,201, two HSBC loans totalling £1,881,383 and three loans from the Development Bank of Wales totalling £2,592,931.

- The revolving credit facility is a 3 year rolling facility with the option to extend a further 2 years, which has been exercised, this is repaid every 3 months and a new loan is then taken out.
- The commercial mortgage is repayable in 240 monthly instalments.
- The first HSBC loan for £1,700,000 is repayable via 42 monthly instalments.
- The second loan of £295,000, is repayable by 60 monthly instalments.
- The first loan provided by the Development Bank of Wales for £250,000 is repayable via 60 monthly instalments.
- The second loan of £550,000, for capital investment is repayable by 144 monthly instalments.
- The third loan of £2,000,000, for capital investment is repayable via 191 monthly instalments.

Interest rates are between 2% and 7.75% on the above loans.

15. LEASING AGREEMENTS

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

	2023 £	2022 £
Within one year	61,368	2,184
Between one and five years	92,067	3,926
	<u>153,435</u>	<u>6,110</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

16. SECURED DEBTS

The following secured debts are included within creditors:

	2023 £	2022 £
Bank loans	12,357,513	10,569,720

The company's borrowings are secured by a fixed charge over the company's freehold and leasehold properties and a floating charge over the company's remaining assets.

17. PROVISIONS FOR LIABILITIES

	Deferred tax £
Balance at 1 September 2022	665,861
Charge to Profit and Loss Account	260,771
Balance 31 August 2023	926,632

The deferred tax balance comprises the following:

	2023 £	2022 £
Fixed asset timing differences	2,310,633	1,433,436
Short term timing differences	(840,720)	(316,318)
Losses	(543,281)	(451,257)
	926,632	665,861

18. ACCRUALS AND DEFERRED INCOME

	2023 £	2022 £
Deferred government grants brought forward	1,425,501	1,563,102
Grant received in the year	817,000	-
Grant released during the year	-	(68,226)
Amortisation	(69,376)	(69,376)
	2,173,125	1,425,501

19. CALLED UP SHARE CAPITAL

Allotted and issued: Number:	Class:	Nominal Value:	2023 £	2022 £
5,717,102 (2022: 5,215,601)	Ordinary	£1	5,717,102	5,215,601
237,789 (2022: 237,789)	Treasury	£1	237,789	237,789

During the year there was an issue of 501,500 ordinary share issues at £2 a share.

After the year-end there was an issue of 25,000 ordinary £1 shares through the EMI scheme.

20. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounts to £111,077 (2022: £126,950). Contributions totalling £18,029 (2022: £Nil) were payable to the fund at the year end.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 AUGUST 2023

21. CONTINGENT LIABILITIES

A grant was received during a previous financial period from the Tourism Investment Support Scheme (TISS) totalling £559,517. There are terms attached to this grant funding which state that part of the grant may need to be repaid if target visitor numbers are not met.

22. RELATED PARTY DISCLOSURES

During the year the company entered into transactions, in the ordinary course of business, with its related parties. Transactions entered into, and balances outstanding at 31 August are as follows:

Name	Nature of transaction	2023 £	2022 £
Key management personnel	Sales	4,304	3,610
	Purchases	13,788	15,521
	Emoluments	629,984	644,092
Other related parties	Sales	3,000	-
	Purchases	184,464	91,521
	Rent payable	-	47,158
	Creditor	32,778	17,518

The following balances existed with the company's related parties as at 31 August 2023:

Name	Nature of balance	2023 £	2022 £
Key management personnel	Debtor	6,111	1,803
	Creditor	1,474	-
Other related party	Fixed asset investments - other loan	100,000	100,000

23. SHARE-BASED PAYMENT TRANSACTIONS

The company operates an EMI Scheme Option for selected employees. The options can only normally be exercised while employed by the company and may not be exercised in any circumstances after the tenth anniversary of the date of grant.

On 18 October 2018 the company granted 220,000 share options at an option price of £1 per share. No share options were exercised during the period (2022: 26,000). 194,000 share options remain unexercised, forfeited or expired.

The total expense recognised in the profit and loss account for the period was £Nil (2022: £Nil)

The directors consider the fair value of the share options granted estimated at the grant date to be £1.