

Financial Statements for the Year Ended 31 March 2023

for

The Borders Distillery Company Limited

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for the Year Ended 31 March 2023**

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**Company Information
for the Year Ended 31 March 2023**

DIRECTORS: Mr M F Beamish
Mr P D'Harcourt
Mr L J Fordyce
Mr R J Kouyoumdjian
Mr H Hungin

SECRETARY: Ms G Carlow

REGISTERED OFFICE: The Borders Distillery
Hawick
Roxburghshire
TD9 7AQ

REGISTERED NUMBER: SC445020 (Scotland)

SENIOR STATUTORY AUDITOR: Alan W Drummond BA CA FMAAT

AUDITORS: Douglas Home & Co (Audit) Limited
47-49 The Square
Kelso
Roxburghshire
TD5 7HW

The Borders Distillery Company Limited (Registered number: SC445020)

**Balance Sheet
31 March 2023**

		31/3/23		31/3/22 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	4		27,751		23,103
Property, plant and equipment	5		<u>9,737,136</u>		<u>9,608,514</u>
			<u>9,764,887</u>		<u>9,631,617</u>
CURRENT ASSETS					
Inventories		6,728,115		4,743,155	
Debtors	6	237,457		336,822	
Cash at bank and in hand		<u>578,586</u>		<u>175,947</u>	
		7,544,158		5,255,924	
CREDITORS					
Amounts falling due within one year	7	<u>3,577,751</u>		<u>716,782</u>	
NET CURRENT ASSETS			<u>3,966,407</u>		<u>4,539,142</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			13,731,294		14,170,759
CREDITORS					
Amounts falling due after more than one year	8		<u>12,831,121</u>		<u>10,703,517</u>
NET ASSETS			<u>900,173</u>		<u>3,467,242</u>
CAPITAL AND RESERVES					
Called up share capital	10		6,747		6,747
Share premium			15,368,578		15,368,578
Other reserves			1,989,175		2,294,458
Retained earnings			<u>(16,464,327)</u>		<u>(14,202,541)</u>
SHAREHOLDERS' FUNDS			<u>900,173</u>		<u>3,467,242</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2023 and were signed on its behalf by:

Mr L J Fordyce - Director

**Statement of Changes in Equity
for the Year Ended 31 March 2023**

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 1 April 2021	6,506	(12,026,537)	15,015,067	2,591,703	5,586,739
Changes in equity					
Issue of share capital	241	-	353,511	-	353,752
Total comprehensive income	-	(2,473,249)	-	-	(2,473,249)
Other movements	-	297,245	-	(297,245)	-
Balance at 31 March 2022	<u>6,747</u>	<u>(14,202,541)</u>	<u>15,368,578</u>	<u>2,294,458</u>	<u>3,467,242</u>
Changes in equity					
Total comprehensive income	-	(2,588,756)	-	-	(2,588,756)
Other movements	-	326,970	-	(326,970)	-
Share option	-	-	-	21,687	21,687
Balance at 31 March 2023	<u>6,747</u>	<u>(16,464,327)</u>	<u>15,368,578</u>	<u>1,989,175</u>	<u>900,173</u>

**Notes to the Financial Statements
for the Year Ended 31 March 2023**

1. STATUTORY INFORMATION

The Borders Distillery Company Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

Trademarks	10 years straight line
Patents and website costs	3 years straight line

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses.

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

Land and buildings	30 years straight line
Plant and machinery	Between 3 and 30 years
Casks	16 years straight line
Computer equipment	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises all costs incurred in bringing each product to its present location and condition. Raw materials are held on an average cost basis. Work in progress and finished goods include costs of direct materials and attributable overheads based on a normal level of activity.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

2. ACCOUNTING POLICIES - continued

Deferred tax

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Foreign currencies

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

Employee benefits, pension costs and other post-retirement benefits

Cost of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognized as part of the cost of stock or fixed assets.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

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

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

Going concern

In assessing whether the financial statements should continue to be prepared on a going concern basis, the directors have considered a period of twelve months from the date of approval of these financial statements and have reviewed cash flow projections. The directors consider the entity to have sufficient liquid assets and the required funding to meet its obligations for a period of at least 12 months from the date of signing these financial statements.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 17 (2022 - 20) .

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

4. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 April 2022	108,046
Additions	15,110
At 31 March 2023	<u>123,156</u>
AMORTISATION	
At 1 April 2022	84,943
Amortisation for year	10,462
At 31 March 2023	<u>95,405</u>
NET BOOK VALUE	
At 31 March 2023	<u>27,751</u>
At 31 March 2022	<u>23,103</u>

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Plant and machinery £	Casks £	Computer equipment £	Totals £
COST					
At 1 April 2022	6,697,023	3,884,068	1,131,309	43,807	11,756,207
Additions	30,809	30,665	636,994	4,607	703,075
At 31 March 2023	<u>6,727,832</u>	<u>3,914,733</u>	<u>1,768,303</u>	<u>48,414</u>	<u>12,459,282</u>
DEPRECIATION					
At 1 April 2022	523,605	1,478,830	120,202	25,056	2,147,693
Charge for year	206,387	266,570	90,613	10,883	574,453
At 31 March 2023	<u>729,992</u>	<u>1,745,400</u>	<u>210,815</u>	<u>35,939</u>	<u>2,722,146</u>
NET BOOK VALUE					
At 31 March 2023	<u>5,997,840</u>	<u>2,169,333</u>	<u>1,557,488</u>	<u>12,475</u>	<u>9,737,136</u>
At 31 March 2022	<u>6,173,418</u>	<u>2,405,238</u>	<u>1,011,107</u>	<u>18,751</u>	<u>9,608,514</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/3/23 £	31/3/22 as restated £
Trade debtors	94,316	74,239
Other debtors	52,231	200,116
VAT	48,690	44,221
Prepayments	<u>42,220</u>	<u>18,246</u>
	<u>237,457</u>	<u>336,822</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/3/23	31/3/22 as restated
	£	£
Other loans	2,400,000	-
Trade creditors	453,462	373,483
Social security and other taxes	15,788	13,573
Other creditors	20,230	38,538
Accruals and deferred income	688,271	291,188
	<u>3,577,751</u>	<u>716,782</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31/3/23	31/3/22 as restated
	£	£
Bank loans - 2-5 years	8,908,826	4,612,549
Other loans - 2-5 years	-	2,400,000
Accruals and deferred income	3,922,295	3,690,968
	<u>12,831,121</u>	<u>10,703,517</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

In November 2015, the company issued 4,400,000 £1 Class A loan notes. Compound interest is payable at 14.5% per annum on loan notes. Under the terms of the loan agreement, accumulated interest is payable in one instalment in October 2027. The loan stock is also redeemable at par on this date, although early redemption is permitted at the discretion of the directors.

In connection with the loan notes issued, the company granted several of the directors an option to subscribe for additional loan notes in the future if certain conditions are met. The maximum number of loan notes that can be issued to the note holders is 71,750 £1 loan notes.

In October 2018, the company issued 665,208 £1 class B loan notes. Compound interest is payable at 14.5% per annum on loan notes. Under the terms of the loan agreement, accumulated interest is payable in one instalment in October 2027. The loan stock is also redeemable at par on this date, although early redemption is permitted at the discretion of the directors.

In February 2019, the company issued 1,452,104 £1 class C loan notes. Compound interest is payable at 14.5% per annum on loan notes. Under the terms of the loan agreement, accumulated interest is payable in one instalment in October 2027. The loan stock is also redeemable at par on this date, although early redemption is permitted at the discretion of the directors.

In October 2019, the company issued 56,842 £1 class C loan notes. Compound interest is payable at 14.5% per annum on loan notes. Under the terms of the loan agreement, accumulated interest is payable in one instalment in October 2027. The loan stock is also redeemable at par on this date, although early redemption is permitted at the discretion of the directors.

The company entered into a finance facility during 2018 which includes £2.25m of asset finance and a property facility of £470,000. These are secured over the property at Commercial Road, Hawick and bear interest at 5.25% and 6.5% respectively. There is also a floating charge over the assets of the company.

In December 2019 a loan for the construction of a new warehouse was issued totalling £2.4m. The loan bears a fixed rate of interest at 8%, and is due to expire in 2024. This was split between shareholders Drake Enterprises Limited (£1,740,842) and Mountain Berg Limited (£659,158).

On 30 March 2021 the Class A, B and C loan notes terms were modified to include a conversion option. This was considered a substantial modification of the terms of the loan notes. On 31 March 2021 Class A, B and C loan notes were converted into equity as permitted under the terms of the modified agreement. On this date a total of 3,287,077 shares were issued at £0.001 for the principal loan amount of £6,574,154 across the three classes of loan note. Accumulated interest to the date of conversion remains payable and is recognised within creditors. The terms of the modified loan notes include a redemption date of October 2027 for the accumulated interest, therefore this amount has been discounted to represent the fair value of the liability, and the discount reflected in other reserves within the Statement of Changes in Equity.

As at 31 March 2023, active loan notes totalled £2,400,000 (2022: £2,400,000).

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2023**

9. SECURED DEBTS

The following secured debts are included within creditors:

	31/3/23	31/3/22 as restated
	£	£
Bank loans	8,908,826	4,612,549
Other loans	2,400,000	2,400,000
	<u>11,308,826</u>	<u>7,012,549</u>

Santander UK PLC has a floating charge covering all the property or undertaking of the company.

Badenoch & Co Limited as the Trustee for the secured parties for land owned by the company.

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31/3/23	31/3/22 as restated
			£	£
6,747,379	Ordinary shares	£0.001	<u>6,747</u>	<u>6,747</u>

11. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Alan W Drummond BA CA FMAAT (Senior Statutory Auditor)
for and on behalf of Douglas Home & Co (Audit) Limited

12. RELATED PARTY DISCLOSURES

In the year the company purchased services from a company controlled by one of the directors who served during the year. This amounted to £47,500 (2022: £57,500).

13. ULTIMATE CONTROLLING PARTY

The directors have determined that there is no immediate or ultimate controlling party.

14. SHARE-BASED PAYMENT TRANSACTIONS

At the year end unexpired share options total 200,000 option shares with an exercise price per option share of £0.20. The total fair value of these options has been calculated at £21,687 using the Black-Scholes model. The options will vest once the conditions in the agreement are met.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2023

15. PRIOR YEAR ADJUSTMENTS

The accounting treatment of cask purchases is changed from treating the cask purchases as stock to capitalising the cask purchases as fixed assets with the annual depreciation charge to stock. In the judgement of the management, this change in accounting policy more fairly represents the economic substance of the transactions and results in the financial statements providing more reliable and relevant information about the effects of the transactions on the company's financial position and financial performance.

The effect on the figures, with the restatement of the prior year comparatives, is as follows:

	31.03.23	31.03.22 as restated
	£	£
Fixed Assets		
- Cask cost	636,994	1,131,309
- Cask depreciation	<u>(90,613)</u>	<u>(120,202)</u>
	<u>546,381</u>	<u>1,011,107</u>
Stocks		
- Cask cost	(636,994)	(1,131,309)
- Cask depreciation	<u>90,613</u>	<u>120,202</u>
	<u>(546,381)</u>	<u>(1,011,107)</u>

There is no adjustment to the income statement in either the current or prior year as a consequence of this change in accounting policy.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.