

Group Strategic Report, Report of the Directors and
Audited Consolidated Financial Statements for the Year Ended 31 August 2015
for
Arran Brewery PLC

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for the Year Ended 31 August 2015

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Arran Brewery PLC

Company Information
for the Year Ended 31 August 2015

DIRECTORS:

Ms V Michaluk
G R Michaluk
N S Pyne

SECRETARY:

G R Michaluk

REGISTERED OFFICE:

100 Wellington Street
Glasgow
G2 6DH

REGISTERED NUMBER:

SC430232 (Scotland)

AUDITORS:

Richard G Beattie & Co
121 Moffat Street
Glasgow
G5 0ND

Group Strategic Report
for the Year Ended 31 August 2015

The directors present their strategic report of the company and the group for the year ended 31 August 2015.

REVIEW OF BUSINESS

The company made a strategic purchase during the year which has turned out to have been a very good investment substantially increasing our asset base.

Two of the three main risks identified in the risk register, and reported in last years accounts, unfortunately came home to roost: namely a substantial delay in going for the second round of crowd funding and supplier cost increases. This has caused a severe delay in our development plans.

The Arran Brewery continues to expand rapidly but due to these predicted, but unwanted events, and other unpredicted events meant the second round of crowd funding was delayed and this has put a serious strain on the finances of the organisation and therefore despite sales growth the carrying of extra staff and the need to fund delayed strategic investments has meant trading profitability has suffered. This delay in further investment has meant we are now approximately two years behind our growth projections.

However, expansion and investment in overseas sales capability has continued and will pay off in the financial year 2016.

A second round of crowd funding is scheduled in 2016 and our substantially strengthened balance sheet will help in this regard.

The future still looks bright for brewing and despite competitors making sizable investment. Arran Blonde was the 14th best selling bottled ale and the fourth fastest growing brand in the top 15 in Scotland in 2015.

The company also purchased a small brewery in Cambridgeshire and will bring this into production in 2016 as a conduit to the lucrative London market.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to risk and uses a risk register to determine the key risks and details our risk mitigation strategy. The register identified the following three major risks:

The second round of crowd funding is delayed. This would result in further delays to our expansion and necessitate the selling of some sites to raise capital for continued growth as well as the cancellation of some projects altogether.

A 'Sake' maker has invested over £9m in a brewery in Cambridge and may be able to bring their 'sake' to market before us. This may seriously curtail our ambitions in this market.

Access to market: During the year a large brewery competitor decided not to continue distributing our beer and this has caused a large increase in our distribution costs a more effective distribution method has to be established during 2016.

FINANCIAL KEY PERFORMANCE INDICATORS

Relating to Arran Brew Ltd, the only trading unit in the group, sales have improved by 37% however, losing the support of a player in delivering our goods to market, carrying delayed project staff and costs, and increased costs has taken its toll on our finances and cash flow has limited growth. Thus we did a little more than 5% less than our forecast but well within the forecasts' margin for error. That said our overall recognised financial gains for the year stand at £628,423.

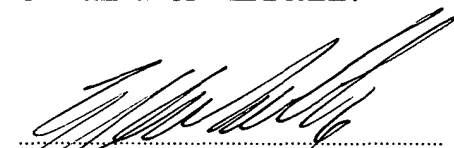
Arran Brewery PLC

Group Strategic Report
for the Year Ended 31 August 2015

FUTURE DEVELOPMENTS

Turnover in 2016 will be up but not substantially until we are able to successfully complete a second round of crowd funding our growth will be capped by available cash flow. We like wise due to the need for investment and to keep opportunities available do not predict a profit in 2016.

ON BEHALF OF THE BOARD:


.....
G R Michaluk - Director

Date:31.05.16.....

Report of the Directors
for the Year Ended 31 August 2015

The directors present their report with the financial statements of the company and the group for the year ended 31 August 2015.

DIVIDENDS

No dividends will be distributed for the year ended 31 August 2015.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 September 2014 to the date of this report.

Ms V Michaluk
G R Michaluk
N S Pyne

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the 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;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

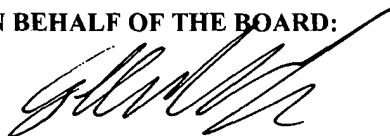
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Richard G Beattie & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
G R Michaluk - Director

Date: 31-05-16

Report of the Independent Auditors to the Members of
Arran Brewery PLC

We have audited the financial statements of Arran Brewery PLC for the year ended 31 August 2015 on pages six to seventeen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 a Report of the Auditors 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 31 August 2015 and of the group's loss 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.

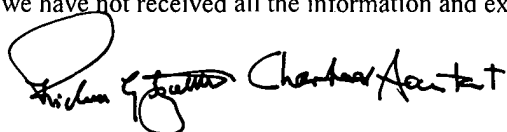
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Report of the Directors 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 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.



Richard G Beattie (Senior Statutory Auditor)
for and on behalf of Richard G Beattie & Co
121 Moffat Street
Glasgow
G5 0ND

Date: 31.5.16

Consolidated Profit and Loss Account
for the Year Ended 31 August 2015

	Notes	31.8.15 £	£	31.8.14 £	£
TURNOVER			946,651		688,624
Cost of sales			484,191		430,348
GROSS PROFIT			462,460		258,276
Distribution costs		41,902		31,956	
Administrative expenses		516,921		329,975	
			558,823		361,931
			(96,363)		(103,655)
Other operating income			27,286		13,673
OPERATING LOSS and LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3		(69,077)		(89,982)
Tax on loss on ordinary activities	4		-		-
LOSS FOR THE FINANCIAL YEAR FOR THE GROUP			(69,077)		(89,982)

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current year or previous year.


Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31 August 2015

	31.8.15 £	31.8.14 £
LOSS FOR THE FINANCIAL YEAR	(69,077)	(89,982)
Unrealised surplus on revaluation of properties	697,500	-
TOTAL RECOGNISED GAINS AND LOSSES		
RELATING TO THE YEAR	<u>628,423</u>	<u>(89,982)</u>

Consolidated Balance Sheet
31 August 2015

	Notes	31.8.15 £	31.8.14 £
FIXED ASSETS			
Tangible assets	7	949,025	97,396
Investments	8	-	-
		<u>949,025</u>	<u>97,396</u>
CURRENT ASSETS			
Stocks	9	172,088	174,067
Debtors	10	342,429	270,094
Cash at bank		29,844	62,446
		<u>544,361</u>	<u>506,607</u>
CREDITORS			
Amounts falling due within one year	11	510,406	249,446
		<u>510,406</u>	<u>249,446</u>
NET CURRENT ASSETS		<u>33,955</u>	<u>257,161</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>982,980</u>	<u>354,557</u>
CAPITAL AND RESERVES			
Called up share capital	12	50,207	50,207
Share premium	13	123,013	123,013
Revaluation reserve	13	697,500	-
Capital redemption reserve	13	271,319	271,319
Profit and loss account	13	(159,059)	(89,982)
SHAREHOLDERS' FUNDS	14	<u>982,980</u>	<u>354,557</u>

The financial statements were approved by the Board of Directors on 31.05.16 and were signed on its behalf by:

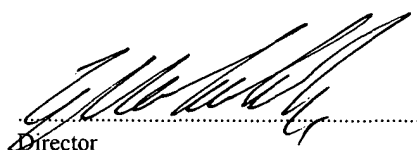

.....
G R Michaluk - Director

Company Balance Sheet

31 August 2015

	Notes	31.8.15 £	£	31.8.14 £	£
FIXED ASSETS					
Tangible assets	7		700,000		-
Investments	8		1		1
			<u>700,001</u>		<u>1</u>
CURRENT ASSETS					
Debtors	10	171,449		144,033	
Cash at bank		523		28,911	
		<u>171,972</u>		<u>172,944</u>	
CREDITORS					
Amounts falling due within one year	11	6,001		1,001	
		<u>6,001</u>		<u>1,001</u>	
NET CURRENT ASSETS			<u>165,971</u>		<u>171,943</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>865,972</u>		<u>171,944</u>
CAPITAL AND RESERVES					
Called up share capital	12		50,207		50,207
Share premium	13		123,013		123,013
Revaluation reserve	13		697,500		-
Profit and loss account	13		(4,748)		(1,276)
			<u>865,972</u>		<u>171,944</u>
SHAREHOLDERS' FUNDS	14		<u>865,972</u>		<u>171,944</u>

The financial statements were approved by the Board of Directors on 31.05.16 and were signed on its behalf by:


Director

Consolidated Cash Flow Statement
for the Year Ended 31 August 2015

	Notes	31.8.15 £	31.8.14 £
Net cash (outflow)/inflow from operating activities	1	(37,267)	105,850
Capital expenditure	2	(193,591)	(93,611)
		(230,858)	12,239
Financing	2	198,256	207
(Decrease)/increase in cash in the period		(32,602)	12,446

Reconciliation of net cash flow to movement in net funds

	3		
(Decrease)/increase in cash in the period		(32,602)	12,446
Change in net funds resulting from cash flows		(32,602)	12,446
Movement in net funds in the period		(32,602)	12,446
Net funds at 1 September		62,446	50,000
Net funds at 31 August		29,844	62,446

Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 August 2015

1. **RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	31.8.15 £	31.8.14 £
Operating loss	(69,077)	(89,982)
Depreciation charges	39,462	13,775
Government grant	27,285	390,445
Government grants	(27,285)	(13,673)
Decrease/(increase) in stocks	1,979	(174,067)
Increase in debtors	(71,679)	(270,094)
Increase in creditors	62,048	249,446
Net cash (outflow)/inflow from operating activities	(37,267)	105,850

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	31.8.15 £	31.8.14 £
Capital expenditure		
Purchase of tangible fixed assets	(193,591)	(93,611)
Net cash outflow for capital expenditure	(193,591)	(93,611)
Financing		
Amount introduced by directors	27,776	-
Share issue	-	207
Net Funds From Related Parties	170,480	-
Net cash inflow from financing	198,256	207

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.9.14 £	Cash flow £	At 31.8.15 £
Net cash:			
Cash at bank	62,446	(32,602)	29,844
	<u>62,446</u>	<u>(32,602)</u>	<u>29,844</u>
Total	<u>62,446</u>	<u>(32,602)</u>	<u>29,844</u>

Notes to the Consolidated Financial Statements
for the Year Ended 31 August 2015

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- in accordance with the property
Plant and machinery	- 25% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. **STAFF COSTS**

	31.8.15	31.8.14
	£	£
Wages and salaries	243,677	117,675
Social security costs	16,051	17,378
	<u>259,728</u>	<u>135,053</u>

The average monthly number of employees during the year was as follows:

31.8.15	31.8.14
<u> </u>	<u> </u>

3. **OPERATING LOSS**

The operating loss is stated after charging:

	31.8.15	31.8.14
	£	£
Depreciation - owned assets	39,462	13,775
Auditors' remuneration	8,000	8,750
	<u> </u>	<u> </u>
Directors' remuneration	<u>34,980</u>	<u>36,791</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 August 2015

4. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 August 2015 nor for the year ended 31 August 2014.

5. **LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Profit and Loss Account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(3,472) (2014 - £(1,276)).

6. **GOING CONCERN**

The group generated a net profit of £628,423 during the year ended 31 August 2015 and owed £228,502 (2014: £ 57,366) to its related parties at the balance sheet date.

Financial forecasts have been prepared by the directors of the group that indicate that future funding will be required within the next twelve months. Whilst the directors are confident of raising additional funds there is no certainty that such funds will be secured. The group's ability to continue normal trading operations is dependent on the continued financial support of its related parties which will allow the group to meet its obligations as they fall due.

The directors have acknowledged that these conditions indicate a material uncertainty which may cast significant doubt on the ability of the group to continue as a going concern. The directors review the position on an annual basis and obtained confirmation that the related parties will provide ongoing financial support for a period of at least twelve months from the date of approval of these financial statements. They are satisfied over the validity of this financial support and the availability of future funding sources and accordingly believe that the going concern basis continues to be appropriate. These financial statements have therefore been prepared on the going concern basis and do not include any adjustments that would arise if the group were unable to continue as a going concern.

7. **TANGIBLE FIXED ASSETS**

Group

	Freehold property £	Improvements to property £	Plant and machinery £
COST OR VALUATION			
At 1 September 2014	-	63,331	17,026
Additions	2,500	104,466	40,713
Revaluations	697,500	-	-
	<hr/>	<hr/>	<hr/>
At 31 August 2015	700,000	167,797	57,739
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 September 2014	-	5,017	3,971
Charge for year	-	5,225	14,435
	<hr/>	<hr/>	<hr/>
At 31 August 2015	-	10,242	18,406
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 August 2015	700,000	157,555	39,333
	<hr/>	<hr/>	<hr/>
At 31 August 2014	-	58,314	13,055
	<hr/>	<hr/>	<hr/>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 August 2015

7. TANGIBLE FIXED ASSETS - continued

Group

	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION			
At 1 September 2014	14,706	18,595	113,658
Additions	25,304	20,608	193,591
Revaluations	-	-	697,500
At 31 August 2015	40,010	39,203	1,004,749
DEPRECIATION			
At 1 September 2014	2,567	4,707	16,262
Charge for year	10,002	9,800	39,462
At 31 August 2015	12,569	14,507	55,724
NET BOOK VALUE			
At 31 August 2015	27,441	24,696	949,025
At 31 August 2014	12,139	13,888	97,396

Cost or valuation at 31 August 2015 is represented by:

	Freehold property £	Improvements to property £	Plant and machinery £
Valuation in 2015	700,000	167,797	57,739
	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2015	40,010	39,203	1,004,749

If Freehold Property had not been revalued it would have been included at the following historical cost:

	31.8.15	31.8.14
	£	£
Cost	2,500	-

Freehold Property was valued on an open market basis on 28 April 2016 by Savills.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 August 2015

7. **TANGIBLE FIXED ASSETS - continued**

Company

	Freehold property £
COST OR VALUATION	
Additions	2,500
Revaluations	697,500
	<hr/>
At 31 August 2015	700,000
	<hr/>
NET BOOK VALUE	
At 31 August 2015	700,000
	<hr/> <hr/>

Cost or valuation at 31 August 2015 is represented by:

	Freehold property £
Valuation in 2015	700,000
	<hr/> <hr/>

8. **FIXED ASSET INVESTMENTS**

Company

	Shares in group undertakings £
COST	
At 1 September 2014 and 31 August 2015	1
	<hr/>
NET BOOK VALUE	
At 31 August 2015	1
	<hr/> <hr/>
At 31 August 2014	1
	<hr/> <hr/>

9. **STOCKS**

	Group	
	31.8.15 £	31.8.14 £
Raw materials	40,611	33,074
Work-in-progress	34,742	19,028
Finished goods	96,735	121,965
	<hr/>	<hr/>
	172,088	174,067
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 August 2015

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.8.15	31.8.14	31.8.15	31.8.14
	£	£	£	£
Trade debtors	181,207	134,155	-	-
Amounts owed by group undertakings	-	-	138,809	111,393
Other debtors	33,627	9,000	-	-
Amounts owed by related party	124,849	124,193	32,640	32,640
Prepayments	2,746	2,746	-	-
	<u>342,429</u>	<u>270,094</u>	<u>171,449</u>	<u>144,033</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.8.15	31.8.14	31.8.15	31.8.14
	£	£	£	£
Trade creditors	181,559	103,591	-	-
Social security and other taxes	23,791	52,946	-	-
Other creditors	51,907	20,300	3,501	1,001
Amounts owed to related party	228,502	57,366	-	-
Accrued expenses	24,647	15,243	2,500	-
	<u>510,406</u>	<u>249,446</u>	<u>6,001</u>	<u>1,001</u>

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	31.8.15	31.8.14
Number:	Class:		£	£
500,000	Ordinary A	£0.10	50,000	50,000
2,067	Ordinary B	£0.1	207	207
			<u>50,207</u>	<u>50,207</u>

13. RESERVES

Group	Profit and loss account £	Share premium £	Revaluation reserve £	Capital redemption reserve £	Totals £
At 1 September 2014	(89,982)	123,013	-	271,319	304,350
Deficit for the year	(69,077)				(69,077)
Bonus share issue	-	-	697,500	-	697,500
At 31 August 2015	<u>(159,059)</u>	<u>123,013</u>	<u>697,500</u>	<u>271,319</u>	<u>932,773</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 August 2015

13. **RESERVES - continued**

Company	Profit and loss account £	Share premium £	Revaluation reserve £	Totals £
At 1 September 2014	(1,276)	123,013	-	121,737
Deficit for the year	(3,472)			(3,472)
Bonus share issue	-	-	697,500	697,500
At 31 August 2015	<u>(4,748)</u>	<u>123,013</u>	<u>697,500</u>	<u>815,765</u>

14. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

Group	31.8.15 £	31.8.14 £
Loss for the financial year	(69,077)	(89,982)
Other recognised gains and losses relating to the year (net)	697,500	-
Shares issue during the year	-	207
Share premium on shares issued	-	123,013
Capital contribution - arising in year	-	271,319
Net addition to shareholders' funds	<u>628,423</u>	<u>304,557</u>
Opening shareholders' funds	354,557	50,000
Closing shareholders' funds	<u>982,980</u>	<u>354,557</u>
Company	31.8.15 £	31.8.14 £
Loss for the financial year	(3,472)	(1,276)
Other recognised gains and losses relating to the year (net)	697,500	-
Shares issued during the period	-	207
Share premium on shares issued	-	123,013
Net addition to shareholders' funds	<u>694,028</u>	<u>121,944</u>
Opening shareholders' funds	171,944	50,000
Closing shareholders' funds	<u>865,972</u>	<u>171,944</u>