

Registered Number 07769363



THE LAKES DISTILLERY COMPANY LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2013



THE LAKES DISTILLERY COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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THE LAKES DISTILLERY COMPANY LIMITED

COMPANY INFORMATION

Directors

Paul Currie
Gary Thornton
Nigel Mills (appointed 29 May 2013)
Martin Stokoe (appointed 29 May 2013)
Brian Jobling (appointed 29 November 2013)
Dr Alan Rutherford (appointed 29 May 2013)
Dr Mark Haigh (appointed 10 January 2014)
David Mutch (appointed 10 January 2014)
Philip Upton (appointed 10 January 2014)
Gillian Bolam (appointed 7 February 2014)
Moray Martin (appointed 1 May 2014)
Philip Morris (appointed 1 May 2014)

Secretary

Cornhill Secretaries Limited

Registered office

1st Floor Offices
Grandstand Garage
Kenton Road
Gosforth
Newcastle Upon Tyne
NE3 4NB

Auditors

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Legal advisers

Watson Burton LLP
1 St James' Gate
Newcastle upon Tyne
NE99 1YQ

Bankers

Barclays Bank plc
30 Main Street,
Cockermouth,
Cumbria
CA13 9LQ

THE LAKES DISTILLERY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and audited financial statements of the Company for the year ended 31 December 2013. The directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activity

The Company was incorporated on 12 September 2011 and has been established to build and operate a whisky and gin distillery and related tourist centre in the Lake District.

Review of business

The Company successfully launched its first product, a blended whisky "The ONE" in September 2013. Fabrication of the distillery equipment commenced in mid-2013, and building work commenced in February 2014. It is expected that production of the Lakes Malt, Lakes Gin and Lakes Vodka will begin in July 2014, with the visitors' facility scheduled to open in November 2014.

In addition to its operating base at Bassenthwaite Lake, Cumbria, the Company has opened a sales and administration office in Gosforth, Newcastle-upon-Tyne.

Results and dividends

The loss for the year was £207,440 (2012 – £81,598). The directors do not recommend the payment of a dividend.

Directors and share interests

The following served as directors of the company during the year:

Paul Currie		
Gary Thornton		
Nigel Mills	appointed 29 May 2013	
Martin Stokoe	appointed 29 May 2013	
Geoffrey Hodgson	appointed 29 May 2013	resigned 21 August 2013
Dr Alan Rutherford	appointed 29 May 2013	
Brian Jobling	appointed 29 November 2013	

The following directors were appointed after the year end:

Dr Mark Haigh	appointed 10 January 2014
David Mutch	appointed 10 January 2014
Philip Upton	appointed 10 January 2014
Gillian Bolam	appointed 7 February 2014
Moray Martin	appointed 1 May 2014
Philip Morris	appointed 1 May 2014

THE LAKES DISTILLERY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The interests of the directors in the ordinary share capital of the Company during the year and at the date of this report were:

	Ordinary shares of £1 each 31 December 2013	Ordinary shares of £1 each Date of report
Paul Currie	41,250	41,250
Nigel Mills	37,500	40,000
Philip Morris	-	15,000
Martin Stokoe	12,250	13,250
Gary Thornton	10,000	12,500
Dr Mark Haigh	7,500	10,000
Brian Jobling	6,750	8,250
David Mutch	5,000	5,000
Philip Upton	-	5,000
Gillian Bolam	5,000	5,000
Moray Martin	-	5,000

Political and charitable donations

Charitable donations during the year amounted to £1,276 (2012: £nil). No contributions to political organisations were made during the year.

Company policy on the employment of disabled persons

It is the Company's policy to give employment to disabled persons wherever practicable. At present none of the Company's full time staff is registered disabled.

Auditors

The auditors, KPMG LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved and signed by the directors on 24 July 2014



Paul Currie
Director



Gary Thornton
Director

1st Floor Offices
Grandstand Garage
Kenton Road
Gosforth
Newcastle-upon-Tyne
NE3 4NB

THE LAKES DISTILLERY COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LAKES DISTILLERY COMPANY LIMITED

We have audited the financial statements of The Lakes Distillery Company Limited for the year ended 31 December 2013 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

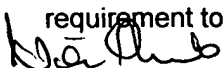
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.


Nick Plumb (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Date 24 July 2014

THE LAKES DISTILLERY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	15 months ended 2012 £
Turnover	2	24,241	-
Cost of sales		<u>(19,696)</u>	<u>-</u>
Gross profit		4,545	-
Administrative expenses		<u>(212,316)</u>	<u>(81,608)</u>
Operating loss	3	(207,771)	(81,608)
Interest receivable		331	10
Interest payable		<u>-</u>	<u>-</u>
Loss on ordinary activities before taxation		(207,440)	(81,598)
Tax on loss on ordinary activities	5	-	-
Loss for the financial period	16	<u>(207,440)</u>	<u>(81,598)</u>

All of the Company's activities are classed as continuing.

The Company has no recognised gains or losses other than the results for the period as set out above. There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

The notes on pages 8 to 16 form part of these financial statements.

THE LAKES DISTILLERY COMPANY LIMITED

BALANCE SHEET

31 DECEMBER 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	6	780,289	132,257
Total fixed assets		780,289	132,257
Current assets			
Stock	7	51,522	6,338
Debtors	8	50,655	24,280
Cash at bank		155,335	4,121
		257,512	34,739
Creditors: Amounts falling due within one year	9	(222,419)	(186,912)
Net current assets		35,093	(152,173)
Total assets less current liabilities		815,382	(19,916)
Creditors: Amounts falling due after more than one year	11	(58,652)	(58,652)
Deferred income	13	(5,830)	(3,000)
Net assets / (liabilities)		750,900	(81,568)
Capital and reserves			
Called up share capital	14	147,525	30
Share premium account	15	892,413	-
Profit and loss account	16	(289,038)	(81,598)
		750,900	(81,568)

The financial statements were approved by the Board of Directors on 24 July 2014 and were signed on their behalf by



Paul Currie
Director



Gary Thornton
Director

Company no. 07769363

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. Accounting policies

The financial statements have been prepared on a going concern basis and under the historical cost convention. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

1.1 Going concern

As described in note 19 below, the Company has raised sufficient funding, through a combination of equity, loans and grants, to enable it to develop the distillery site and commence production by Summer 2014, and to open to visitors by Spring 2015. The directors therefore have a reasonable expectation that the Company has access to sufficient finance for this purpose and therefore will have adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Furthermore, the directors have access to sufficient resources to meet the existing liabilities of the Company and to ensure it is able to meet its future liabilities for a period of at least twelve months from the date of approval of these financial statements. Accordingly, they have adopted the going concern basis in preparing the financial statements.

1.2 Cash flow statement

The Company has taken advantage of the exemption in Financial Reporting Standard 1 (revised 1996) from producing a cash flow statement on the grounds that it is a small company.

1.3 Turnover

Turnover represents amounts receivable for goods supplied. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from sales of Founders' Club memberships is recognised on production of initial casks of whisky, except for an amount which is deferred and matched against the equivalent cost of sales of future deliveries.

1.3 Fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is charged from when the assets are deployed by the company so as to write off the cost of the asset over its estimated useful life, at the following rates:

Plant and machinery	5% - 25% per annum on cost
Buildings and leasehold improvements	5% per annum on cost
Office and other equipment	25% per annum on cost
Fixtures and fittings	20% per annum on cost
Website	

1.3 Stock

Stock is valued at the lower of cost and net realisable value.

1.4 Operating lease agreements

Rentals under operating lease agreements where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the life of the lease.

1.5 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1.6 Deferred taxation

Provision is made for deferred taxation on all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

1.7 Government grants

Grants of a capital nature are credited to deferred income and released to the profit and loss account over the useful life of the assets concerned.

2. Turnover

	2013 £	15 months ended 2012 £
Retail	14,081	-
Wholesale	8,480	-
	<hr/>	<hr/>
Total United Kingdom	22,561	-
EU	1,680	-
	<hr/>	<hr/>
Total	24,241	-
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3. Operating loss

Operating loss is stated after charging:

	2013 £	15 months ended 2012 £
Operating lease costs:		
- land and buildings	35,395	17,416
Depreciation and amortisation	3,090	-
Auditors' remuneration		
- as auditor	6,000	3,000
- other services	2,730	3,000
	<hr/>	<hr/>

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

4. Employees

	2013 £	15 months ended 2012 £
Wages and salaries	14,108	-
Social security costs	2,215	-
	<u>16,323</u>	<u>-</u>

	2013 No.	15 months ended 2012 No.
Average number of employees including directors during the year	<u>4</u>	<u>2</u>

	2013 £	15 months ended 2012 £
Directors' fees	<u>6,750</u>	<u>-</u>

5. Taxation

	2013 £	15 months ended 2012 £
Current tax:		
UK Corporation tax on loss for the period	<u>-</u>	<u>-</u>
Tax charge on loss on ordinary activities	<u>-</u>	<u>-</u>

The current tax charge for the year is higher than the standard rate of corporation tax in the UK, 20% (2012 – higher). The differences are explained below.

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	15 months ended 2012 £
Loss on ordinary activities before tax	(207,440)	(81,598)
Current tax at 23.25% (2012 – 20%)	(48,223)	(16,320)
Effect of:		
Fixed asset differences	43	-
Expenses not deductible for tax purposes	1,356	-
Capital allowances in excess of depreciation	(72,673)	-
Unrelieved tax losses and other deductions arising in the year	119,497	16,320
Total current tax charge (see above)	-	-

The directors have not recognised the unutilised trade losses of £612,483 (2012 - £98,445) as an asset as their recovery cannot be determined with reasonable certainty.

6. Tangible fixed assets

	Computer & office equipment £	Website £	Leasehold development £	Plant & machinery £	Total £
Cost at 1 January 2013	1,133	-	106,849	24,275	132,257
Additions	4,718	16,580	38,759	591,065	651,122
Cost at 31 December 2013	5,851	16,580	145,608	615,340	783,379
Accumulated depreciation at 1 January 2013	-	-	-	-	-
Charge for the year	801	2,073	216	-	3,090
Accumulated depreciation at 31 December 2013	801	2,073	216	-	3,090
Net book value at 31 December 2013	5,050	14,507	145,392	615,340	780,289
Net book value at 31 December 2012	1,133	-	106,849	24,275	132,257

No depreciation has been charged in the year for plant and machinery as production has not commenced and these assets have not been used in the business.

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

7. Stock

	2013 £	2012 £
Whisky	38,214	-
Founders' Club membership packs	3,270	6,338
Other stock	10,038	-
	<u>51,522</u>	<u>6,338</u>

8. Debtors

	2013 £	2012 £
Trade debtors	11,727	-
VAT recoverable	29,350	21,018
Prepayments	9,578	3,262
	<u>50,655</u>	<u>24,280</u>

9. Creditors: Amounts falling due within one year

	2013 £	2012 £
Trade creditors	154,520	163,275
Directors' loan accounts	-	9,980
Accruals and deferred income	61,558	7,046
Other creditors	6,341	6,611
	<u>222,419</u>	<u>186,912</u>

10. Operating lease commitments

The Company had the following annual commitments under non-cancellable operating leases:

	2013 £	2012 £
Operating leases which expire		
Between one and five years	21,500	9,500
After more than five years	13,500	13,500
	<u></u>	<u></u>

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11. Creditors: Amounts falling due after more than one year

	2013 £	2012 £
Directors' loan accounts	58,652	58,652
	<u>58,652</u>	<u>58,652</u>

The loans do not bear interest and are repayable after three years.

12. Related party transactions

The Company had a loan outstanding to one of its directors at the year end as follows:

	2013 £	2012 £
Paul Currie	-	9,980
Gary Thornton	58,652	58,652
	<u>58,652</u>	<u>58,652</u>

The loan does not bear interest and is repayable after three years.

In addition, the Company had the following transactions with related parties, all of which were entered into at arm's length and in the ordinary course of business:

Purchases

The Company was invoiced £14,827 (including VAT) during the year (2012 - £62,414) for expenses incurred on its behalf by Splash, a company of which Paul Currie is the controlling shareholder, and of this amount £3,914 (2012 - £62,414) was outstanding at the end of the year.

The Company was invoiced £6,199 during the year (2012 - £nil) for expenses incurred on its behalf by Paul Currie, and of this amount £4,637 (2012 - £nil) was outstanding at the end of the year.

The Company was invoiced £2,161 during the year (2012 - £nil) for expenses incurred on its behalf by Gary Thornton, and this amount was outstanding at the end of the year.

The Company was invoiced £8,521 (including VAT) during the year (2012 - £48) for goods and services provided by the Trout Hotel, a company of which two directors (Nigel Mills and Philip Upton) are directors and shareholders, and of this amount £nil (2012 - £nil) was outstanding at the end of the year.

Sales

The Company invoiced the Trout Hotel £8,835 during the year (2012 - £nil) for sales, and this amount was outstanding at the end of the year.

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

13. Deferred income

	2013 £	2012 £
Deferred grants	<u>5,830</u>	<u>3,000</u>
	2013 £	2012 £
Balance at 1 January 2013	3,000	-
Received in the period	2,830	3,000
Released to profit and loss	-	-
	<u>5,830</u>	<u>3,000</u>
Balance at 31 December 2013	<u>5,830</u>	<u>3,000</u>

Deferred income relates to grant funding received in respect of tangible fixed assets.

14. Called up share capital

	2013 £	2012 £
Allotted, called-up and fully-paid Ordinary shares of £1 each		
Balance at 1 January 2013	30	-
Shares issued on incorporation	-	10
Shares issued in the year	<u>147,495</u>	<u>20</u>
Balance at 31 December 2013	<u>147,525</u>	<u>30</u>

During the year 99,970 ordinary shares of £1 each were issued, allotted and fully paid for cash at par, and 47,525 ordinary shares of £1 each were issued, allotted and fully paid for cash at a premium of £19 per share.

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15. Share premium account

	2013 £	2012 £
Balance at 1 January	-	-
Premium on shares issued in the year	902,975	-
Cost of share issues	(10,562)	-
	<hr/>	<hr/>
Balance at 31 December	892,413	-
	<hr/>	<hr/>

16. Profit and loss account

	2013 £	2012 £
Balance at 1 January	(81,598)	-
Loss for the financial year	(207,440)	(81,598)
	<hr/>	<hr/>
Balance at 31 December	(289,038)	(81,598)
	<hr/>	<hr/>

17. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Opening shareholders' (deficit)/ funds	(81,568)	-
Shares issued on incorporation	-	10
Loss for the financial year	(207,440)	(81,598)
New share capital subscribed	1,050,470	20
Cost of share issues	(10,562)	-
	<hr/>	<hr/>
Closing shareholders' funds	750,900	(81,568)
	<hr/>	<hr/>

THE LAKES DISTILLERY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

18. Capital commitments

At the year end, the Company had capital commitments relating to expenditure on plant and machinery as follows:

	2013 £	2012 £
New capital expenditure contracted	963,839	-
Amounts invoiced in the year	(486,596)	-
	<hr/>	<hr/>
Further capital commitments	477,243	-
	<hr/>	<hr/>

19. Post balance sheet events

Building work commenced on the distillery in February 2014, and is scheduled to be completed by June 2014, when the distilling plant is installed, and, after commissioning and testing, the Company expects to enter into full production of whisky, gin and vodka by August 2014. The second phase of building work (visitors' centre) commenced in April 2014 and is scheduled to be completed in November 2014.

The Company expects the distillery and visitors' centre to open to the public in December 2014, with a formal opening in Spring 2015.

Since the year end, the Company has continued to raise finance, and has issued a further 136,175 ordinary shares at a premium of £19 per share, representing new equity investment (before share issue costs) of £2,723,500.

The Company has also received grant income of £225,000 from Britain's Energy Coast, and a five-year Local Enterprise Partnership loan of £50,000, and has entered into an asset finance agreement with Lombard for £350,000, which is secured on specified items of plant and machinery.

20. Ultimate controlling party

The Company has no immediate or ultimate controlling party.