



Grant Thornton

Financial Statements

Ian Macleod Distillers Limited

For the Year Ended 30 September 2019



Company No. SC032696

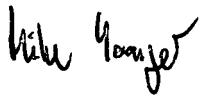
Notice of meeting

Notice is hereby given that the fifty sixth Annual General Meeting of the Members of the Group will be held within the Registered Office of the Group, Russell House, Dunnet Way, Broxburn, EH52 5BU, on 22 January 2020 at 11.00am for the purpose of transacting the following business:

- 1 To receive and consider the Report of the Directors and Financial Statements for the year ended 30 September 2019
- 2 To re-elect David W H Russell, Gordon J Doctor, and Michael J Younger as directors.
- 3 To re-appoint Grant Thornton UK LLP as auditors.
- 4 To fix the remuneration of the auditors.
- 5 To transact any other competent business of an Annual General Meeting.

A member entitled to attend and vote is entitled to appoint a proxy, who need not be a member, to attend and vote on his behalf.

By Order of the Board



Michael J Younger
Secretary
18 December 2019

Company information

Company registration number	SC032696
Registered office	Russell House Dunnet Way Broxburn EH52 5BU
Current directors	Peter J S Russell David W H Russell Leonard S Russell Edith S Russell Angela M Russell Gordon J Doctor R William Farrar Laura A A Rankine Ian A Shackleton Michael J Younger
Secretary	Michael J Younger
Bankers	Bank of Scotland plc PNC Business Credit
Independent auditors	Grant Thornton UK LLP Registered Auditors 110 Queen Street Glasgow G1 3BX

Index

Strategic Report	4 - 6
Report of the directors	7 - 9
Independent auditor's report	9 - 12
Principal accounting policies	13 - 20
Group profit and loss account	21
Group statement of comprehensive income	22
Group balance sheet	23
Company balance sheet	24
Consolidated statement of cash flows	25
Consolidated statement of changes in equity	26
Company statement of changes in equity	27
Notes to the financial statements	28 – 46

Strategic Report

Principal activities

The company and the group are principally engaged in the production and sale of Scotch whisky along with other spirits such as gin.

Overall strategy

The company's vision is to be an international, entrepreneurial, brand led, successful and respected family business.

The main markets for the company and group's product are spirits consumers around the world with a natural emphasis on Scotch whisky. The key whisky brands are Glengoyne, Smokehead, Tamdhu and King Robert. The key gin brand is Edinburgh Gin. Rosebank single malt is a future key brand. The group also supplies secondary and private label cased business to the UK and international markets. In addition, it supplies bulk whisky as single and blended malts along with bulk blended Scotch whisky. The wide range of goods supplied ensures that the group's plant and assets are well utilised and service a diverse portfolio of products and markets. The branded business is well resourced to enhance its higher returns of enduring value.

The group has benefited from the strong worldwide demand for single malt Scotch whisky and the growing gin market in the UK. As well as brand investments, the group invests significantly in operational assets and stock to support current and future growth. The financing for growth is sourced from a mixture of shareholders' funds and bank borrowing with the aim of ensuring that gearing remains relatively constant.

The company manages its whisky stocks so as to best achieve a balance between immediate sales and retaining stocks for the future. Particular attention is paid to Glengoyne and Tamdhu where the single malt brands contain sherry matured single malt. This necessitates a significant investment in, and management of, expensive sherry oak casks. The company actively trades its bulk stock with other Scotch whisky producers in a complementary way in order to assist with matching the profile of demand and supply.

Principal risks and uncertainties

The group is reliant on being able to meet customers' product requirements through effective whisky stock management. Customers' product risks centre on matching product development trends across a variety of geographies and being aware of market specific risks including exchange rate movements. Stock management includes assessment of the contending demand for current versus future stock use, which requires the management of a wide range of variables.

Financial risk management objectives and policies

The group uses various financial instruments to raise and facilitate the financing of the business. These instruments include the asset based lending facility, other loans, cash, trade debtors and trade creditors. These instruments carry a variety of financial risks as noted under the four headings below.

Strategic Report (continued)

Financial risk management objectives and policies (continued)

Currency risk

5.4% (2018: 4.7%) and 2.2% (2018: 2.3%) of Company turnover is transacted in US dollars and Euros respectively. Some of this exposure is naturally mitigated by purchases, including payments on behalf of the joint venture company Broxburn Bottlers Limited, which utilise 56% (2018: 39%) of the inflows. The balance of the currency risk is considered to be low when compared to turnover and profit. The company therefore converts balances held on the currency accounts on a regular basis and targets favourable short-term rates. The group may also use forward exchange contracts to hedge part of the currency risk exposure.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by reviewing trading and preparing forecasts. Short-term flexibility is achieved by a small overdraft and the asset based lending facility. The maturity of borrowings is set out in note 16 to the financial statements.

Interest rate risk

The principal interest rate risk arises on the bank borrowings represented by the asset based lending facility whose interest rate is calculated with reference to the three month LIBOR rate. The directors consider that the interest rate risk is readily manageable due to the level of interest cover from operating profit.

Credit risk

The group's predominant credit risk is with trade debtors. The risk arising on export and home debtors is managed differently. Home debtor credit risk is managed with the directors setting limits for customers based on a combination of industry reputation, payment history and third party credit references. The risk on export debtors is managed by either shipping against confirmed irrevocable letters of credit or on open account. Many of the open account export balances are insured with a reputable credit insurer.

Business review

The group's profit for the year after taxation amounted to £17,752,000 (2018: £20,134,000). Group turnover is up by 7% on last year and the monetary gross profit value increased by a corresponding 6%.

Stocks increased by 23% on last year with continued investment in new fill stocks and strategic mature purchases. Purchases of bourbon casks for volume business and sherry casks for the premium single malt business amounted to £2.1M. The remainder of capital expenditure of £6.1M included the construction of additional warehouses at Tamdhu, and professional fees associated with the successful planning applications for a new head office and the Rosebank site in Falkirk. Costs were also incurred in support of the outstanding planning application for a new Edinburgh Gin distillery and visitor centre close by Waverley Station in Edinburgh.

The company refinanced its borrowings in November 2017 with an £80M asset based lending facility on a term expiring in early 2023. This facility with amendment, provided by Bank of Scotland and PNC Business Credit, will be used to fund the investment plans as well as ongoing working capital requirements.

Strategic Report (continued)

Business review (continued)

The Indian subsidiary continues to provide profitable business in the potentially important Indian market. It focuses on making bulk sales to supply local bottlers and group brand sales in airport duty free outlets.

The joint venture company Broxburn Bottlers Limited's main activity of bottling spirits continues to make a positive contribution to the group result. The company's contribution to the group's operating profit amounts to £717,000 (2018: £1,025,000). The business ensures that it attracts sufficient production volume to allow it to bottle at market competitive rates for group and independent business. Its investment in plant and buildings along with imminent investment in people is expected to improve its effectiveness and capability over the medium term.

Future developments

The group will continue to seek to realise its vision of being international, entrepreneurial and brand led by identifying market and brand opportunities that are appropriate. This is supported by continued investments in people, brands and stock.

The plans to revive the Rosebank brand and distillery are ongoing with the recent mobilisation of the main contractor following the demolition of the old production buildings. It is anticipated that production will commence in late summer of 2021. In the meantime, the brand design, faithful to the original, has been brought up to date.

The Edinburgh Gin presence in Edinburgh will be enhanced with the creation of a new distillery and visitor centre on East Market Street adjacent to Waverly Station. Planning permission for the site is very imminent, and following that, the project will progress to the next stage of identifying and securing a main contractor. It is expected that the site will also become operational in late summer of 2021.

A new head office building, replacing Russell House, is planned at the Broxburn site with construction commencing in early 2020. These site investments are substantial and will be developed simultaneously. They are being funded from existing profitability and the asset based lending facility. The asset based lending facility will be amended to provide additional funding for the group's expansion plans.

Generally, the group will continue to invest in sales and brand resources and production facilities that support long term growth and future brand value.

Key performance indicators

Turnover

Group Turnover is 7% more than last year. The increased business came from a combination of bulk whisky sales and export branded cased whisky volumes. Edinburgh Gin in the UK faced competition from market entrants and experienced a reduction in turnover.

Gross profit

The gross profit margin that the company achieves has minimally decreased by 0.5% to 53.7%. The change is a combination of better bulk whisky margins associated with changes in the mix of brands participating in cased sales.

Strategic Report (continued)

Key performance indicators (continued)

Overheads

Distribution costs as a proportion of turnover have increased due to an increase in brand support and promotional costs. The increase in administration costs is mainly due to additional staff within the sales and brand teams. The remaining administration cost increase is due to the expansion of the business with underlying costs a near constant proportion of turnover.

Interest Cost

The annual interest charge has increased by 22% due to a rise in average borrowings.

Cash Management

Each member of the group is independently financed and no group company has legal recourse to another member of the group for financial support.

The main funding requirement of the business is for working capital, in particular the financing of whisky stocks, and capital expenditure. Bank finance is in the form of an asset based lending facility. The advances made under the facility are secured against stock and the other assets of the business. The maximum advance available is based on the value of stock held or the facility limit, whichever is the lower. The facility, which was agreed in November 2017, is provided by Bank of Scotland and PNC Business Credit who jointly fund £80M on a term expiring in early 2023.

Overall borrowings increased by £10.2M as the EBITDA of £28.6M was only partly able to cover the combined effect of increase in net working capital of £22.0M (driven by whisky stock purchases), net fixed asset investments of £8.1M, other loan repayments of £0.8M and corporation tax payments of £4.8M. Debtor days have decreased to 71 days (2018: 73) as more resources on the sales ledger has assisted cash collections. Trade creditor days are a constant 62 days (2018: 62).

BY ORDER OF THE BOARD



Michael J Younger
Secretary

18 December 2019

Report of the directors

The directors present their report together with the financial statements for the year ended 30 September 2019.

Principal activities

The company and the group is principally engaged in the production and sale of Scotch whisky. The strategy and development of the business is set out in the preceding strategic report.

Going concern

The company prepares financial projections which fully incorporate expected increases in trading, changes in costs, stock levels and other working capital requirements. They also make due allowance for known and expected capital expenditure and other investing activities. The consequences of forecasted trading and investing activities are then tested against available credit lines and the conditions attaching to those lines.

The principal source of external funding is from the £80M asset based lending facility expiring in early 2023. It is expected that the facility will be readily increased to a level which will allow comfortable funding of the company's investment plans for distilleries and stocks. Thus there will be more than adequate funds to finance the company's investment plans at Rosebank and Edinburgh Gin as well as funding future increases in whisky stocks.

The other group companies prepare projections appropriate to their needs and the company then reviews and approves them.

The directors therefore consider that in preparing the accounts they can properly adopt the going concern basis.

Dividend

An interim dividend of £9.35 per share was paid in the year (2018: £4.70). The directors do not recommend payment of a final dividend.

The directors

The present membership of the Board is set out below.

Peter J S Russell
David W H Russell
Leonard S Russell
Edith S Russell
Angela M Russell
Gordon J Doctor
R William Farrar
Laura A A Rankine
Ian A Shackleton
Michael J Younger

David W H Russell, Gordon J Doctor, and Michael J Younger retire by rotation and being eligible offer themselves for re-election.

Report of the directors (continued)

Directors' responsibilities for the financial statements

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 with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS102; The Financial Reporting Standard applicable in the UK and the Republic of Ireland. Under company law Section 393, Companies Act 2006, 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group 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.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 485(4) of the Companies Act 2006 a resolution to re-appoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



Michael J Younger
Secretary

18 December 2019



Independent auditors report to the members of Ian Macleod Distillers Limited

Opinion

We have audited the financial statements of Ian Macleod Distillers Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2019 which comprise the principal accounting policies, the group profit and loss account, group statement of comprehensive income, group and company balance sheets, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent auditors report to the members of Ian Macleod Distillers Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included the Strategic Report and the Report of the directors. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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 report of the directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.



Independent auditors report to the members of Ian Macleod Distillers Limited (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out in page 9, 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.

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

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.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Glasgow

18 December 2019

Principal accounting policies

1 Company Information

The company is a private limited company and limited by shares, registered and incorporated under the Companies Act 2006 in Scotland. Its principal operations are conducted from its registered office at Russell House, Dunnet Way, Broxburn, EH52 5BU.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial assets and liabilities as specified in the accounting policies below.

The financial statements are presented in Sterling (£). The group financial statements consolidate the financial statements of Ian Macleod Distillers Limited and all its subsidiary undertakings drawn up to 30 September each year.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company has adopted the disclosure exemption under FRS102 not to present its own statement of cash flows and related notes.

The profit attributable to the shareholders dealt within the financial statements of the company amounts to £16,945,000 (2018: £18,909,000).

Going concern

The company prepares financial projections which fully incorporate expected increases in trading, costs, stock levels and other working capital requirements. They also make due allowance for known and expected capital expenditure and other investing activities. The consequences of forecasted trading and investing activities are then tested against available credit lines and the conditions attaching to those lines.

The principal source of external funding is from the asset based lending facility which expires early in 2023. It is expected that the facility will be readily increased to a level which will allow comfortable funding of the company's investment plans for distilleries and stocks. The directors are thus confident that the business is well financed for the foreseeable future.

Each group company is independently financed and prepares financial projections appropriate to their needs and the company reviews and approves them.

Principal accounting policies (continued)

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- The remaining useful life of tangible and intangible fixed assets.
- The estimation of pension scheme liabilities and future investment returns on pension scheme assets and their respective impact on the carrying value of the defined benefit pension scheme.
- Estimation of certain advertising and promotion liabilities linked to customers' sales promotions caused by the timing difference between activities taking place and their notification.

Management take steps to mitigate the effects of these uncertainties in the following ways:

Useful life of tangible and intangible assets:

The group sets depreciation and amortisation rates which reasonably reflect the probable economic life of an asset. The directors review the applicability of the policies used with reference to the returns generated by an asset, experience, and judgement.

Pension and other post-employment benefits:

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty and year to year volatility. The directors rely on the informed recommendations made by the actuary preparing the pension scheme figures. In determining the appropriate discount rate, the board considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country and demographic. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Where evaluation of the scheme's financial position gives rise to a pension scheme asset then the Company will apply an asset ceiling to eliminate that asset. This is to prudently allow for the company's aspiration to manage the scheme over the medium term so that the liabilities are transferred to other parties. Such an exercise is likely to require funding over and above the financial position arrived at by application of normal actuarial valuations.

Further details are given in note 23.

Liabilities arising on customers' advertising and promotion activities:

The group collates known supported activities by customer, monitors past performance and effectiveness of previous estimates, and applies this information when determining the current liability.

Principal accounting policies (continued)

4 Principal accounting policies

4.1 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

4.2 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

4.3 Investments in joint ventures

Investments in joint ventures are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect the group's share of total comprehensive income and equity of the associate, less any impairment.

Losses in excess of the carrying amount of an investment in a joint venture are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the joint venture.

Investments in joint ventures are accounted for at cost less impairment in the individual financial statements

4.4 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Supply contracts: 5 years
- Fair value of brands acquired or transferred: 5 years
- Fair value of brands arising on consolidation: 5 years

Principal accounting policies (continued)

4.4 Intangible assets (continued)

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is expensed in profit or loss in the periods expected to be benefitted.

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

4.5 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Freehold buildings 50 years
- Casks 20 years
- Plant and machinery 10 to 20 years
- Computer hardware 4 years
- Furniture and equipment 10 years
- Motor vehicles 4 years

4.6 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.7 Investments

Investments comprise investments in unquoted equity instruments which are measured at fair value. Changes in fair value are recognised in profit or loss. Fair value is estimated by using a valuation technique applicable to the nature of the investment.

Where the fair value of an investment cannot be reliably measured then the investment is held at cost.

Principal accounting policies (continued)

4.8 Stocks

Stock are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

Cost is defined as the production cost (including distillery overhead) or purchase price, as appropriate, plus carrying costs of applicable warehouse rents and cask depreciation.

4.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

4.10 Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases. The group is only a party to operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

4.12 Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the interest rate swaps is determined by calculating the present value of the estimated future cash flows based on observable yield curves.

4.13 Provisions for liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Grants relating to capital projects are credited to Provisions for Liabilities on receipt. They are then released to profit over the period that the prospect of grant repayment expires.

Principal accounting policies (continued)

4.14 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.15 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts, excise duty, and value added taxes. Incidental excise duty included in retail sales made through the company's till systems in its retail shops and websites is not excluded; the impact is immaterial. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Principal accounting policies (continued)

4.15 Turnover (continued)

Sale of goods

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods has transferred to the buyer. In the case of the sale of maturing whisky held under bond this is the point at which the sale is agreed. For delivered goods this is at the point of despatch from the company's premises. Some terms of sale have risk and title passing at a different point in the delivery process; however, the value of goods affected and the period between despatch and title and risk legally passing is consistent across periods.

Rendering of services

Turnover from the rendering of services is recognised by reference to the period for which the service has been rendered. Services represent distillery visitor admissions income and the provision of warehouse rents for maturing whisky.

4.16 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Defined benefit scheme

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company or the group taking account of future intentions for the scheme.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefits vest. Interest on the scheme liabilities and the expected return on the scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of other comprehensive income

4.17 Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Principal accounting policies (continued)

4.17 Foreign currency translation (continued)

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

4.18 Financial instruments

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

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

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

Interest-bearing loans and borrowings:

Management initially assess whether interest bearing loans or borrowings are basic or non-basic and via this assessment all of the existing loans and borrowings are assessed as basic. All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Group profit and loss account

	Note	2019 £'000	2018 £'000
Group turnover	1	110,044	102,923
Cost of sales		(50,929)	(47,085)
Gross profit		59,115	55,838
Distribution costs		(13,335)	(9,963)
Administrative expenses		(22,264)	(20,353)
Other operating income	2	198	248
Operating profit	2	23,714	25,770
Income from participating interests		717	1,025
Total operating profit		24,431	26,795
Net interest	3	(1,558)	(1,278)
Other finance costs	4	25	(12)
Profit on ordinary activities before taxation		22,898	25,505
Tax on profit on ordinary activities	6	(5,146)	(5,371)
Profit retained and transferred to reserves		17,752	20,134

All of the activities of the group are classed as continuing for this and the prior year.

All of the profit for the financial year is attributable to owners of the parent.

Group statement of comprehensive income

	Note	2019 £'000	2018 £'000
Profit retained for the financial year		17,752	20,134
Other comprehensive income:			
Foreign exchange difference on retranslation of the investments in overseas subsidiary		1	(108)
Actual returns on pension scheme assets	23	473	138
Remeasurement of defined benefit obligation	23	(2,028)	879
Changes in effect of asset ceiling on defined benefit obligation	23	690	(690)
Deferred tax on pension scheme adjustments	23	56	(56)
Total comprehensive income for the year		16,944	20,297

All of the total comprehensive income is attributable to the owners of the parent.

Group balance sheet

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	8		4,925		7,472
Tangible assets	9		36,883		31,116
Investment in joint venture	10		6,992		6,445
Investments	10		19		19
			<u>48,819</u>		<u>45,052</u>
Current assets					
Stocks	11	115,894		94,273	
Debtors	12	25,193		23,000	
Cash at bank and in hand		<u>1,044</u>		<u>836</u>	
		142,131		118,109	
Creditors: amounts falling due within one year	14	<u>(25,232)</u>		<u>(24,091)</u>	
Net current assets			<u>116,899</u>		<u>94,018</u>
Total assets less current liabilities			165,718		139,070
Creditors: amounts falling due after more than one year	15		(66,329)		(55,628)
Provisions for liabilities					
Provision for other liabilities	17		(2,395)		(1,947)
Pension scheme	23		(411)		-
Net assets			<u>96,583</u>		<u>81,495</u>
Capital and reserves					
Called up share capital	19		214		214
Capital redemption reserve	20		137		137
Foreign exchange translation reserve			52		(95)
Retained earnings			<u>96,180</u>		<u>81,239</u>
Shareholders' funds			<u>96,583</u>		<u>81,495</u>

The financial statements were approved by the Board of Directors on 18 December 2019



Leonard S Russell
Director

Company No: SC032696

The notes on pages 29 to 48 form part of these financial statements.

Company balance sheet

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	8		4,925		7,472
Tangible assets	9		36,853		31,087
Investments	10		463		463
			<u>42,241</u>		<u>39,022</u>
Current assets					
Stocks	11	114,950		93,594	
Debtors	12	25,145		23,360	
Cash at bank and in hand		330		179	
		<u>140,425</u>		<u>117,133</u>	
Creditors: amounts falling due within one year	14	<u>(24,812)</u>		<u>(23,999)</u>	
Net current assets			<u>115,612</u>		<u>93,134</u>
Total assets less current liabilities			157,853		132,156
Creditors: amounts falling due after more than one year	15		(66,329)		(55,628)
Provisions for liabilities					
Provision for other liabilities	17		(2,400)		(1,949)
Pension scheme	23		(411)		-
			<u>88,714</u>		<u>74,579</u>
Capital and reserves					
Called up share capital	19		214		214
Capital redemption reserve	20		86		86
Profit for year			14,135		18,174
Retained earnings brought forward			74,279		56,105
Shareholders' funds			<u>88,714</u>		<u>74,579</u>

The financial statements were approved by the Board of Directors on 18 December 2019



Leonard S Russell
Director

Company No: SC032696

The notes on pages 29 to 48 form part of these financial statements.

Consolidated statement of cash flows

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Operating profit		23,714		25,770	
Amortisation	8	2,547		2,491	
Depreciation	9	2,376		2,160	
(Gain) on sale of tangible fixed assets	2	(23)		(15)	
Gain on sale of investment in associate	2	-		(681)	
Pension scheme recovery payments	23	(345)		(314)	
Leave pay provision	17	(14)		40	
Capital grant release		-		(8)	
Increase in stocks	11	(21,621)		(9,218)	
Increase in debtors	12	(2,193)		(3,186)	
Increase in creditors	14	1,859		1,595	
Net cash inflow from operations			6,300		18,634
Corporation tax			(4,771)		(3,962)
Net cash generated from operations			1,529		14,672
Cash flows from investing activities					
Purchase of tangible fixed assets	9	(8,154)		(7,614)	
Purchase of brands and additional consideration for brand	10	-		(570)	
Sale of tangible fixed assets		38		21	
Sale of investment in associate		-		700	
Net cash used in investing activities			(8,116)		(7,463)
Cash flows from financing activities					
Interest paid		(1,520)		(1,283)	
Repayment of asset based lending		(14,500)		(62,572)	
Drawdown of asset based lending		25,423		60,360	
Decrease in other loans		(758)		(2,194)	
Dividend paid		(2,001)		(1,006)	
Net cash generated from/(used in) financing activities			6,644		(6,595)
Net increase in cash and cash equivalents			57		614
Foreign exchange translation			151		(112)
Cash equivalents at start of year			836		334
Cash equivalents at end of year			1,044		836

The notes on pages 29 to 48 form part of these financial statements.

Consolidated statement of changes in equity

		Called up share capital and capital redemption reserve £'000	Foreign exchange translation reserve £'000	Retained earnings £'000	Total attributable to owners of the parent £'000
At 1 October 2017		351	13	61,839	62,203
Profit for year		-	-	20,134	20,134
Pension scheme actuarial gain for year	23	-	-	327	327
Deferred tax on actuarial gain	23	-	-	(56)	(56)
Retranslation of investments in overseas subsidiary		-	(107)	-	(107)
Dividend	7	-	-	(1,006)	(1,006)
At 30 September 2018		351	(94)	81,238	81,495
Profit for year		-	-	17,752	17,752
Pension scheme actuarial loss for year	23	-	-	(865)	(865)
Deferred tax on actuarial loss	23	-	-	56	56
Retranslation of investment in overseas subsidiary		-	146	-	146
Dividend	7	-	-	(2,001)	(2,001)
At 30 September 2019		<u>351</u>	<u>52</u>	<u>96,180</u>	<u>96,583</u>

Company statement of changes in equity

		Called up share capital and capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2017		300	56,105	56,405
Profit for year		-	18,909	18,909
Pension scheme actuarial gain for year	23	-	327	327
Deferred tax on actuarial gain	23	-	(56)	(56)
Dividend	7	-	(1,006)	(1,006)
At 30 September 2018		300	74,279	74,579
Profit for year		-	16,945	16,945
Pension scheme actuarial gain for year	23	-	(865)	(865)
Deferred tax on actuarial gain	23	-	56	56
Dividend	7	-	(2,001)	(2,001)
At 30 September 2019		<u>300</u>	<u>88,414</u>	<u>88,714</u>

Notes to the financial statements

1 Turnover

The analysis of turnover by geography is as follows:

	2019 £'000	2018 £'000
United Kingdom	50,597	48,856
European Union	11,561	13,598
Rest of world	47,886	40,469
	<u>110,044</u>	<u>102,923</u>

The analysis of turnover by category is as follows:

	2019 £'000	2019 £'000
Sale of goods	107,210	100,590
Rendering of services	2,834	2,333
	<u>110,044</u>	<u>102,923</u>

2 Operating profit

The operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Auditors remuneration:		
Fees payable to the auditor for the audit of the company's annual accounts	46	40
Fees payable to the company's auditor and its associates for other services:		
Tax compliance services	9	11
Corporate governance	4	-
Operating lease commitments in respect of:		
Buildings	35	17
Plant	44	52
Depreciation	1,959	1,945
Amortisation	2,547	2,491
Gain on sale of fixed assets	(23)	(15)
Gain on sale of investment in overseas associate	-	(681)
Foreign exchange gain	(42)	(1)
Management charge received	<u>(198)</u>	<u>(248)</u>

Cask depreciation is added to maturing whisky stock and released when the stock is drawn from the cask. This accounts for the difference between the profit and the loss charge and the amount recorded in fixed assets.

Notes to the financial statements (continued)

3 Net interest

	2019 £'000	2018 £'000
On asset based lending facility	1,401	1,146
Other loans	116	111
Share of net interest payable by joint ventures	41	21
	<u>1,558</u>	<u>1,278</u>

4 Other finance income / (costs)

	2019 £'000	2018 £'000
Interest income on pension scheme assets	338	311
Interest expense on pension scheme liabilities	(313)	(323)
	<u>25</u>	<u>(12)</u>

5 Directors and employees

The aggregate emoluments and the average number of employees of the company and its wholly owned subsidiary during the year are shown below:

	2019 £'000	2018 £'000
Wages and salaries	10,233	8,948
Social security costs	1,197	1,374
Other pension costs	1,215	1,103
	<u>12,645</u>	<u>11,425</u>

Average number of employees during year:

	2019 No	2018 No
Administration	158	150
Production	32	30
	<u>190</u>	<u>180</u>

Remuneration in respect of directors was as follows:

	2019 £'000	2018 £'000
Emoluments	<u>2,641</u>	<u>2,654</u>

Notes to the financial statements (continued)

5 Directors and employees (continued)

During the year one director (2018: one director) participated in the defined benefit pension scheme. Two directors participated in the defined contribution scheme (2018: two).

The amounts set out above include remuneration of the highest paid director as follows:

	2019 £'000	2018 £'000
Emoluments	<u>659</u>	<u>662</u>

The accrued pension entitlement of the highest paid director at the year-end was £nil (2018: £nil). The accrued lump sum on retirement is £nil (2018: £nil).

The key management personnel are the directors of the business.

6 Tax on profit on ordinary activities

	2019 £'000	2018 £'000
United Kingdom corporation tax	4,303	4,764
Overseas corporation tax	288	92
Share of tax charge on joint ventures and associates	129	197
Corporation tax adjustment in respect of prior years	<u>(11)</u>	<u>(12)</u>
Total current tax	4,709	5,041
Deferred tax:		
Current year charge	465	272
Prior year adjustment	-	7
Deferred tax on pension scheme liabilities	<u>(28)</u>	<u>51</u>
	<u>5,146</u>	<u>5,371</u>

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities (continued)

	2019 £'000	2018 £'000
Profit on ordinary activities before taxation	<u>22,898</u>	<u>25,505</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	4,351	4,846
Effects of:		
Fixed asset differences	237	188
Expenses not deductible for tax purposes	531	529
Income not taxable for tax purposes	(135)	(283)
Other tax adjustments reliefs and transfers	78	88
Other timing differences	(8)	(4)
Pension scheme deferred tax adjustment	(28)	51
R&D expenditure credits	1	1
Overseas subsidiary timing and rate differences	184	(14)
Difference in tax charge within joint venture and UK corporation tax rate	1	6
Corporation tax adjustment in respect of prior years	(11)	(12)
Deferred tax adjustment in respect of prior years	-	7
Deferred tax rate difference between provision at 17% and tax rates of 19.0% (2018: 19.0%)	(55)	(32)
Current tax charge for year	<u>5,146</u>	<u>5,371</u>

7 Dividends

	2019 £'000	2018 £'000
Paid during the year	<u>2,001</u>	<u>1,006</u>

On 26 October 2018, the directors declared an interim dividend of £9.35 per share (2018: £4.70).

Notes to the financial statements (continued)

8 Intangible fixed assets

Group and Company	Brands £'000
Cost	
At 1 October 2018	15,312
Additions	-
At 30 September 2019	<u>15,312</u>
Amortisation	
At 1 October 2018	7,840
Charge for the year	2,547
At 30 September 2019	<u>10,387</u>
Net book amount at 30 September 2019	<u>4,925</u>
Net book amount at 30 September 2018	<u>7,472</u>

Amortisation of intangible fixed assets is included in administrative expenses

Notes to the financial statements (continued)

9 Tangible fixed assets

Group	Heritable property £'000	Fixtures & office equipment £'000	Motor vehicles £'000	Casks £'000	Plant & equipment £'000	Assets in the course of construct- ion £'000	Total £'000
Cost							
At 1 October 2018	10,305	4,034	559	17,092	9,339	2,915	44,244
Additions	529	621	63	2,083	641	4,217	8,154
Transfers	1,750	-	-	-	-	(1,750)	-
Foreign exchange difference	-	6	-	-	-	-	6
Disposals	-	(4)	(131)	-	-	-	(135)
At 30 September 2019	<u>12,584</u>	<u>4,657</u>	<u>491</u>	<u>19,175</u>	<u>9,980</u>	<u>5,382</u>	<u>52,269</u>
Depreciation							
At 1 October 2018	1,821	2,026	340	4,112	4,829	-	13,128
Provided in the year	245	427	94	730	880	-	2,376
Foreign exchange difference	-	2	-	-	-	-	2
Disposals	-	-	(120)	-	-	-	(120)
At 30 September 2019	<u>2,066</u>	<u>2,455</u>	<u>314</u>	<u>4,842</u>	<u>5,709</u>	<u>-</u>	<u>15,386</u>
Net book amount at 30 September 2019	<u>10,518</u>	<u>2,202</u>	<u>177</u>	<u>14,333</u>	<u>4,271</u>	<u>5,382</u>	<u>36,883</u>
30 September 2018	<u>8,484</u>	<u>2,013</u>	<u>219</u>	<u>12,980</u>	<u>4,510</u>	<u>2,915</u>	<u>31,116</u>

The tangible fixed assets are eligible assets under the bond and floating charge. There are no fixed securities.

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

Company	Heritable property £'000	Fixtures & office equipment £'000	Motor vehicles £'000	Casks £'000	Plant & equipment £'000	Assets in the course of construct- -ion £'000	Total £'000
Cost							
At 1 October 2018	10,305	3,981	559	17,092	9,339	2,915	44,191
Additions	529	605	63	2,083	641	4,217	8,138
Transfers	1,750					(1,750)	-
Disposals	-	-	(131)	-	-	-	(131)
At 30 September 2019	<u>12,584</u>	<u>4,586</u>	<u>491</u>	<u>19,175</u>	<u>9,980</u>	<u>5,382</u>	<u>52,198</u>
Depreciation							
At 1 October 2018	1,821	2,002	340	4,112	4,829	-	13,104
Provided in the year	245	412	94	730	880	-	2,361
Disposals	-	-	(120)	-	-	-	(120)
At 30 September 2019	<u>2,066</u>	<u>2,414</u>	<u>314</u>	<u>4,842</u>	<u>5,709</u>	<u>-</u>	<u>15,345</u>
Net book amount at 30 September 2019	<u>10,518</u>	<u>2,172</u>	<u>177</u>	<u>14,333</u>	<u>4,271</u>	<u>5,382</u>	<u>36,853</u>
30 September 2018	<u>8,484</u>	<u>1,979</u>	<u>219</u>	<u>12,980</u>	<u>4,510</u>	<u>2,915</u>	<u>31,087</u>

The tangible fixed assets are eligible assets under the bond and floating charge. There are no fixed securities.

10 Fixed assets investments

Total fixed asset investments comprise:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interests in subsidiaries	-	-	194	194
Interest in joint venture undertaking	6,992	6,445	250	250
Other fixed asset investments	19	19	19	19
	<u>7,011</u>	<u>6,464</u>	<u>463</u>	<u>463</u>

Notes to the financial statements (continued)

10 Fixed assets investments (continued)

At 30 September 2019, the company had interests in the following subsidiaries:

Subsidiary undertaking	Class of share capital held	Proportion held	Country of incorporation	Nature of business
Edinburgh Gin Distillery*	Ordinary	100%	Scotland	Non-trading
Ian Macleod & Company Limited	Ordinary	100%	Scotland	Non-trading
Ian Macleod Distillers India Private Limited	Ordinary	100%	India	Distribution
Lang Brothers Limited	Ordinary	100%	Scotland	Non-trading
Hedges & Butler Limited	Ordinary	100%	Scotland	Non-trading
Wincarnis Limited	Ordinary	100%	Scotland	Non-trading
Peter J Russell & Company Limited	Ordinary	100%	Scotland	Non-trading
Scottish Independent Distillers Limited	Ordinary	100%	Scotland	Non-trading
Spencerfield Spirit Company Limited	Ordinary	100%	Scotland	Non-trading
Wm Maxwell (Scotch Whisky) Limited	Ordinary	100%	Scotland	Non-trading

* Indirect holding via Spencerfield Spirit Company Limited.

All of the companies incorporated in Scotland have their registered office address at Russell House, Dunnet Way, Broxburn, West Lothian, EH52 5BU. The registered office for Ian Macleod Distillers India Private Limited is E13/21, DLF Qutab Enclave-1, Gurgaon, India.

The year-end of Ian Macleod Distillers India Private Limited is 31 March and is therefore not coterminous with the group year end. As the results are not material to the group at this stage, they are based on the audited figures to 31 March 2019 plus and minus subsequent management figures. The remaining subsidiaries have year ends co-terminus with that of the company.

The Company

	Investments in subsidiaries £'000
Cost and net book value	
At 1 October 2018 and 30 September 2019	<u>194</u>

The investments in subsidiaries have no impairment provisions.

Notes to the financial statements (continued)

10 Fixed assets investments (continued)

Joint venture undertaking and associate:

At 30 September 2019, the company had an interest in the following joint venture undertaking

	Class of share capital held	Proportion held	Country of incorporation	Nature of business
Joint venture undertaking:				
Broxburn Bottlers Limited	Ordinary	50%	Scotland	Bottlers of Spirits

The financial year end of the Joint Venture is 31 December which is not coterminous with the group. As a result, the group equity accounts the results of its Joint Venture undertaking based on the audited financial statements for the year ended 31 December 2018 and the results drawn up for the period to 30 September 2019. The following information is extracted from the audited financial statements and management statements prepared to 30 September 2019.

The group's shares of the results, assets and liabilities of the joint venture are:

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Turnover	5,685	4,743
Profit before taxation	676	1,004
Taxation	(129)	(197)
Profit after taxation	547	807
Fixed assets	7,975	6,340
Current assets	5,840	4,146
Gross assets	13,815	10,486
Liabilities due within one year	(6,609)	(3,870)
Accruals and deferred income	(214)	(171)
Gross liabilities	(6,823)	(4,042)
	6,992	6,445

Notes to the financial statements (continued)

10 Fixed assets investments (continued)

Joint venture undertaking and associate (continued):

The cost of the Group's investment in its joint venture comprise:

	2019 £'000	2018 £'000
Cost	250	250
Group's share of post-acquisition reserves	6,742	6,195
	<u>6,992</u>	<u>6,445</u>

Other fixed asset investments

	£'000
Cost and net book value at 1 October 2018 and 30 September 2019	<u>19</u>

The investment is a minority holding of shares in the Scotch Whisky Heritage Centre Limited; an unlisted company which trades as the Scotch Whisky Experience.

11 Stocks

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Raw materials and consumables	3,245	3,370	3,245	3,370
Maturing whisky stocks	106,657	85,017	106,657	85,017
Finished goods	5,992	5,886	5,048	5,207
	<u>115,894</u>	<u>94,273</u>	<u>114,950</u>	<u>93,594</u>

Stock recognised in cost of sales during the year as an expense was £29,937,000 (2018: £27,443,000).

An impairment loss of £411,000 (2018: £485,000) was recognised in cost of sales against stock during the year for slow moving and/or obsolete stock.

The total carrying value of stock held is secured to the company's bankers under a bond and floating charge.

Notes to the financial statements (continued)

12 Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	20,133	20,568	19,937	20,426
Amounts owed by group undertaking	-	-	205	604
Amounts owed by joint venture undertaking	3,976	1,606	3,976	1,606
Other debtors	233	167	176	65
Prepayments	851	659	851	659
	<u>25,193</u>	<u>23,000</u>	<u>25,145</u>	<u>23,360</u>

An impairment loss of £47,000 (2018: £311,000) was recognised against trade debtors.
Trade debtors are secured to the company's bank under a bond and floating charge.

13 Financial instruments

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Carrying amount of financial assets:				
Cash and debt instruments measured at amortised cost	<u>25,386</u>	<u>23,177</u>	<u>24,624</u>	<u>22,880</u>
Carrying amount of financial liabilities:				
Measured at amortised cost	<u>84,674</u>	<u>74,688</u>	<u>84,281</u>	<u>74,597</u>

Financial assets comprise all debtors excluding prepayments plus cash. Financial liabilities include all current and long-term creditors except for accruals and capital grants.

14 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Overdraft	901	679	901	679
Trade creditors	8,054	6,779	8,054	6,655
Amounts owed to group undertaking	-	-	140	100
Amounts owed to joint venture undertaking	4,611	4,443	4,611	4,443
Corporation taxation	2,179	2,359	2,156	2,359
Social security and other taxes	1,333	628	832	561
Other creditors	150	118	118	118
Accruals and deferred income	4,708	5,031	4,704	5,030
Other loans (note 25)	3,296	4,054	3,296	4,054
	<u>25,232</u>	<u>24,091</u>	<u>24,812</u>	<u>23,999</u>

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year (continued)

Other loans include amounts due to directors and their immediate families of £3,296,000 (2018: £3,391,000) (see note 25). The balance of £nil (2018: £663,000) is due as additional consideration to the vendors of the subsidiary acquired in 2016.

15 Creditors: amounts falling due after more than one year

Group and Company

	2019 £'000	2018 £'000
Asset based lending facility	<u>66,329</u>	<u>55,628</u>

The asset based lending is secured by a sole floating charge which primarily relies on the value of inventory, it is then secured on trade debtors and any other assets of the business.

16 Borrowings

	Group and company	
	2019 £'000	2018 £'000
Within one year		
Overdraft	901	679
Other loans	<u>3,296</u>	<u>4,054</u>
	<u>4,197</u>	<u>4,733</u>
After two and within five years		
Asset based lending	<u>66,329</u>	<u>55,628</u>
	<u>70,526</u>	<u>60,361</u>

The asset based lending facility bears interest at 1.35% over three month LIBOR. The other loan balance relating to amounts due to directors and their immediate families and bears interest at 2.25% over LIBOR.

Notes to the financial statements (continued)

17 Provisions for other liabilities

The group

	Deferred Tax (note 18) £'000	Leave Pay £'000	Total £'000
At 1 October 2018	1,825	122	1,947
Additions	-	(14)	(14)
Origination and reversal of timing differences	463	-	463
Foreign exchange differences	(1)	-	(1)
At 30 September 2019	<u>2,287</u>	<u>108</u>	<u>2,395</u>

The company

	Deferred Tax (note 18) £'000	Leave Pay £'000	Total £'000
At 1 October 2018	1,827	122	1,949
Additions	-	(14)	(14)
Origination and reversal of timing differences	465	-	465
At 30 September 2019	<u>2,292</u>	<u>108</u>	<u>2,400</u>

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is a measure of the salary cost payable for the period of absence.

18 Deferred taxation

Deferred taxation:

	Group £'000	Company £'000
At 1 October 2018	1,825	1,827
Charge for year	462	465
At 30 September 2019	<u>2,287</u>	<u>2,292</u>

Notes to the financial statements (continued)

18 Deferred taxation (continued)

The deferred taxation provided at 17% (2017: 17%) relates to:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,845	1,445	1,850	1,455
Short term timing differences	418	348	418	348
Other timing difference	24	24	24	24
	<u>2,287</u>	<u>1,817</u>	<u>2,292</u>	<u>1,827</u>

Factors affecting current and future tax charges

The Finance (No.2) Act 2015 includes legislation which will reduce the rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance (No.2) Act was substantially enacted on 26 October 2015.

A further reduction to 17% with effect from 1 April 2020 has been substantially enacted in Finance Act 2016 on 15 September 2016. The recognised deferred tax balances have been re-measured at 17%.

Deferred taxation asset on the Pension Scheme Liability is recorded under the Pensions note (note 23).

19 Share capital

Group and Company

	2019	2018
	£'000	£'000
Authorised		
250,000 Ordinary shares of £1 each	<u>250</u>	<u>250</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>214</u>	<u>214</u>

The shares carry full equal voting rights and equal participation rights.

20 Reserves

Capital redemption reserve

	Group	Company
	£'000	£'000
At 1 October 2018 and 30 September 2019	<u>137</u>	<u>86</u>

Notes to the financial statements (continued)

21 Capital commitments

Capital commitments entered into by the group and company in respect of land and buildings at 30 September 2019 amounted to £933,000 (2018: £220,000). Capital commitments for plant and machinery amounted to £472,000 (2018: £374,000).

22 Commitments under operating leases

As at 30 September 2019, the group and company have future annual commitments under non-cancellable operating leases which expire in less than one year of £Nil (2018: £23,000). Annual commitments in respect of leases expiring between later than one year and not later than five years is £44,000 (2018: £28,000).

23 Pensions

Defined contribution scheme

The company contributes to Group Personal Pension funds for the benefit of the employees.

Defined Benefit Scheme

The company sponsors the Ian Macleod Distillers Retirement and Death Benefits Scheme which is a UK based defined benefit arrangement. The scheme is administered by an independent trustee with the assets held by them.

The last full actuarial valuation of the scheme was carried out by a qualified independent actuary as at 1 March 2017 which has been updated to September 2019. The major assumptions used by the actuary are shown below.

Pension costs are assessed in accordance with the advice of a qualified actuary using the projected unit method. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of returns on investments and the rates of increase in salaries. It was assumed that the investment returns would be 3.7% per annum and that salary increases would average 4.4% per annum and that no members would withdraw from service prior to retirement age.

The assets of the scheme had a market value at 1 March 2017 of £13,988,000. The actuarial value of the assets was sufficient to cover 102% of the value of the benefits that had accrued to members after allowing for expected future increases in earnings.

The contributions made by the employer over the financial year have been £533,000 (2018: £564,000). The company pays contributions at a rate of 42.5% (2018: 42.5%) of pensionable pay plus recovery payments of £300,000 per annum (2018: £300,000). The current year rates were set at the last triennial valuation effective as at 1 March 2017. The anticipated contributions payable in the 2019 financial year, based on the 2017 actuarial valuation, are £508,000.

Notes to the financial statements (continued)

23 Pensions (continued)

The evaluation of the scheme's financial position as at 30 September 2018 gave rise to a pension scheme asset (this year; liability). The company's aspiration, with the cooperation of the trustee, is to manage the scheme over the medium term so that the liabilities are transferred to other parties. To achieve this additional funding over and above the financial position arrived at by application of FRS102 is very likely to be required. Thus in 2018, the company applied an asset ceiling so that the scheme assets matched the scheme liabilities.

The actuarial assumptions applied to the scheme are:

	2019	2018	2017	2016	2014
Retail price inflation (RPI)	3.4%	3.4%	3.4%	3.3%	3.2%
Consumer price inflation (CPI)	2.5%	2.5%	2.5%	2.4%	2.3%
Salary increases	3.9%	3.9%	3.9%	3.8%	3.7%
Rate of discount	1.8%	2.9%	2.6%	2.4%	3.8%
Allowance for pension in payment increases of:					
RPI or 5% per annum with a minimum of 3% if less	3.5%	3.0%	3.0%	3.0%	3.0%
RPI or 2.5% if less	1.8%	2.5%	2.5%	2.4%	2.4%
Revaluation of deferred pensions of RPI or 5% per annum if less	3.5%	3.0%	3.0%	3.0%	3.0%
Allowance for commutation of pension for cash at retirement	12.5%	12.5%	12.5%	12.5%	12.5%

The mortality assumptions adopted at 30 September 2019 imply future life expectancies at the age of 65 of:

	Male	Female
Member retiring at 60 in 2019	25.9 years	27.9 years
Member retiring at 60 in 2039	27.0 years	29.2 years

Present values of scheme liabilities, fair value of assets and deficit

	2019 £'000	2018 £'000
Fair value of scheme assets	12,668	11,477
Present value of scheme liabilities	(13,163)	(10,787)
(Deficit) / Surplus in scheme	(495)	690
Effect of asset ceiling	-	(690)
Deferred tax on scheme liability at 17% (2018: 17%)	84	-
Pension scheme (liability) / asset	(411)	-

Notes to the financial statements (continued)

Pensions (continued)

Analysis of change in effect of asset ceiling	2019 £'000	2018 £'000
Effect of asset ceiling at beginning of period	690	-
Interest on the effect of the asset ceiling	-	-
Change in effect of asset ceiling, excluding interest	(690)	690
Effect of asset ceiling at end of period	<u>-</u>	<u>690</u>

The assets in the scheme are as follows:

	2019 £'000	2018 £'000
Equities	6,346	6,083
Bonds	2,710	2,181
Property	1,607	1,263
Cash and Gilts	2,005	1,950
Pension scheme asset	<u>12,668</u>	<u>11,477</u>

None of the fair values of assets shown above include any of the company's financial instruments or any property occupied by, or other assets used by, the company.

Reconciliation of opening and closing balances of the defined benefit obligation:

	2019 £'000	2018 £'000
Scheme liabilities at beginning of year	10,787	12,591
Current service costs	188	250
Interest cost	313	323
Remeasurement arising from changes in assumptions	2,063	(731)
Remeasurement arising from changes in experience	(35)	(148)
Benefits paid, death in service insurance premiums and expenses	(153)	(1,498)
Scheme liabilities at end of year	<u>13,163</u>	<u>10,787</u>

Notes to the financial statements (continued)

23 Pensions (continued)

Reconciliation of opening and closing balances of the fair value of plan assets:

	2019 £'000	2018 £'000
Scheme assets at beginning of year	11,477	11,962
Interest income	338	311
Actual return on scheme assets	473	138
Contributions by employer	533	564
Benefits paid, death in service insurance premiums and expenses	(153)	(1,498)
Scheme assets at end of year	<u>12,668</u>	<u>11,477</u>

The actual return on the scheme assets over the year ending 30 September 2019 was a gain of £811,000.

Total expense recognised in the profit and loss account is:

	2019 £'000	2018 £'000
Current service cost	188	250
Interest cost	313	323
Expected return on scheme assets	(338)	(311)
Total operating charge	<u>163</u>	<u>262</u>

Movement in deferred tax on pension scheme liability during year:

	2019 £'000	2018 £'000
Deferred tax asset on deficit at start of year	-	107
Recognised in the profit and loss account	28	(51)
Recognised in statement of comprehensive income	56	(56)
Deferred tax asset on deficit in scheme at end of year	<u>84</u>	<u>-</u>

24 Contingent liabilities, guarantees, and other financial commitments

There were no contingent liabilities in the current or prior year.

Notes to the financial statements (continued)

25 Transactions with related parties

	2019 £'000	2018 £'000
Supplies of goods and services to joint venture	16,198	14,471
Supplies of finished goods and services by joint venture	32,885	32,352
Management charges on joint venture	198	248
Sales to associates	-	205
Loans from directors and their immediate family	3,296	3,391
Interest payable on loans to directors and their immediate family	103	111
Dividends paid to Leonard Russell and his immediate family	<u>2,001</u>	<u>1,006</u>

Balances outstanding at the year end with the joint venture are disclosed in notes 12 and 14.

The company has taken advantage of the exemption available under FRS 102 not to disclose intra group transactions with wholly owned subsidiaries.

The key management personnel are the directors of the business.

26 Ultimate controlling party

The ultimate controlling party of the company is Leonard S Russell, by virtue of his majority shareholding.