

**Isle of Harris Distillers Limited**  
**Filleted Financial Statements**  
**For the year ended**  
**31 December 2016**



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# **Isle of Harris Distillers Limited**

## **Directors' Responsibilities Statement**

**Year ended 31 December 2016**

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The directors are responsible for preparing 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 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

# Isle of Harris Distillers Limited

## Statement of Financial Position

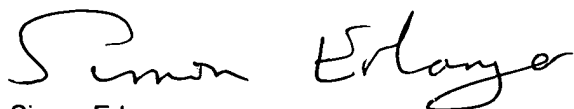
31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	6	8,003,793	8,219,349
<b>Current assets</b>			
Stocks	7	362,715	73,779
Debtors	8	204,449	402,795
Cash at bank and in hand		874,804	881,684
		<u>1,441,968</u>	<u>1,358,258</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>696,800</u>	<u>978,798</u>
<b>Net current assets</b>		<b>745,168</b>	<b>379,460</b>
<b>Total assets less current liabilities</b>		<b>8,748,961</b>	<b>8,598,809</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>3,242,051</b>	<b>3,364,240</b>
<b>Net assets</b>		<b><u>5,506,910</u></b>	<b><u>5,234,569</u></b>
<b>Capital and reserves</b>			
Called up share capital	12	8,151,125	8,150,375
Profit and loss account		<u>(2,644,215)</u>	<u>(2,915,806)</u>
<b>Members funds</b>		<b><u>5,506,910</u></b>	<b><u>5,234,569</u></b>

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of comprehensive income has not been delivered.

These financial statements were approved by the board of directors and authorised for issue on 15 June 2017 and are signed on behalf of the board by:



Simon Erlanger  
Director

Company registration number: SC334836

# Isle of Harris Distillers Limited

## Statement of Changes in Equity

Year ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total £
<b>At 1 January 2015</b>	7,150,375	(2,168,874)	4,981,501
Loss for the year		(746,932)	(746,932)
<b>Total comprehensive income for the year</b>	—	(746,932)	(746,932)
Issue of shares	1,000,000	—	1,000,000
<b>Total investments by and distributions to owners</b>	1,000,000	—	1,000,000
<b>At 31 December 2015</b>	8,150,375	(2,915,806)	<b>5,234,569</b>
Profit for the year		271,591	<b>271,591</b>
<b>Total comprehensive income for the year</b>	—	271,591	<b>271,591</b>
Issue of shares	750	—	<b>750</b>
<b>Total investments by and distributions to owners</b>	750	—	<b>750</b>
<b>At 31 December 2016</b>	<u>8,151,125</u>	<u>(2,644,215)</u>	<u><b>5,506,910</b></u>

# Isle of Harris Distillers Limited

## Notes to the Financial Statements

Year ended 31 December 2016

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### 1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Isle of Harris Distillery, Tarbert, Isle of Harris, HS3 3DJ.

### 2. Statement of compliance

These financial statements have been prepared in compliance with the provisions of FRS 102 Section 1A, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### 3. Accounting policies

#### Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

#### Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 17.

#### Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for carrying amounts of tangible assets.

##### ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for carrying amount of debtors.

#### Revenue recognition

The turnover is measured at the fair value of the consideration received or receivable and represents cash received and amounts invoiced during the year, exclusive of Value Added Tax and Duty.

# Isle of Harris Distillers Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

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### 3. Accounting policies *(continued)*

#### Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period, and is charged in the Statement of Comprehensive Income. Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as as recoverable.

#### Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

#### Tangible assets

All fixed assets are recorded at cost.

#### Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold property	-	4% straight line
Plant and machinery	-	6.67% to 10% straight line
Fixtures and fittings	-	25% straight line

#### Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

#### Government grants

Revenue grants are credited to income in the appropriate period to match related expenditure.

Capital grants are amortised in line with the depreciation of the distillery once the construction has been completed.

# Isle of Harris Distillers Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

### 3. Accounting policies *(continued)*

#### Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

### 4. Employee numbers

The average number of persons employed by the company during the year, including the directors, amounted to 15 (2015: 11).

### 5. Tax on profit/(loss)

#### Major components of tax expense

	2016 £	2015 £
<b>Current tax:</b>		
UK current tax expense	322	–
Adjustments in respect of prior periods	–	1,840
Total current tax	<u>322</u>	<u>1,840</u>
<b>Tax on profit/(loss)</b>	<u>322</u>	<u>1,840</u>

# Isle of Harris Distillers Limited

## Notes to the Financial Statements (continued)

Year ended 31 December 2016

### 6. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2016	5,707,087	2,337,349	237,271	<b>8,281,707</b>
Additions	165,290	(31,482)	15,002	<b>148,810</b>
<b>At 31 December 2016</b>	<b>5,872,377</b>	<b>2,305,867</b>	<b>252,273</b>	<b>8,430,517</b>
<b>Depreciation</b>				
At 1 January 2016	33,342	14,856	14,160	<b>62,358</b>
Charge for the year	151,657	151,257	61,452	<b>364,366</b>
<b>At 31 December 2016</b>	<b>184,999</b>	<b>166,113</b>	<b>75,612</b>	<b>426,724</b>
<b>Carrying amount</b>				
<b>At 31 December 2016</b>	<b>5,687,378</b>	<b>2,139,754</b>	<b>176,661</b>	<b>8,003,793</b>
At 31 December 2015	5,673,745	2,322,493	223,111	8,219,349

In the prior year the directors over accrued certain capital costs associated with the construction of the distillery and these have subsequently been reversed during the current year resulting in the negative additions figure for plant and machinery.

The directors have considered the value of the fixed assets as at 31 December 2016 and are satisfied that there is no indication of impairment.

### 7. Stocks

	2016 £	2015 £
Raw materials and consumables	<b>291,306</b>	39,621
Finished goods and goods for resale	<b>71,409</b>	34,158
	<b>362,715</b>	<b>73,779</b>

### 8. Debtors

	2016 £	2015 £
Trade debtors	<b>38,321</b>	10,761
Other debtors	<b>166,128</b>	392,034
	<b>204,449</b>	<b>402,795</b>



# Isle of Harris Distillers Limited

## Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

### 9. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	93,062	239,378
Corporation tax	322	–
Social security and other taxes	120,602	17,946
Other creditors	482,814	721,474
	<u>696,800</u>	<u>978,798</u>

### 10. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Other creditors	<u>3,242,051</u>	<u>3,364,240</u>

Included in the above balance is a loan of £350,000 which is secured against the off-site warehouse property and the company has an undertaking to maintain liquid assets to the equivalent of 75% of the outstanding loan. The loan has since been repaid in full and all associated security and undertakings discharged.

### 11. Government grants

The amounts recognised in the financial statements in note 10 for government grants are as follows:

	2016 £	2015 £
<b>Received and receivable:</b>		
At 1 January 2016	3,032,958	2,034,233
Receivable during the year	–	998,725
At 31 December 2016	<u>3,032,958</u>	<u>3,032,958</u>
<b>Amortisation:</b>		
At 1 January 2016	18,718	–
Credit to Statement of Comprehensive Income	122,189	18,718
	<u>140,907</u>	<u>18,718</u>
Net balance at 31 December 2016	<u>2,892,051</u>	<u>3,014,240</u>

Under the grant agreement certain clauses exist that may result in the grants being repaid if there is a breach of certain conditions. Given this, the grants are disclosed as a liability. The Directors believe that the likelihood of any such breach is remote.

# Isle of Harris Distillers Limited

## Notes to the Financial Statements *(continued)*

**Year ended 31 December 2016**

### 12. Called up share capital

#### Authorised share capital

	2016		2015	
	No.	£	No.	£
A1 Ordinary Shares shares of £1 each	5,966,939	5,966,939	5,966,939	5,966,939
A2 Ordinary Shares shares of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
B Ordinary Shares shares of £0.80 each	853,826	683,061	853,826	683,061
C Ordinary Shares shares of £0.01 each	37,500	375	37,500	375
A3 Ordinary Shares shares of £1 each	271,425	271,425	271,425	271,425
A4 Ordinary Shares shares of £0.01 each	75,000	750	75,000	750
	<u>8,704,690</u>	<u>8,422,550</u>	<u>8,704,690</u>	<u>8,422,550</u>

#### Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
A1 Ordinary Shares shares of £1 each	5,966,939	5,966,939	5,966,939	5,966,939
A2 Ordinary Shares shares of £1 each	1,500,000	1,500,000	1,500,000	1,500,000
B Ordinary Shares shares of £0.80 each	853,826	683,061	853,826	683,061
C Ordinary Shares shares of £0.01 each	37,500	375	37,500	375
A4 Ordinary Shares shares of £0.01 each	75,000	750	—	—
	<u>8,433,265</u>	<u>8,151,125</u>	<u>8,358,265</u>	<u>8,150,375</u>

#### Share movements

	No.	£
A4 Ordinary Shares		
At 1 January 2016	—	—
Issue of shares	<u>75,000</u>	<u>750</u>
<b>At 31 December 2016</b>	<u><b>75,000</b></u>	<u><b>750</b></u>

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior year.

# Isle of Harris Distillers Limited

## Notes to the Financial Statements (continued)

### Year ended 31 December 2016

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#### 12. Called up share capital (continued)

On 19 May 2016, the company issued 75,000 Ordinary A4 shares of £0.01 each for a total consideration of £750.

Each Ordinary A1 share is entitled to equal voting rights, equal rights to participation in dividends and distributions, equal rights to capital distributions and the shares are not liable to be redeemed.

Each Ordinary A2 share is entitled to income and capital distributions in specified circumstances and is entitled to one vote in any circumstances and the shares are not liable to be redeemed.

Each Ordinary B share is entitled to income and capital distributions in specified circumstances and is entitled to one vote in any circumstances and the shares are not liable to be redeemed.

Each Ordinary C share has no right to any income distribution or dividend and is entitled to a capital distribution and one vote in specified circumstances and the shares are not liable to be redeemed.

Each Ordinary A4 share is entitled to income and capital distributions in specified circumstances and is entitled to one vote in any circumstances and the shares are not liable to be redeemed.

#### 13. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Later than 5 years	<u>2,746,366</u>	<u>2,778,418</u>

#### 14. Post balance sheet events

With effect from 2 June 2017, the company has introduced new bank facilities amounting to £1,498,000. These facilities will assist the company in funding its operations.

#### 15. Summary audit opinion

The auditor's report for the year dated \_\_\_\_\_ was unqualified.

The senior statutory auditor was Malcolm Beveridge BA CA, for and on behalf of Chiene + Tait LLP.

#### 16. Related party transactions

The directors consider that the company has no ultimate controlling party.

During the year, Anderson Bakewell has loaned the company £Nil (2015: £350,000). The balance outstanding at 31 December 2016 was £350,000 (2015: £350,000).

Simon Erlanger (Director) is a shareholder and director of Eidikos Limited. During the year, Isle of Harris Distillers Limited was invoiced £Nil (2015: £36,641) for consultancy services on an arms length basis.

Ronald MacEachran (Director) is a shareholder and director of Company Kinetics Limited. During the year, Isle of Harris Distillers was invoiced £95,506 (2015: £105,494) for services on an arms length basis.

Dirk Saltzherr (Director) is a shareholder and director of Isle of Harris Distillery Import BV. During the year, Isle of Harris Distillers Limited was invoiced £7,046 (2015: £nil) for services on an arms length basis.

# Isle of Harris Distillers Limited

## Notes to the Financial Statements *(continued)*

### Year ended 31 December 2016

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#### 17. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 January 2015.

No transitional adjustments were required in equity or profit or loss for the year.

These financial statements for the year ended 31 December 2016 are the first prepared under FRS 102. The date of transition is 1 January 2015, with the financial statements for the year ended 31 December 2015 being the last prepared under the old UK GAAP.

The transition to FRS 102 has not resulted in any significant changes to accounting policies and has not resulted in any changes to the comparative figures from the prior year financial statements.

In carrying out the transition to FRS 102, the Company has not applied any of the optional exemptions as permitted by Section 35 "Transition to this FRS".