Company Registration No. SC490305

THE ARTISANAL SPIRITS COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

ARTISANAL
SPIRITS
COMPANY

The Artisanal Spirits Company Limited

COMPANY INFORMATION

Directors	Mark Bedingham Andrew Dane Gavin Hewitt Stella Morse David Ridley Mehdi Shalfrooshan Paul Skipworth Benjamin Thomson
Secretary	W A Bremner
Company number	SC490305
Country of Incorporation	United Kingdom
Registered office	The Vaults 87 Giles Street Edinburgh EH6 6BZ
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE

The Artisanal Spirits Company Limited

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Chairman's Statement
Paul Skipworth

Introduction

For the year under review, the sole trading business of the Artisanal Spirits Company Limited (the "Company") together with its subsidiaries (the "Group") comprised the Scotch Malt Whisky Society. Therefore throughout this document, 'members' refers to the members of that society.

I am delighted to be able to provide a positive review of 2020 for The Artisanal Spirits Company despite an unusual and challenging year.

The unexpected arrival and impact of Covid has been the dominant factor of the year while we also had to deal with introduction of U.S. tariffs imposed on the Scotch whisky industry by the Trump administration, though we were pleased to see their suspension announced in March 2021.

I am very thankful that all employees have remained safe during the year. The wellbeing of our employees, partners and our members was, and remains, our top priority. No Covid cases were recorded at any of our venues whilst open and The Artisanal Spirits Company ensured all venues operated under government guidelines with the strictest safety measures in place.

Of course, venues did have to close during the year for sustained periods. The impact of closing venues led to 26 employees being furloughed during the first half of 2020. Encouragingly these employees returned to work when the venues reopened in the late summer but were furloughed again when the venues closed in late Q4 in line with the government guidelines. I am very grateful to all employees for the manner in which they have faced this difficult year, and for their continued positivity and commitment to The Artisanal Spirits Company. I am pleased to say that many employees made the best of a difficult situation by taking online training courses in a number of professional areas.

Financial Performance
I am delighted to report that overall revenues grew by 3% on 2019 to £15.0m despite the impact of venue closures and event cancellations which impacted the group negatively by £2.1m. Excluding the impact of the venue closures revenues grew by 22% fuelled by the £2.4m growth in our e-commerce business, a 22% improvement on the prior year. This significant e-commerce growth mitigated our lost revenues from venues and events and has enabled us to deliver ongoing growth in the most challenging of wider market conditions.

More specifically, UK e-commerce grew 31%, China e-commerce grew 29% and Europe e-commerce grew 41%. In Australia we created a subsidiary to replace a previous franchise, a successful strategy which resulted in significant growth year on year. In the USA shipments increased by 6% in 2020, however, local market revenues increased by an impressive 46%.

Both Japan and Franchise markets were down year on year due to the challenging Covid conditions.

Overall, EBITDA (including other income) increased by £0.5m to £0.6m, despite the negative impact of £0.7m, as a direct result of the US 25% tariff on single malt scotch whisky.

Member Digital Engagement
The member engagement team embraced the new way of life during Covid and adapted our proposition accordingly, quickly undertaking fantastic work to develop a programme that continued to engage members with ASC whiskies despite the lockdown restrictions and resultant impact on social events. As a result, we are delighted that many of our 28,300 members rapidly adapted their enjoyment of ASC whiskies by participating in online tastings and events that replaced the regular enjoyment of socialising in our venues, in partner bars and with friends at home.

Online pub nights, music evenings and tutored tastings started in the UK and rapidly expanded around the global ASC network, to the USA, China, Japan, Germany, Belgium, France, Denmark and other markets.

Some of our whisky products were repackaged into miniature tasting packs, which allowed members to more easily enjoy a wider range of whiskies at home. Digital engagement measures increased across the board and our renowned magazine "Unfiltered" went fully digital.

Venues

Our 13,000+ UK members were unable to enjoy their favourite single cask single malt whiskies at our venues in Edinburgh and London for much of 2020, but we are delighted that in March 2020 the long-awaited Glasgow venue finally opened its doors. Over 500 new members joined shortly thereafter and a number of very successful opening events were held. Of course, the venue sadly closed shortly afterwards, together with the Edinburgh and London venues, in line with the government guidelines, but the early excitement and engagement with the Glasgow venue bodes very well for the future and indicates that our choice of location was good. We expect the Glasgow location to be an important and vibrant venue moving forward and we look forward to re-opening its doors, along with our other venues, as soon as guidelines permit.

Our renowned Edinburgh 28 Queen Street chefs produced exquisite meals with whisky pairings, ordered online and delivered directly to members' doors during the lockdown periods. This proved to be a great success, as did the opening of the venues as retail bottle shops when restrictions permitted.

Market opportunity

The ASC market opportunity is very significant. Whilst the worldwide whisky market for ultra-premium and above is valued at $8bn (IWSR), the ultra-premium scotch malt whisky market is valued at $5.5bn worldwide. In the markets where ASC has existing business operations the market size is $4.2bn and in these markets the ultra-premium scotch malt whisky segment is valued at $3.3bn.

An additional $0.9bn of ultra-premium blended scotch is sold in these markets. ASC plans to target this segment with the revitalisation of the JG Thomson brand and we look forward to providing updates as these plans progress.

Business Model

I strongly believe our business model is unique; the ASC's focus is on creating world class single cask, single malt products that delight premium spirits drinkers globally; delivered predominantly online with high levels of digital engagement; supported by high stock levels that underpin years of future growth and create high barriers of entry for competitors and our leadership position within spirits membership clubs with over 28,000 members globally.

Currently a low proportion of global premium spirits drinkers have experienced single malt single cask whisky and as they progress along their journey of discovery, more and more consumers will enter the single cask category and will enjoy its product quality and uniqueness.

Growth of international

International development continues as a significant success story for ASC and remains a clear strategic pillar for growth. While the International markets now represent the majority of ASC's sales, the UK market continued to grow, but delivered a lower percentage of global company revenues. This represents the main transformation of the ASC since its acquisition from The Glenmorangie Company in 2015, when the ASC was predominantly a UK reliant business, with minimal overseas revenues.

In contrast with the wider Scotch sector where export sales fell by 23% as a result of US tariffs and loss of sales in travel retail, our international business grew in 2020. International trade now accounts for 69% of ASC's sales, up from 59% in 2019 and 54% in 2018. The largest international market by value is China with over £3.0m of sales followed by the USA on £2.7m. Our European direct business is now over £2m.

The ASC proposition is an attractive one for international markets. Our premium single malt single cask products, combined with our membership offering, are highly sought after. We expect continued strong growth in our international strategic markets with China, USA, Japan and Germany leading the way.

Growth of e-commerce
The ASC entered the Covid period with a very high proportion of its global business online. The impact of Covid has been to further significantly increase online sales. Excluding UK venues and events, global sales increased from £11.1m to £13.5m, up 22%. E-commerce as a proportion of total revenues grew from 68% in 2019 to around 86% in 2020. In 2020 around £0.5m was invested into digital commerce systems and tools allowing the company to scale up in the coming years.

Gross margin
Gross margins for 2020 were 58%, in line with 2019.

The cost of the U.S. 25% tariff on single malt scotch whisky was borne by the company and not passed on to consumers in higher prices. Without this, gross margins would have been over 60%.

Products & Stock
Due to Covid the ASC chose to reduce its level of purchases in 2020 compared to 2019 but still bought over £1.7m of malt whisky and £0.3m of other spirits. The Whisky Creation Team continued to produce world class products, winning multiple awards at prestigious global events including the International Wine & Spirits Competition ("IWSC") and International Spirits Challenge ("ISC").

Brexit
With the Brexit deal agreed in December 2020 a framework for future trading with the EU is in place. The ASC established an Irish subsidiary to facilitate EU trade and will optimize its trading arrangements for the coming years.

Team & Board
I must express my huge gratitude to David Ridley, the Managing Director, the senior executives and the whole ASC team for their performance in 2020. They have been creative, resilient and ambitious and kept morale high despite the challenging, unsettling and unusual circumstances.

I would also like to extend my sincere thanks to the Board for their wise counsel and unwavering support throughout the year. They have all had to adapt and react to an environment that has changed at pace and their knowledge, guidance and resilience during 2020 have proved invaluable..

Outlook
I believe that the ASC is extremely well positioned to take advantage of the global consumer trends of premiumization; digital engagement and e-commerce; internationalization of brands and consumers and the consumer thirst for knowledge on the creation, authenticity and heritage of the products that they consume. Combined with its stock holdings and supply relationships with over 100 distilleries worldwide, I believe that the ASC will continue to grow strongly in the years ahead.

Appointment of New Chair in 2021
I am delighted to report that Mark Hunter, previously President and CEO of MolsonCoors, will take over from me as Chair of the Board of Directors at the end of Q1 2021. Mark is a seasoned global alcohol industry leader with significant experience in the North American, European and Asian markets. He has managed some of the world's leading alcohol brands in a career spanning over 30 years. Securing an individual of Mark's experience and calibre as Chair is further testament to the strength of the ASC business and its ambition for the future.

His appointment recognises our desire to lay the foundations for the next stage in the company's growth and coincides with a planned review of the strategic options available to facilitate that growth. Whilst it would be wrong to pre-empt the Board's decision, one of the options under review in light of the obvious business benefits which might flow from an enhanced public profile and access to a wider pool of growth capital, is an IPO. At the heart of any decision will be the ability to provide members with a stunning array of unique whiskies and great experiences long into the future. The Board's intention is to keep shareholders and members appraised of its thinking as it develops.

Many thanks and farewell
This is my last report as Chair of the Board of Directors before stepping down to Deputy Chair, supporting Mark Hunter in the years ahead. Over the past five years as Chair, I'm delighted that company revenues have nearly tripled, stock levels have quadrupled and the business has changed positively and dramatically from being 80/20 UK/International to around 30/70 UK/International.

The foundations for success have been built and are delivering results year on year. Further ambitious plans are under consideration. I have no doubt that the future is bright for the ASC.

P Skipworth

Paul Skipworth
Chairman

Managing Director's Report
David Ridley

Overview
Despite the disruption caused by Covid, I am pleased to report the SMWS, the trading business of ASC ("the Group"), continued to serve its members throughout the year, providing them with high quality, memorable experiences and an unparalleled range of first-class Scotch malt whiskies. The Group adapted swiftly and effectively to the challenges it faced and, as a result, was able to deliver a strong performance and healthy operational progress which will stand it in good stead for the future. Our staff have been exceptional throughout, and I would like to extend a special thanks to the members of SMWS who continued to engage with us through what were difficult and uncertain times for many around the world. Our members are at the heart of everything we do and we remain committed to bringing them the very best craft spirits imaginable.

Key Performance Indicators

The key performance indicators of the business are considered to be turnover (growth year on year), overall gross profit margin and EBITDA. The latter is reflected in the financial statements this year by reference to the result before interest, depreciation, amortisation and exceptional items, also noted above. This replaces reference to the operating profit/loss before exceptional operating items as this (by including depreciation costs) is no longer deemed to give a clear representation of the operating performance of the business. The Group also reports internally on a number of member focussed measures.

- Turnover increased by 3% in the year despite the material impact of Covid-19 on venues and events. Excluding these, turnover increased by 22%.
- Gross margin at 59% (2019: 58%) was in line with expectations.
- EBITDA (including other income) increased to £0.6m (2019: £0.1m) despite the negative impact of around £0.7m from US tariffs.
- Global membership increased to c28,000 (2018: c24,000)
- Cask Stock increased to £21.7m (2019: £21.0m)

Covid response
At the onset of the pandemic in March 2020, the SMWS closed its UK venues in line with UK Government guidance. They remained closed until the initial lockdown restrictions were lifted in July, before being reinstated in October. SMWS venues operated safely during the periods in which they were permitted to, either in full or as a shop front to allow for collection. During the lockdown period, SMWS office staff moved to remote working. Our teams responded brilliantly to the change and I am grateful for their hard work and resilience in continuing to provide outstanding service and support to our members.

Membership
Whether you are a long-term whisky lover, or just starting out on the journey, there is nothing quite like the Society. We are the world's most entertaining whisky club; the original game-changer, set up by a group of visionaries. Every month our members enjoy and share a wide variety of exclusive new whiskies. They can join us at our Members Rooms in the UK or Partner bars overseas, take part in our programme of tastings and events (both in person and virtual), and enjoy an ever-growing range of engaging online content. This combination is exclusive to us and only available to our members. During the last year, we continued to grow and develop our membership value proposition, significantly enhancing the experiences and engagement we offer, such as moving Unfiltered magazine to a monthly, digital format.

Membership grew by 4% in 2020 to 28,000 members. While it was difficult to recruit new members in person with our venues closed and restrictions on events such as whisky festivals and in-person tastings, we were pleased to see an increase in the number of sign-ups made through online channels.

International development
The SMWS has extended its agreement in the U.S. for a further three years with the current operators, extending the existing four-year relationship. Members will continue to receive the same excellent service they have come to expect.

In China, we now operate through the three main retail platforms – Youzan, Tmall and JD.com – providing members with the ability to purchase through their platform of choice while increasing the exposure of the brand. The Tmall and JD.com channels were added during 2020, which helped our sales in China increase by 29% to over £3.0m.

The Group continued to develop its overseas operations with the establishment of a 100% owned subsidiary entity in Australia in March 2020, replacing the previous franchise. I am pleased to report that bottle sales in the region grew by almost 60%, and this, together with the effect of bringing the franchise back in-house helped to add over £0.4m of revenue in FY20. We are delighted by the growing momentum in the subsidiary and look forward to continuing to build on it in the coming years.

South Africa returned to being a franchise market in late 2020, immediately adding 50 new members within weeks of opening.

Funding

During the year the Group obtained additional funding of £2m through an increase and transfer to a committed RCF with NatWest (RBS). These funds will be used to support the ongoing investment in growing our unique range of single malt whisky and as well as making significant investments in wood as we work to enhance maturation with a further £0.5m Lombard funding increase.

We continue to focus our stock purchasing on new-make spirit and realising the benefits of long-term maturation with our own cask selections.

Investments in technology and infrastructure

The Group committed considerable time, effort and investment into re-platforming the business in 2020, which will have a significant, positive effect for years to come. Oracle Netsuite was implemented as the Group's Enterprise Resource Planning ("ERP") platform for production and finance, while BigCommerce was launched as its e-commerce platform for the UK and EU, which has enhanced processes and user experience for members. The ERP project has also implemented a bespoke cask/warehouse management system to suit the needs of the business. These enhancements are expected to be rolled out to other markets in 2021/22. The addition of Netsuite also bolsters the CRM capabilities of the business.

Investment in team

The Group recruited five additional staff during FY20, despite the pandemic, including a Finance Director. Since the start of 2021, we have recruited a further four members of staff, including a Marketing Director. These appointments bolster the strength of the team, allowing the Group to grow its presence in the key international whisky markets.

During the venue closures, staff were devoted to over 45 hours of training and development and a new programme has commenced in February 2021. We look forward to welcoming back our staff, as well as members, once our venues are able to re-open.

On behalf of the board:

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D Ridley
Director

19/03/2021
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DIRECTORS' REPORT

TO THE MEMBERS OF THE ARTISANAL SPIRITS COMPANY LIMITED

The directors present their report and financial statements for the period ended 31 December 2020. The directors have reported the results for the year as part of their Strategic Report.

Directors

Mark Bedingham	
Andrew Dane	(Appointed 17 September 2020)
Gavin Hewitt	
Kai Ivalo	(Resigned 17 September 2020)
Stella Morse	
David Ridley	
Mehdi Shalfrooshan	
Paul Skipworth	
Benjamin Thomson	

Future developments
The directors have considered and reported any significant future developments as part of their Strategic Report.

Financial risk management objectives and policies
Risk management is the responsibility of the Board of Directors. The Board regularly reviews the risks that the Group, and its seven subsidiaries (as listed in Note 14), are exposed to. Risks, including those set out below are therefore discussed in the context of the Group as a whole.

Credit risk
The Group and company's principal financial assets are cash and cash equivalents and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful accounts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group (and company) has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Currency risk
The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated. The functional currency of the Group companies is Sterling, but the subsidiaries makes some purchases in Euro, US dollars, Japanese Yen, Chinese Renminbi and Australian dollars. Forward contracts are used to hedge foreign currency risk where deemed appropriate.

Liquidity risk
The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's exposure to liquidity risk is low as its current assets, which consists of stock, debtors, and cash and cash equivalents, are liquid in nature.

Director's insurance
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability in respect of itself and its Directors.

Statement of directors' responsibilities
The directors are responsible for preparing the Annual 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 in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Statement of disclosure to auditor
Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board:

....
D Ridley
Director

19/03/2021
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ARTISANAL SPIRITS COMPANY LIMITED

Opinion

We have audited the financial statements of The Artisanal Spirits Company Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group and parent company's financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;and
- the financial statements 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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 director's 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 group's or parent 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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.

Other information (continued)

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities 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 is 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 an auditor's report 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the group's or the parent company's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's or the parent company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (ie. gives a true and fair view).

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Extent to which the audit was considered capable of detecting irregularities and fraud

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 identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: misappropriation of assets, revenue recognition and stock valuation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. We evaluated management's incentives for fraudulent activity and determined the key risk of fraud to be management override of controls in order to manipulate the financial statements through inappropriate journal entries or management estimates to increase net profit or net asset values.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax and health and safety legislation.

Our procedures to respond to risks identified included the following:

- for each material revenue stream ensuring that revenue is being recognised in line with IFRS 15 guidance. This included evaluating and testing management's calculation of deferred income on membership income, as well as testing a sample of transactions for each revenue stream to ensure completeness and cut off;
- reviewed all stock lines (casks, cased goods and dry goods) to ensure they are being held at the lower of cost and NRV. For cased goods, this included reconciling the cost value in the stock listing to its individual components;
- review tasting panel results to ensure there were no indicators of stock impairment;
- obtaining an understanding of management's systems and corresponding controls for both UK and international operations, and then evaluating the design and implementation of key controls over the key business cycles, including business performance reviews;
- reviewing the financial statement disclosures to assess compliance with the laws and regulations described as having a direct effect on the financial statements;
- performing a review of legal costs to ascertain if any issues were noted with laws and regulations or whether there were any indicators of litigation or claims against the group;
- enquiring of UK management and component auditors regarding the potential existence and extent of any litigation or claims;
- enquiring of UK management and component auditors regarding any known or suspected instances of non-compliance with laws and regulations, including fraud;

Extent to which the audit was considered capable of detecting irregularities and fraud (continued)

- maintained oversight of the component auditors by issuing specific instructions to component teams to cover the procedures above for the components, as well as reviewing detailed working papers from each component team to ensure procedures completed and held a completion meeting with each component auditor;
- reviewing board minutes for any indicators of any breaches of laws and regulations or litigation and claims;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. This testing has been completed to the date of the audit report.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non -compliance with laws and regulations throughout the audit.

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. This 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 misrepresentation.

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

19 March 2021

Chartered Accountants
Statutory Auditor

7-11 Melville Street
EDINBURGH
EH3 7PE

The Artisanal Spirits Company Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2020

	Notes	2020 £'000	2019 restated £'000
Continuing operations			
Revenue	5	15,026	14,645
Cost of sales		(6,222)	(6,112)
Gross profit		8,804	8,533
Selling & Distribution expenses		(2,979)	(3,178)
Administrative expenses		(5,663)	(5,240)
Profit on ordinary activities before interest, depreciation, amortisation, other income and exceptional items		**162**	**115**
Depreciation	12	(600)	(460)
Amortisation of intangible assets	13	(283)	(227)
Finance costs		(499)	(439)
Other income	5	410	-
Loss before exceptional items		**(810)**	**(1,011)**
Exceptional items	6	(392)	-
Loss on ordinary activities before taxation		**(1,202)**	**(1,011)**
Taxation	9	(418)	(330)
Loss for the year		**(1,620)**	**(1,341)**
Other comprehensive loss for the year		51	54
Tax relating to other comprehensive income		(11)	(9)
		40	45
Total comprehensive loss for the year		**(1,580)**	**(1,296)**
Loss for the year attributable to:			
-Owners of parent company		(1,688)	(1,577)
-Non-controlling interest		68	236
		(1,620)	**(1,341)**
Total comprehensive loss for the year attributable to:			
-Owners of parent company		(1,648)	(1,532)
-Non-controlling interest		68	236
		(1,580)	**(1,296)**

The Artisanal Spirits Company Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2020

	Notes	Group 2020 £'000	Group 2019 Restated £'000	Company 2020 £'000	Company 2019 Restated £'000
Non-current assets					
Investment property	11	391	391	-	-
Property, plant and equipment	12	5,785	5,700	-	-
Intangible assets	13	2,599	2,613	27	-
Investments	14	-	-	1,060	968
		8,775	8,704	1,087	968
Current assets					
Inventories	15	21,651	20,953	-	-
Trade and other receivables	16	2,039	2,579	15,452	15,180
Cash and cash equivalents	17	2,176	1,536	702	32
		25,866	25,068	16,154	15,212
Total assets		34,641	33,772	17,241	16,180
Current liabilities					
Trade and other payables	19	3,157	3,622	155	3
Current tax liabilities	19	332	428	-	-
Borrowings	18	14,963	12,940	20	-
Lease debt	20	139	146	-	-
		18,591	17,136	175	3
Net current assets		7,275	7,932	15,979	15,209
Non-current liabilities					
Borrowings	18	901	833	75	-
Lease debt	20	1,428	1,546	-	-
Deferred tax liabilities	10	324	241	-	-
Provisions	21	404	264	-	-
Total liabilities		21,648	20,020	250	3
Net assets		12,993	13,752	16,991	16,177
Equity					
Called up share capital	24	135	131	135	131
Share premium account	25	99	15,980	99	15,980
Exchange reserve	29	(15)	(48)	-	-
Retained earnings		12,461	(2,794)	16,757	66
Hedging reserve	26	67	27	-	-
Revaluation reserve	25	83	107	-	-
Equity attributable to parent company		12,830	13,403	16,991	16,177
Non-controlling interest		163	349	-	-
Net assets		12,993	13,752	16,991	16,177

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £228k (2019 - £101k).

Approved by the board for issue on 19th March 2021 and signed on its behalf by:

....
A Dane
Director
Company Registration No. SC490305

The Artisanal Spirits Company Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2020

Group	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Hedging reserve £'000	Exchange reserve £'000	Revaluation reserve £'000	Other reserves £000's	Total controlling interest £000's	Non-controlling interest £000's	Total Equity £'000
Balance as at 31 December 2018- as previously reported	105	11,869	(645)	(18)	3	131	99	11,544	237	11,781
Prior year restatements to reserves (note 3)	-	-	(669)	-	-	-	-	(669)	-	(669)
Balance at 1 January 2019- as restated	105	11,869	(1,314)	(18)	3	131	99	10,875	237	11,112
Conversion of loan to equity	26	4,111	40	-	-	-	(99)	4,078	-	4,078
Loss for the period	-	-	(1,577)	-	-	-	-	(1,577)	236	(1,341)
Share based compensation	-	-	33	-	-	-	-	33	-	33
Dividend paid	-	-	-	-	-	-	-	-	(124)	(124)
Transfer to revaluation reserve	-	-	24	-	-	(24)	-	-	-	-
Other comprehensive loss	-	-	-	45	(51)	-	-	(6)	-	(6)
Balance at 31 December 2019- as restated	131	15,980	(2,794)	27	(48)	107	-	13,403	349	13,752

The Artisanal Spirits Company Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2020

Group	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Hedging reserve £'000	Exchange reserve £'000	Revaluation reserve £'000	Other reserves £000's	Total controlling interest £000's	Non-controlling interest £000's	Total Equity £'000
Balance at 1 January 2020	131	15,980	(2,794)	27	(48)	107	-	13,403	349	13,752
Issue of share capital	4	987	-	-	-	-	-	991	-	991
Loss for the period	-	-	(1,688)	-	-	-	-	(1,688)	68	(1,620)
Share based compensation	-	-	51	-	-	-	-	51	-	51
Dividend paid	-	-		-	-	-	-	-	(254)	(254)
Transfer to revaluation reserve	-	-	24	-	-	(24)	-	-	-	-
Share premium reduction	-	(16,868)	16,868	-	-	-	-	-	-	-
Other comprehensive gain	-	-	-	40	33	-	-	73	-	73
Balance at 31 December 2020	135	99	12,461	67	(15)	83	-	12,830	163	12,993

The Artisanal Spirits Company Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2020

Company	Other Reserves £'000	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total Equity £'000
Balance as at 31 December 2018 - as previously reported	99	105	11,869	(142)	11,931
Prior year restatements to reserves (note 3)	-	-	-	236	236
Balance at 1 January 2019 as restated	99	105	11,869	94	12,167
Conversion of loan to equity	(99)	26	4,111	40	4,078
Share based compensation	-	-	-	33	33
Loss for the period	-	-	-	(101)	(101)
Balance at 31 December 2019 as restated	-	131	15,980	66	16,177
Issue of share capital	-	4	987	-	991
Share based compensation	-	-	-	51	51
Transfers	-	-	(16,868)	16,868	-
Loss for the period	-	-	-	(228)	(228)
Balance at 31 December 2020	-	135	99	16,757	16,991

The Artisanal Spirits Company Limited

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 December 2020

		Group		Company	
		2020	2019	2020	2019
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash absorbed by operations	33	(631)	(2,871)	(416)	7
Income taxes paid		(327)	(169)	-	-
Interest paid		(419)	(396)	-	-
Net cash outflow (used in) / from operating activities		(1,377)	(3,436)	(416)	7
Cash flow from investing activities					
Purchase of intangible assets	13	(437)	(167)	-	-
Purchase of property, plant and equipment	12	(660)	(1,507)	-	-
Purchase of investment property	11	-	(161)	-	-
Proceeds received on sale of fixed assets		1	13	-	-
Interest receivable	5	19	-	-	-
Grant income	5	391			
Net cash used in investing activities		(686)	(1,822)	-	-
Cash flows from financing activities					
Dividends paid		(254)	(124)	-	-
Loan received		214	648	100	-
Repayment of loan		(103)	(22)	(5)	-
Share issue		991	-	991	-
Repayment of leases		(125)	(137)	-	-
Net cash from financing activities		723	365	1,086	-
Net (decrease)/increase in cash and cash equivalents		(1,340)	(4,893)	670	7
Cash and cash equivalents at beginning of year		(11,307)	(6,414)	32	25
Cash and cash equivalents at end of year		(12,767)	(11,307)	702	32
Relating to:					
Bank balances and short term deposits		2,176	1,536	702	32
Asset based lending facility		(14,943)	(12,843)	-	-
		(12,767)	(11,307)	702	32

1 Corporate Information

The Artisanal Spirits Company Limited ("the company") was incorporated on 3 November 2014 and is domiciled in the United Kingdom. The company is a private company limited by shares. The company's registered office is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

The group consists of the Artisanal Spirits Company Limited and its subsidiaries. The group sells whisky and associated products and services in the United Kingdom and internationally.

2 Accounting policies

2.1 Accounting convention

The Group's consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, with the exception of investment properties and derivatives recognised at fair value. The principal accounting policies adopted are set out below.

The company's functional and presentational currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest pound. The foreign subsidiaries have different functional currencies – see further detail in note 2.7.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiary undertakings (collectively the "group" and individually "group companies"), which are made up to 31 December 2020.

2.3 Business combinations and goodwill

The group accounts for business combinations using the acquisition method when control is transferred to the group. The cost of an acquisition is measured as the aggregate of the consideration transferred at the acquisition date plus any deferred or contingent consideration. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Where fair value of the aggregate consideration paid is below the fair value of the separately identifiable assets and liabilities at the acquisition date, the balance is recognised as 'negative goodwill' immediately in the statement of comprehensive income.

Where fair value of the aggregate consideration paid is above the fair value of the net assets acquired, goodwill is recognised in the statement of financial position. It is initially measured as an asset at cost and is subsequently measured at cost less impairment losses. Any contingent consideration is measured at fair value at the date of acquisition.

2.4 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control cease

2 Accounting policies (continued)

2.5 Transactions

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated on consolidation.

2.6 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including annual budget sensitivities, forecast future cash flows up until June 2022, availability of financing and the impact of subsequent events in making their assessment.

The directors have considered in detail the impact COVID-19 has had on their business to date and based on their forecasts and sensitivity analysis including the potential impact of further lockdown scenarios, are satisfied there is sufficient headroom in their cashflow forecasts to continue to operate as a going concern.

Based on this assessment, and taking into account the group's and company's current position, the Directors have a reasonable expectation that the group and company will be able to continue in operation and meet its liabilities as they fall due over the 12 month period of their assessment.

These financial statements do not include any adjustments to the balance sheet value of assets and their recoverable amounts or to provide further liabilities which may arise if the going concern basis of preparation is inappropriate.

2.7 Foreign currency transactions

In preparing the financial statements of the group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The assets and liabilities of operations whose functional currency is not sterling are translated to sterling at exchange rate rulings at the balance sheet date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rate ruling at the dates of the transactions. Exchange rate differences arising on retranslation are recognised in other comprehensive income and accumulated within a separate component of equity, the translation reserve and are released upon disposal of the non-sterling operation.

2.8 Revenue

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Where the performance obligation is the supply of goods (whisky, spirits, and other point of sale material) which is satisfied at the point in time the goods are transferred to the customer, the group will recognise revenue at that point in time.

The group generates some of its revenue from sales of membership subscription/renewal to members on an annual contract obligation. Here the sales are deferred over the 12 months of the contract, in line with the period of performance obligation.

2 Accounting policies (continued)

Where the membership sale consists of a bundle of components e.g. membership with a bottle of whisky, the sale of the physical goods is recognised at the point of sale and the membership income is deferred over the 12 months of the contract, in line with the period of performance obligation.

In the China and Japan operations, a customer loyalty programme is operated where members accumulate points for purchases which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of sale. However, as unused points expire when a member subscription is not renewed, management make a judgement on the likely percentage of points that will be renewed. This is based on actual member retention levels in those markets. The liability recognised in the accounts being that percentage of the total value of unused points at the end of the year.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historic cost, less accumulated depreciation and any accumulated impairment losses.

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

Land and buildings freehold	50 years
Land and buildings leasehold	25 years
Leasehold improvements	4 -10 years
Fixtures, fittings & equipment	4 -10 years
Casks	20 years

Following the fair value of the property on acquisition, the group has retained the revalued amount, net of deferred tax in a separate revaluation reserve in order to monitor the unrealised portion of reserves.

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 recognised in the Statement of Comprehensive Income.

2.10 Intangible assets

Trademarks and customer lists

Trademarks and customer lists are initially recognised at their fair value on acquisition. Trademarks and customer lists are amortised over their useful life of 14 and 7 - 8 years respectively. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Website

The carrying value of the website represents the fair value of the domain name and the cost of the compilation of the website. The website is amortised over its useful life of 5 years. Amortisation methods and useful life are reviewed at each reporting date and adjusted if appropriate.

Computer software

Computer software represents the fair value of the two stock systems used within the group. The software for both systems is depreciated over 4 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted as appropriate.

2 Accounting policies (continued)

2.11 Impairment of tangible and intangible assets

At each reporting end date, the group 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.

2.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and is subsequently measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the statement of comprehensive income.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and related fixed and variable production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale.

2.14 Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

2.15 Financial instruments

Financial instruments are recognised in the group and company's statement of financial position when the group and company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements only 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.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding impairment, IFRS 9 requires the group and company to record expected credit losses on all applicable financial assets e.g. loans and receivables, trade receivables and bank balances, either on a 12-month or lifetime basis. The group and company will apply the simplified approach.

Current receivables and payables

Receivables and payables with no stated interest rate and receivable or payable within one year are recorded at transaction price including transaction costs. An assessment for impairment is performed at each reporting date. Any losses arising from the impairment review at the reporting end date are recognised in the statement of comprehensive income.

2.16 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of comprehensive income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

2 Accounting policies (continued)

2.17 Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income.

For cash flow hedges, where the forecast transactions resulted in the recognition of a financial asset or financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the statement of comprehensive income immediately.

2.18 Convertible loan

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured. Issue costs are set off against the remaining loan balance and amortised over the life of the loan.

2.19 Equity instruments

Equity instruments issued by the group and company are recorded at the proceeds received, net of direct issue costs.

2.20 Taxation

Corporation tax is accounted for using the taxes payable method. The corporation tax expense recorded in the statement of comprehensive income for the period represents the corporation tax payable for the period.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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.

2 Accounting policies (continued)

2.20 Taxation (continued)

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 statement of comprehensive income, 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 group 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.

2.21 Employee benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the statement of comprehensive income in the year they are payable.

2.22 Leases

IFRS 16 requires management to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

2.23 Exceptional items

Exceptional items comprise material and one-off costs that the directors consider as material to the statement of comprehensive income and that their separate disclosure is necessary for an appropriate understanding of the group and company's performance.

2.24 Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed over the vesting period of the options. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution and presented as an increase in the company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

2.24 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

2 Accounting policies (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

The group has a provision in place for dilapidations on two of its venues. A corresponding right of use asset has been included in fixed assets.

2.25 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.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability

3 Prior year restatements

Revenue

During the current financial year, the directors have revisited their policy for revenue recognition for membership income, and the requirement to defer their membership income over 12 months resulting in a deferred income balance being recognised at the year end for memberships that run across two financial years. Historically no deferred income balance had been recognised on adoption of IFRS, with the annual movement on profit and loss being immaterial.

The effect of this prior year restatement is a reduction in the opening reserves at 1 January 2018 of £496k in order to reflect a deferred income balance of the same amount at 1 January 2018.

Subsequently the opening reserves at 1 January 2019 and 1 January 2020 have also been restated by an additional reduction of £16k and £144k, respectively. This resulted in corresponding increases to the deferred income balances at 1 January 2019 and 1 January 2020. As a result, in the years ended 31 December 2019 and 31 December 2020, revenue decreased by £16k and £144k, respectively.

Share options

Historically, the directors did not recognise a share options charge in their financial statements on the grounds of materiality. In the current year, management have decided to reflect the charge for share options in the financial statements, including a restatement for prior year charges not reflected in prior period financial statements. The annual charge for share options is expensed to the profit and loss account, with a corresponding charge to reserves in the consolidated financial statements. The annual charge for share options is expensed to the profit and loss account, with a corresponding charge to the ASC investment in SMWS in the company only financial statements.

The group impact of this adjustment is a £33k increase to administration expenses for the year ended 31 December 2019. There is no impact on overall reserves as previously presented at 1 January 2019 and 31 December 2019 in this regard, other than the recognition of the cumulative charge in retained earnings.

The company only impact of this adjustment is a £269k increase in the company's investments and opening reserves at 1 January 2020.

3 Prior year restatements (continued)

Provisions
On review of the group's lease agreements, it was noted that the group has an obligation to restore the premises to its original state. Based on this obligation and IAS 37 guidance, it was previously elected by management that dilapidation provisions would be required to be included within the financial statements at some point in the future. Management therefore intended to start to accrue a cost each year from 2020 onwards over the remaining lease term. The cost of the dilapidation provision was therefore considered separate to the IFRS 16 lease liability calculation. In the current year, management has reassessed and elected to recognise the necessary provisions up front. Therefore, the comparative Statement of Financial Position and Statement of Comprehensive Income have been restated accordingly.

The effect of this adjustment as at 1 December 2019 is the inclusion of a right of use asset with a net book value of £104k, a dilapidations provision of £261k and a decrease in opening reserves of £157k representing depreciation and finance charges.

Subsequently in the year ended 31 December 2019, administration expenses increased by £11k, the right of use asset decreased by £9k and the dilapidations provision increased by £2k.

4 Critical accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements are:

Valuation of intangible assets
The Group holds a variety of intangible assets. With the exception of the website (held at cost), the remaining intangible assets are held at historic cost (being the acquisition date fair value), less accumulated amortisation. Management engaged a specialist third party valuer to determine the fair value of each element of intellectual property. The valuation model takes into account quoted market prices (e.g. royalty database) where applicable, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Impairment of intangible assets
Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair values less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Cash flows are derived from budgets. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to intellectual property recognised on acquisition of The Scotch Malt Whisky Society Limited.

Measurement at fair values
If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

4 Critical accounting estimates and judgements (continued)

Assessment of hedge effectiveness
The assessment of hedge effectiveness takes into consideration the estimated value and volume of highly probable forecast transactions, relative to derivatives designated as hedging instruments. This requires estimation of future transactions, which can be impacted by both internal and external factors. This assessment determines the portion of the hedge, if any, which is considered ineffective and recognised directly in the profit and loss account.

Share based payments
The annual charge in respect of share-based payments is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. When determining the charge each year, the directors have made critical accounting judgments on key assumptions including: the stock price and volatility of the share price in determining the fair value of options granted.

5 Revenue

An analysis of the company's revenue is as follows:

	2020 £'000	2019 as restated £'000
Revenue from sale of whisky	12,047	10,219
Membership Income	1,523	1,273
Revenue from sale of other spirits	384	284
Member Rooms	552	1,704
Events & Tastings	340	769
Other	180	396
	15,026	14,645

An analysis of group revenue by geographical area is as follows:

	2020 £'000	2019 as restated £'000
United Kingdom (venue)	1,503	3,538
United Kingdom (online)	3,234	2,471
International	10,289	8,636
	15,026	14,645

Other operating income	**2020 £'000**	**2019 £'000**
Coronavirus Job Retention Scheme	169	-
Government grants	187	-
Other income	54	-
	410	-

6 Exceptional items

	2020 £'000	2019 £'000
ERP system expenditure	240	-
Legal and professional fees	152	-
	392	-

ERP system expenditure incurred is in relation to the group's research into the development of a new ERP system and the disposal of their old system. Legal and professional fees are in relation to costs associated with fundraising options, including potential IPO.

7 Loss for the year

	2020	2019 as restated
	£'000	£'000
Operating loss is stated after charging:		
Amortisation of intangible assets	283	227
Depreciation on tangible assets	600	460
Cost of inventories recognised as an expense	4,737	4,203
Operating loss is stated after crediting:		
Net foreign exchange loss	70	17

Services provided by the group's auditor and associates

During the year the group received the following services from the group's auditor, Johnston Carmichael LLP and associates:

	2020	2019
	£'000	£'000
Audit services		
Statutory audit – Company	15	15
Statutory audit- Subsidiaries	50	40
	65	55

8 Employees

Group	2020 £'000	2019 £'000
Wages and salaries	2,886	2,676
Social security costs	217	206
Pension costs	158	151
	3,261	3,033

The average monthly number of employees (including directors) during the year was:	2020 Number	2019 Number
Management	24	19
Non-management	58	67
	82	86

All employment costs are recognised in administrative expenses

9 Income tax	2020 £'000	2019 as restated £'000
Current income tax		
UK corporation tax	-	-
Foreign tax	346	251
Deferred tax		
Relating to origination and reversal of temporary timing differences	72	79
Tax on ordinary activities	418	330
Reconciliation of effective tax rate		
Accounting loss before tax	(1,202)	(1,011)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19.00% (2019: 19.00%)	(228)	(192)
(Income)/ Expenses not deductible in determining taxable profit	(70)	25
Adjustment in respect of prior years	56	(55)
Tax credit for loss not recognised	238	328
Effect of change in UK corporation tax rate	-	(9)
Depreciation on assets not qualifying for tax allowances	97	28
Foreign tax charge in local tax jurisdiction	346	251
Intangible amortisation on foreign assets	-	(3)
Other movements	(21)	(43)
Total tax charge	418	330

9 Income tax (continued)

For the year ended 31 December 2020, the UK corporation tax rate of 19% is applied.

A change to the future UK corporation tax rate was announced in the March 2021 budget. The rate will increase to 25% with effect from 1 April 2023. This change has not been substantively enacted at the Statement of Financial Position date and therefore is not recognised in these financial statements.

10 Deferred tax

Group	**2020**	**2019**
	£'000	**£'000**
Deferred tax liabilities	324	241
Net deferred tax liability	324	241

Reconciliation of deferred tax liability	**£'000**	**£'000**
At 31 December 2019	241	153
Recognised in other comprehensive income	11	9
Recognised in profit or loss	72	79
At 31 December 2020	324	241

The deferred tax liability is made up as follows:

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Origination and reversal of temporary timing differences	324	241	-	-
	324	241	-	-

11 Investment property

	Total
	£'000
Cost	
At 1 January 2019	230
Additions	161
At 31 December 2019 & 31 December 2020	391
Impairment	
At 1 January 2019	-
Charge for the year	-
At 31 December 2019	-
Charge for the year	-
At 31 December 2020	-
Carrying amount	
At 31 December 2020	391
At 31 December 2019	391

12 Property, plant and equipment	Land and buildings freehold	Land and buildings leasehold	Leasehold improve-ments	Fixtures, fittings & equipment	Casks	Right of use asset	Total
Group (2020)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost							
At 1 January 2020	678	1,616	789	2,069	1,791	2,065	9,008
Additions	-	-	169	177	314	116	776
Disposals	-	(211)	(460)	(697)	(6)	-	(1,374)
At 31 December 2020	678	1,405	498	1,549	2,099	2,181	8,410
Accumulated depreciation							
At 1 January 2020	137	1,099	567	1,088	142	275	3,308
Charge for the year	16	70	93	219	86	199	683
On Disposals	-	(212)	(460)	(693)	(1)	-	(1,366)
At 31 December 2020	153	957	200	614	227	474	2,625
Net book value							
At 31 December 2020	525	448	298	935	1,872	1,707	5,785

£83k (2019: £66k) of the depreciation charge for casks has been capitalised as a cost of stock. The remaining balance has been expensed to the statement of comprehensive income.

12 Property, plant and equipment

Group (2019)	Land and buildings freehold £'000	Land and buildings leasehold £'000	Leasehold improve-ments £'000	Fixtures, fittings & equipment £'000	Casks £'000	Right of use asset £'000	Total £'000
Cost							
Balance as at 31 December 2018 - as previously reported	678	1,616	757	1,508	1,009	1,472	7,040
Prior year restatement (note 3)	-	-	-	-	-	236	236
At 1 January 2019- as restated	678	1,616	757	1,508	1,009	1,708	7,276
Additions	-	-	32	657	818	357	1,864
Disposals	-	-	-	(96)	(36)	-	(132)
At 31 December 2019- as restated	678	1,616	789	2,069	1,791	2,065	9,008
Accumulated depreciation							
Balance as at 31 December 2018 - as previously reported	123	1,023	507	1,048	75	-	2,776
Prior year restatement (note 3)	-	-	-	-	-	132	132
At 1 January 2019- as restated	123	1,023	507	1,048	75	132	2,908
Charge for the year	14	76	60	136	97	143	526
On Disposals	-	-	-	(96)	(30)	-	(126)
At 31 December 2019- as restated	137	1,099	567	1,088	142	275	3,308
Net book value							
At 31 December 2019- as restated	541	517	222	981	1,649	1,790	5,700

£66k of the current year depreciation charge has been capitalised as a cost of stock. The remaining balance has been expensed to the statement of comprehensive income

12 Property, plant and equipment (continued)

In October 2014, freehold and leasehold land and buildings were professionally valued by Savills at an open market value. At 31 December 2020, the fair value adjustment resulted in an increase in value of the tangible assets as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
Valuation	790	790
Cost	536	536
Increase in value	254	254
Less depreciation of increase in value	(138)	(114)
Impact of revaluation at 31 December 2020	**116**	**140**

13 Intangible assets

	Goodwill	Trade marks	Customer Database	Website	Total
Group (2020)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 January 2020	1,282	1,058	386	802	3,528
Additions	41	-	30	366	437
Disposals	-	-	-	(381)	(381)
At 31 December 2020	1,323	1,058	416	787	3,584
Accumulated amortisation					
At 1 January 2020	-	313	212	390	915
Charge for the year	-	74	57	152	283
On disposals	-	-	-	(213)	(213)
At 31 December 2020	-	387	269	329	985
Net book value					
At 31 December 2020	1,323	671	147	458	2,599

13 Intangible assets

	Goodwill	Trade marks	Customer Database	Website	Total
Group (2019)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 January 2019	1,282	1,058	386	635	3,361
Additions	-	-	-	167	167
At 31 December 2019	1,282	1,058	386	802	3,528
Accumulated amortisation					
At 1 January 2019	-	238	159	291	688
Charge for the year	-	75	53	99	227
At 31 December 2019	-	313	212	390	915
Net book value					
At 31 December 2019	1,282	745	174	412	2,613

13 Intangible assets

Company (2020)	**Customer Database £'000**
Cost or valuation	
At 1 January 2020	-
Additions	30
At 31 December 2020	30
Accumulated amortisation	-
At 1 January 2020	3
Charge for the year	3
At 31 December 2020	27
Net book value	
At 31 December 2020	27

14 Investments

Company	**Shares in subsidiary undertakings £'000**
Cost	
Balance as at 31 December 2018 - as previously reported	699
Prior year restatement (note 3)	269
At 1 January 2020 – as restated	968
Additions (business combination)	41
Additions (share-based payments)	51
At 31 December 2020	1,060
At 31 December 2019	968

14 Investments (continued)

Principal Group investments

At 31 December 2020, the company held investments in the following subsidiary undertakings, which principally affected the profits or net assets of the group:

Name of undertaking	Country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct	% Held Indirect
The Scotch Malt Whisky Society Japan Limited	Japan	To import and distribute whisky in Japan	Ordinary	-	70.00
The Scotch Malt Whisky Society Limited	Hong Kong	To import and distribute whisky in China	Ordinary	65.00	-
The Scotch Malt Whisky Trading (Shanghai) Limited	China	To import and distribute whisky in China	Ordinary	-	65.00
The Artisanal Spirit Co. Hong Kong	Hong Kong	To import and distribute whisky in Hong Kong	Ordinary	-	65.00
The Scotch Malt Whisky Society Limited	UK	Sales and marketing of malt whisky	Ordinary	100.00	-
ASC Scotland Limited	UK	Dormant	Ordinary	100.00	-
J.G. Thomson & Co Limited	UK	Dormant	Ordinary	100.00	-
The Artisanal Spirits Company (Ireland) Limited	Ireland	Dormant	Ordinary	100.00	-
The Artisanal Spirits Company Pty Ltd	Australia	To import and distribute whisky in Australia	Ordinary	100.00	-

The registered office of the UK businesses is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

14 Investments- Business combinations

On 28 February 2020, the group re-acquired their Australian franchise with an investment in a subsidiary for a total consideration of £58,130 excluding legal expenses. They paid £40,923 for a 100% shareholding in the subsidiary company, acquired the customer database for £30,000 and acquired the historic holiday pay accrual in the Australian franchise of £19,985.

In the 9 months to 31 December 2020, the acquired business contributed revenue of £620,897 and profit contribution of £102,029 to the group results.

These were accounted for under the acquisition method of accounting. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The following table sets out the fair values of the identifiable assets and liabilities acquired on the Australian acquisition in 2020.

	Fair value to group £'000
Intangible assets	
Customer database	30
Current Liabilities	
Holiday pay accrual	(20)
Net assets acquired	10
Cash consideration given	51
Goodwill	41

The goodwill balance represents the additional benefits of taking the franchise under ownership and the additional control over the future direction of the business in these markets.

The valuation technique used for measuring the fair values of material assets acquired were as follows:

Intangible assets: Intellectual property was valued by a specialist third party valuer. The valuation model considers quoted market prices (e.g. royalty database) for similar items when they are available, using the relief from royalty method of valuation and discounted cashflows to derive the fair value.

Significant unobservable valuation input	Range
Discount factor	17.5% - 32.5%
Royalty rates	1.5%- 5%

15 Inventories

	Group		Company	
	2020	**2019**	2020	2019
	£'000	**£'000**	£'000	£'000
Cask whisky and bottled stock	21,651	20,953	-	-

The above balance is net of a provision for aged stock of £33,285 (2019: £7,634).

16 Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Trade receivables	1,711	1,953	-	-
Other receivables	245	594	24	3
Derivative asset	83	32	-	-
Amounts owed by group undertakings	-	-	15,428	15,177
	2,039	2,579	15,452	15,180

The trade receivables balance is shown net of a provision for £25,463 (2019: £25,667).

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

17 Cash and cash equivalents

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Cash on hand and balances with banks	2,176	1,536	702	32
	2,176	1,536	702	32

The directors consider that the carrying amount of cash and cash equivalents is approximately equal to their fair value.

18 Borrowings

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Asset based lending facility	14,823	12,843	-	-
Bank loans	946	930	-	-
Other loans	95	-	95	-
	15,864	13,773	95	-

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date as follows:

	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Current liabilities	14,963	12,940	20	-
Non-current liabilities	901	833	75	-

Reconciliation of the movement in borrowings	Group	
	2020	**2019**
	£000	**£000**
At the beginning of the year	13,773	11,818
Noncash movements:		
Conversion of convertible loan notes to equity	-	(4,040)
Cash movements:		
Proceeds from new borrowings	214	648
Repayment of borrowings	(103)	(22)
Bank loan drawn down	1,980	5,369
	15,864	13,773

	Borrowing due within 1 year	**Borrowing due after 1 year**	**Total**
	£000	**£000**	**£000**
Net debt at 31 December 2018	11,530	288	11,818
Cashflows	1,410	545	1,955
Net debt at 31 December 2019	12,940	833	13,773
Cashflows	2,023	68	2,091
Net debt at 31 December 2020	14,963	901	15,864

The asset-based lending facility is secured by a bond and floating charge over the whole of the client's assets including the company's brand and trademarks, and a corporate guarantee from The Artisanal Spirits Company Limited.

The bank loan is secured by standard securities over the Ground Floor Premises of the Leith property and a legal charge over the Grenville Street property. The loan is interest bearing and interest is due at a rate of 2.50%.

Other loans are unsecured and not interest bearing.

18 Borrowings (continued)

As noted in note 32, on 20 January 2021, the group signed an agreement to change the asset-backed lending facility to that of a committed revolving credit facility. The new facility has since been utilised to repay the outstanding asset-backed lending facility in full.

19 Trade and other payables

	Group		Company	
	2020	**2019 as restated**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	1,379	1,212	69	3
Other payables	1,778	2,410	86	-
Lease debt	139	146	-	-
Corporation tax	111	92	-	-
Other taxes and social security costs	221	336	-	-
	3,628	4,196	155	3

Included in other payables is deferred income of £648k (2019: £655k)

20 Lease debt

	2020	**2019**
	£'000	**£'000**
Current liabilities	139	146
Non-current liabilities	1,428	1,546
Capitalised leases	1,567	1,692

Measurement of lease liabilities

	2020
	£'000
Lease liability recognised as at 1 January 2019	1,472
Add: new leases in the year	357
Less: repayments	(137)
Lease liability recognised at 31 December 2019	1,692
Add: new leases in the year	-
Less repayments	(125)
Lease liability recognised as at 31 December 2020	1,567

21 Provisions

	2020	2019 as restated
	£'000	£'000
Dilapidation provisions	404	264

Movement in the year:

	2020
	£'000
At 1 January 2019 (as restated)	262
Charge to statement of comprehensive income	2
At 31 December 2019 (as restated)	264
Charge to statement of comprehensive income	140
At 31 December 2020	404

Provision for dilapidation costs is in relation to costs to reinstate the properties at the end of each individual lease term.

22 Financial instruments – accounting classifications and fair value

Financial assets
Trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost (See note 16).

Excluded from financial assets are prepayments of £258k (2019: £435k) as these assets fall outwith the scope of financial instruments due to the cash element having already been settled.

Derivative assets are classified as financial assets measured at fair value (level 2) through other comprehensive income.

Financial liabilities
Trade and other payables are classified as financial liabilities are measured at amortised cost (See note 19).

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

23 Financial risk management

The company has exposure to the following risks arising from financial statements:

- stock valuation;
- credit risk;
- liquidity risk;
- market risk; and
- capital management.

Risk management framework

The group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversee how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group on an ongoing basis.

23 Financial risk management (continued)

Stock valuation

The group invests significantly in stock which, due to its nature, takes a considerable period of time to mature. As a result, there is a risk that the realisable value of stock falls below the carrying value of stock, held by the group. This risk is mitigated by:

- Diversification of whisky stock (across distillers and locations);
- Regular stock tastings to gain assurance over the quality and taste of the whisky stock;
- Ongoing review of whisky market developments and trends, across the globe.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables
The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The group does not require collateral in respect of trade and other receivables.

At 31 December 2020, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

	2020	2019
Carrying amount	**£'000**	**£'000**
UK and Europe	41	35
North America	1,381	1,490
Australasia	289	428
	1,711	1,953

23 Financial risk management (continued)

Impairment

At 31 December 2020, the ageing of trade receivables that were not impaired was as follows:

Carrying amount	**2020**	**2019**
	£'000	**£'000**
Neither past due nor impaired	1,272	597
Past due 1-30 days	27	42
Past due 31-90 days	389	724
Past due 91-120 days	23	590
	1,711	1,953

Management believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour, ongoing commercial relationships, and extensive analysis of customer credit risk.

Cash and cash equivalents
The group held cash and cash equivalents of £2,176k at 31 December 2020 (2019: £1,536k) and an asset-backed lending facility of £14,823k (2019: £12,843k). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

Liquidity risk
Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

		Contractual cash flows		
31 December 2020	**Carrying amounts**	**Total**	**2 months or less**	**2-12 months**
	£'000	**£'000**	**£'000**	**£'000**
Non-derivative financial liabilities				
Trade payables	1,379	1,379	1,263	116
Other payables	2,249	2,249	24	2,225
	3,628	3,628	1,287	2,341

		Contractual cash flows		
31 December 2019 as restated	**Carrying amounts**	**Total**	**2 months or less**	**2-12 months**
	£'000	**£'000**	**£'000**	**£'000**
Non-derivative financial liabilities				
Trade payables	1,212	1,212	1,196	16
Other payables	2,984	2,984	29	2,955
	4,196	4,196	1,225	2,971

23 Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the board of directors.

The group is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction, and the date when amounts are paid. The functional currencies of the group's trading subsidiaries are sterling, yen, renminbi, Hong Kong dollar and Australian dollar. The subsidiaries also make sales and purchases in Euros and US dollars. As at 31 December 2020, the percentages of trade receivables and payables in foreign currencies were as follows:

	Trade receivables	Trade payables	Net exposure
2020			
USD	80.7%	25.8%	54.9%
Yen	5.6%	3.9%	1.7%
Renminbi	9.5%	0.02%	9.48%
Euro	0.0%	2.1%	(2.1)%
HKD	0.0%	0.8%	(0.8)%
AUD	0.0%	2.8%	(2.8)%
2019			
USD	76.3%	45.9%	30.3%
Yen	12.3%	1.9%	10.4%
Renminbi	1.8%	0.0%	1.8%
Euro	0.0%	0.6%	(0.6)%
HKD	0.0%	3.2%	(3.2)%

Interest rate risk

At 31 December 2020, if market interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been £37.1k (2019: £32.1k) lower/higher.

Foreign exchange risk

At 31 December 2020, if GBP had strengthened by 10% against USD with all other variables held constant, post-tax loss for the year would have been £156k (2019: £138k) lower/higher, mainly as a result of foreign exchange gains on translation of USD trade receivables and trade payables. During the year, the group entered into forward contracts to hedge against the foreign currency risk on 75% of their USD aged receivables.

The summary quantitative data about the group's exposure to currency risk as reported to the management of the group is as follows:

23 Financial risk management (continued)

	Trade receivables £'000	Trade payables £'000	Net exposure £'000
2020			
USD	1,381	(356)	1,031
Yen	96	(54)	42
Renminbi	162	(3)	159
Euro	-	(29)	(29)
HKD	-	(11)	(11)
AUD	1	(39)	(38)
2019			
USD	1,490	(550)	940
Yen	240	(23)	217
Renminbi	34	-	34
Euro	-	(7)	(7)
HKD	-	(38)	(38)

The following significant exchange rates have been applied during the year:

GBP	Average rate 2020	Year end spot rate 2020	Average rate 2019	Year end spot rate 2019
Euro	0.8775	0.9045	0.8772	0.8502
USD	0.7474	0.7364	0.7828	0.7579
Yen	0.0071	0.0071	0.0072	0.0070
Renminbi	0.1108	0.1128	0.1137	0.1091
AUD	0.5316	0.5642	-	-

The foreign exchange risk of USD trade receivables is partly mitigated by the use of forward contracts.

Capital management

For the purpose of the group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise shareholder value.

The group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the Group may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The group's policy's to maintain sufficient capital to allow for future investment in growth of the business.

		2020	2019
24	**Issued capital and reserves**	**£'000**	**£'000**
	Allotted, called up and fully paid		
	8,304,166 ordinary "A" shares of £0.01 each	83	83
	5,213,789 ordinary "B" shares of £0.01 each	52	48
		135	131

The shares rank pari passu.

25	**Share premium**	**Share premium**	**Share issue expenses**	**2020 £'000**
	At 1 January 2019	11,889	(20)	11,869
	Conversion of loan notes to equity	4,114	-	4,114
	Share issue expenses	-	(3)	(3)
	At 31 December 2019	16,003	(23)	15,980
	Issuance of shares	996	(9)	987
	Share issue expenses			
	Cancellation of share premium	(16,900)	32	(16,868)
	At 31 December 2020	99	-	99

During the year 31 December 2020, the company received £999,999 in total cash consideration for 350,877 ordinary "B" shares issues resulting in £996,491 share premium for the "B" shares. The legal expenses incurred in relations to the share issue of £9,089 were offset against the share premium.

On 17 December 2020, £16,900,000 of the amount standing to the credit of the share premium account of the Company was cancelled and transferred to retained earnings.

During the year to 31 December 2019, loan notes converted to equity. A total of £4,136,686, net of £3,500 expenses, in total equity was raised for the 2,603,890 £0.01 ordinary "B" shares issued resulting in £4,114,147 in share premium for the shares. The legal expenses incurred in relation to the share issue of £3,500 have been offset against the share premium.

26 Share based payments

Exercise price	Brought forward 000's	Issue in the year 000's	Forfeited in the year 000's	Carried forward 000's	Exercisable at year end 000's
£1.00	214	-	-	214	214
£1.20	667	-	-	667	667
£1.59	376	125	-	501	351
	1,257	125	-	1,382	1,232

Included in the above are the following share options held by directors of the company:

Exercise price	Brought forward 000's	Issue in the year 000's	Forfeited in the year 000's	Carried forward 000's	Exercisable at year end 000's
£1.00	161	-	-	161	161
£1.20	480	-	-	480	480
£1.59	225	59	-	284	208
	866	59	-	925	849

All share options are equity settled and may be exercised upon satisfaction of certain performance conditions including remaining as an employee.

The estimated fair value of the options issued in the year was calculated by applying the Black Scholes Model. The weighted average fair value of the options at the measurement date was £1.08 (2019: £0.18). The expenses recognised for share based payments in respect of employee services rendered during the year to 31 December 2020 is £51,000 (2019: £33,000).

The model inputs for options issued in the current year were as follows:

Weighted average share price	£2.85 (2019: £1.59)
Expected volatility	40.00% (2019: 40%)
Risk free interest rate	(0.05%) (2019: 0.53%)
Option life	2 Years (2019: 2 years)
Dividend yield	0% (2019: 0.0%)

Options vest over a two year period, with 1/3 vesting on grant date, 1/3 on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date.

27 Revaluation reserve

The group revalued elements of property, plant and equipment and these valuations are deemed to be the cost of those assets at the date of acquisition of SMWS. As a result, a revaluation reserve was created. The revaluation reserve represents the excess of market value over cost, and is net of the resulting deferred tax provision. An annual release from the revaluation reserve is made, to reflect the additional depreciation resulting from the uplift in value of property, plant and equipment and the movement in the deferred tax position.

28 Hedging reserve

This reserve records fair value movements on cash flow hedging instrument and represents the movement in fair value of the cash flow hedge contracts outstanding at each period end, net of deferred tax.

29 Exchange reserve

This reserve records foreign exchange movements on group balances and represents the retranslation of amounts held in foreign subsidiaries on consolidation.

20 Control

The company is controlled by the directors.

31 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2020	**2019**
	£'000	**£'000**
Short-term employee benefits	670	620
Post-employment pension and medical benefits	46	38
Total compensation paid to key management personnel	716	658

In the current year, 5 directors (2019: 5) have pension benefits which are accruing under defined contribution schemes. The national insurance contributions of the key management personnel is £86,366 (2019: £74,420).

Emoluments disclosed above include the following amounts paid to the highest paid director:	**2020**	**2019**
	£'000	**£'000**
Remuneration for qualifying services	198	194
Company pension contributions to defined contribution schemes	13	7
	211	201

During 2020, the parent company paid £155,390 (2019: £125,883) of directors' fees and legal costs to entities with common directors. At the year end £nil was outstanding.

32 Events after the reporting period

On 20 January 2021, the company signed an agreement to change their previous asset based lending facility to that of a committed revolving credit facility of £18.5m. The new facility is secured by a floating charge covering all the property, undertaking, assets and rights owned now or in the future of the Group. The facility is interest bearing at a rate of 2.5% per annum plus Sterling Relevant Reference Rate.

33 Cash generated from operations

	Group		Company	
	2020	**2019**	**2020**	**2019**
	£'000	**£'000**	**£'000**	**£'000**
		restated		
Loss for the year after tax	(1,620)	(1,341)	(228)	(102)
Adjustments for:				
Taxation charged	418	330	-	-
Finance costs	499	437	-	-
Depreciation of tangible assets	683	526	3	-
Amortisation of intangible assets	283	227	-	-
(Profit)/ loss on disposal of assets	240	(7)	-	-
Grant income	(391)	-	-	-
Movements in working capital:				
(Increase)/ decrease in stocks	(698)	(4,138)	-	-
(Increase)/ decrease in debtors	540	(728)	(343)	72
Increase/ (decrease) in creditors	(585)	1,823	152	37
Net cash inflow from operations	(631)	(2,871)	(416)	7