

COMPANY REGISTRATION NUMBER: SC334836

**Isle of Harris Distillers Limited**  
**Filleted Financial Statements**  
**For the year ended**  
**31 December 2021**



**Isle of Harris Distillers Limited****Statement of Financial Position****31 December 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	6	8,221,327	7,389,953
<b>Current assets</b>			
Stocks	7	3,166,197	2,260,983
Debtors	8	561,594	261,430
Cash at bank and in hand		1,010,129	2,006,047
		<u>4,737,920</u>	<u>4,528,460</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>2,762,249</u>	<u>1,063,061</u>
<b>Net current assets</b>		<u>1,975,671</u>	<u>3,465,399</u>
<b>Total assets less current liabilities</b>		<u>10,196,998</u>	<u>10,855,352</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>2,839,968</u>	<u>3,956,446</u>
<b>Provisions</b>			
Taxation including deferred tax		<u>197,344</u>	<u>—</u>
<b>Net assets</b>		<u>7,159,686</u>	<u>6,898,906</u>
<b>Capital and reserves</b>			
Called up share capital	12	8,151,125	8,151,125
Profit and loss account		<u>(991,439)</u>	<u>(1,252,219)</u>
<b>Shareholders funds</b>		<u>7,159,686</u>	<u>6,898,906</u>

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 Section 1A of 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.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

These financial statements were approved by the board of directors and authorised for issue on 29 September 2022 and are signed on behalf of the board by:

*Simon Erlanger*

Simon Erlanger  
Director

Company registration number: SC334836

The notes on pages 2 to 10 form part of these financial statements.

# Isle of Harris Distillers Limited

## Notes to the Financial Statements

Year ended 31 December 2021

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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 Section 1A of FRS 102, '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 current economic conditions present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks, including an assessment of the uncertainty on future trading projection for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis. Based on this assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

#### 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 7 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 9 for carrying amount of debtors.

##### iii) Stocks

Stock is valued at the lower of cost and net realisable value. This includes any provisions for slow moving or obsolete stock. Calculation of such provisions requires judgements to be made on various aspects of stock based on forecasts and historical trading.

# Isle of Harris Distillers Limited

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

### Year ended 31 December 2021

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

##### 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.

##### Taxation

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 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	- 2.5% and 4% straight line
Plant and machinery	- 6.67% to 10% straight line
Fixtures and fittings	- 25% straight line

##### Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

##### 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.

##### Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

# Isle of Harris Distillers Limited

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

Year ended 31 December 2021

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

#### 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.

#### Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

#### 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.

# Isle of Harris Distillers Limited

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

### Year ended 31 December 2021

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

##### Share-based payments

The company issues equity-settled and cash-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes computation method. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

For cash-settled share-based payments, a liability equal to the portion of the goods and services received is recognised at the current fair value determined at each balance sheet date.

#### 4. Employee numbers

The average number of persons employed by the company during the year amounted to 35 (2020: 40).

#### 5. Tax on profit

##### Major components of tax expense

	2021 £	2020 £
<b>Current tax:</b>		
UK current tax income	(608)	—
<b>Deferred tax:</b>		
Origination and reversal of timing differences	197,344	—
<b>Tax on profit</b>	<b>196,736</b>	<b>—</b>

# Isle of Harris Distillers Limited

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

### Year ended 31 December 2021

#### 5. Tax on profit *(continued)*

##### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	<b>369,923</b>	128,569
Profit on ordinary activities by rate of tax	<b>70,285</b>	24,428
Adjustment to tax charge in respect of prior periods	<b>177,068</b>	–
Effect of expenses not deductible for tax purposes	<b>18,115</b>	13,673
Deferred tax not recognised	<b>(110,035)</b>	(5,097)
Effect of revenue exempt from tax	<b>(62,693)</b>	–
Effect of different UK tax rates on some earnings	–	(56,973)
Fixed asset timing differences	<b>58,028</b>	23,969
Timing differences not recognised in the computation	<b>46,576</b>	–
UK current tax income	<b>(608)</b>	–
Tax on profit	<b>196,736</b>	–

##### Factors that may affect future tax expense

The company has an unrecognised deferred tax asset of £nil (2020: £116,267).

The company has £1,753,299 (2020: £1,924,869) of unused tax losses carried forward.

#### 6. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
<b>Cost</b>					
At 1 January 2021	5,924,396	3,156,214	374,623	–	<b>9,455,233</b>
Additions	122,760	238,651	9,688	892,816	<b>1,263,915</b>
Transfers	(33,960)	(5,964)	25,829	14,095	–
<b>At 31 December 2021</b>	<b>6,013,196</b>	<b>3,388,901</b>	<b>410,140</b>	<b>906,911</b>	<b>10,719,148</b>
<b>Depreciation</b>					
At 1 January 2021	802,133	917,643	345,504	–	<b>2,065,280</b>
Charge for the year	154,887	240,280	37,374	–	<b>432,541</b>
<b>At 31 December 2021</b>	<b>957,020</b>	<b>1,157,923</b>	<b>382,878</b>	<b>–</b>	<b>2,497,821</b>
<b>Carrying amount</b>					
<b>At 31 December 2021</b>	<b>5,056,176</b>	<b>2,230,978</b>	<b>27,262</b>	<b>906,911</b>	<b>8,221,327</b>
At 31 December 2020	5,122,263	2,238,571	29,119	–	7,389,953

The directors have considered the value of the fixed assets as at 31 December 2021 and are satisfied that there is no indication of impairment.

**Isle of Harris Distillers Limited****Notes to the Financial Statements** *(continued)***Year ended 31 December 2021****7. Stocks**

	2021 £	2020 £
Raw materials and consumables	3,040,951	2,122,267
Finished goods and goods for resale	<u>125,246</u>	<u>138,716</u>
	<u><b>3,166,197</b></u>	<u><b>2,260,983</b></u>

**8. Debtors**

	2021 £	2020 £
Trade debtors	431,256	138,886
Other debtors	<u>130,338</u>	<u>122,544</u>
	<u><b>561,594</b></u>	<u><b>261,430</b></u>

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

	2021 £	2020 £
Bank loans and overdrafts	1,598,000	75,000
Trade creditors	782,430	315,308
Social security and other taxes	41,212	191,453
Other creditors	<u>340,607</u>	<u>481,300</u>
	<u><b>2,762,249</b></u>	<u><b>1,063,061</b></u>

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

	2021 £	2020 £
Bank loans and overdrafts	525,000	1,523,000
Other creditors	<u>2,314,968</u>	<u>2,433,446</u>
	<u><b>2,839,968</b></u>	<u><b>3,956,446</b></u>

The company's bankers hold a standard security and floating charge over the property assets of the company.



# Isle of Harris Distillers Limited

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

### Year ended 31 December 2021

#### 11. Government grants

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

	2021 £	2020 £
Received and receivable: At 1 January 2021	<u>3,059,772</u>	<u>3,059,772</u>
Amortisation: At 1 January 2021	626,326	506,816
Credit to Statement of Comprehensive Income	17,331	24,522
Capitalised to stock	<u>101,146</u>	<u>94,988</u>
	<u>744,803</u>	<u>626,326</u>
Net balance at 31 December 2021	<u>2,314,969</u>	<u>2,433,446</u>

Under the grant agreements 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.

#### 12. Called up share capital

##### Authorised share capital

	2021		2020	
	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
A3 Ordinary Shares shares of £1 each	271,426	271,426	271,426	271,426
A4 Ordinary Shares shares of £0.01 each	75,000	750	75,000	750
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
	<u>8,704,691</u>	<u>8,422,551</u>	<u>8,704,691</u>	<u>8,422,551</u>

##### Issued, called up and fully paid

	2021		2020	
	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
A4 Ordinary Shares shares of £0.01 each	75,000	750	75,000	750
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
	<u>8,433,265</u>	<u>8,151,125</u>	<u>8,433,265</u>	<u>8,151,125</u>

# Isle of Harris Distillers Limited

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

### Year ended 31 December 2021

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

Each Ordinary A1, A2 and A4 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 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.

#### 13. Share-based payments

The estimated fair value of each share option granted is as follows:

Option	Number	Exercise Price	Fair Value
EMI	221,425	£1.00	£3.28

Details of the number and weighted average exercise prices (WAEP) of share options during the year are as follows:

	No.	WAEP £
Granted during the year	221,425	1
Outstanding at 31 December 2021	221,425	1

The total expense recognised in profit or loss for the year is as follows:

	2021 £
Equity-settled share-based payments	87,593

The estimated fair values were calculated by applying the Black-Scholes option pricing model. The model inputs were:

	2021
Share price at grant date	£3.28
Exercise price	£1.00
Expected volatility	70%
Expected life	2-10 Years
Risk free interest rate	0.806%
Dividend yield	0%

#### 14. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2021 £	2020 £
Tangible assets	1,580,085	—

#### 15. Operating leases

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

	2021 £	2020 £
Later than 5 years	320,520	352,572

## **Isle of Harris Distillers Limited**

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

**Year ended 31 December 2021**

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**16. Summary audit opinion**

The auditor's report for the year dated ~~30~~ September 2022 was unqualified.

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

**17. Subsequent event**

With effect from 25 July 2022, the Company has introduced new banking facilities amounting to £9.7m. These facilities will assist the company in funding its operations.