

Company registration number: 09068458

WHISKYINVESTDIRECT LIMITED
FILLETED ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

SATURDAY



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WHISKYINVESTDIRECT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

The directors present their report and the financial statements for the year ended 31 October 2018.

Directors of the company

The directors who held office during the year were as follows:

C T Evans

P G Tustain

R C Patrick

A R Procter

Principal activity

The principal activity of the company is that of enabling its customers to buy and sell barrel whisky for maturation, via the internet, and arranging the custody of the alcohol in professional bonded storage in Scotland. The company delivers its service through the WhiskyInvestDirect.com website.

Business review

WhiskyInvestDirect continued to make good progress in the 2018 financial year. This year we encountered a few headwinds as GDPR reduced our ability to market whisky to existing BullionVault customers. We also saw a natural falling-off of registrations from BV customers as we entered our third year. That said, new registrations in the year were 2,253 and we gained 569 new funded accounts. Total litres owned by WID customers rose 56% from 4.1m to 6.4m, a very solid increase.

Our customers continue to experience the increasingly positive returns from holding maturing stocks of Scotch whisky. Malt whisky has been appreciating slightly ahead of the long-term average of 7-8%, whilst grain prices have remained weak, giving investors a low single digit net return.

One of the highlights of the last six months has been the two bulk trade bids which saw two lines of maturing stock bought back by the industry at prices which gave investors an annualised return of over 10% net of all costs. These bids were welcome not only because they showed that the WID business proposition works but also as a good sign that our platform prices are competitive.

The full year turnover was slightly ahead of last year at £7m. Our gross profit margin declined by 3.6% to £654k. Due to a slightly higher overhead charge our profit after tax dipped slightly to £105k, increasing our total equity to £2.2m.

One of the key goals is to widen our supply base. We bought from three new malt whisky distillers last year, Bladnoch, The Three Stills Company and Whyte & Mackay from whom we had previously only bought grain whisky. This helped to further reduce our reliance on Diageo. And, we have two more potential suppliers in the pipeline.

WHISKYINVESTDIRECT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

I'd like to highlight one key accounting rule that impacts how we report our numbers. All Scotch whisky companies are obliged to value their stock at the lower of cost or net realisable value. While our management accounts report the WID stock holding at market levels (the same prices as are being used in trades by customers and trade buyers), any gain in value of our own stock is removed from the Profit & Loss when we produce our statutory accounts. In this financial year that value reduction was approximately £117k or approximately 8% of the total value of stock held. In the comparison year shown in the accounts (accounting year ended October 2017) the value reduction was minimal, and no adjustment was made. Without this adjustment our operating profit would have been in line with the previous year.

The James Eadie subsidiary business also fought some tougher conditions in this financial year, reporting flat sales on prior year, with some higher operational costs. Four export markets failed to live up to expectations and we lost three distributors as a result. Our entry into the US market was also slower than expected. One highlight was our UK performance where we doubled prior year sales. As reported last year, we don't expect this branded whisky business to be profitable in the early years. However, I'm pleased to report that early evidence in our new year (2018/2019) is encouraging with sales in Q1 100% up on the same period of 2017/2018 and Q2 is forecast to be equally positive.

Outlook

Last year we reported that it was likely that 2018 would be a record year for global Scotch whisky sales. Indeed, it was. Sales hit £4.7bn, an increase of 7.8% on the previous year. It is encouraging to see the depth and breadth of this rise. The US market passed the £1bn level for the first time, Europe was up 1.4% by value and Asia and Oceania was up 15% by value. India was especially buoyant.

Blend sales have shown modest growth, but single malt whisky sales have grown by 11% over the last year. Scotch companies have realised that this trend is likely to continue, and portfolios are being rebalanced to accommodate this changing picture.

The positive outlook for malt whisky started to develop many years' ago and has encouraged a lot of small distillers to start up, raising the question about a future Scotch whisky glut. However, since 25 of the recently built distilleries have a combined production capacity of only 11m litres, it is clear that the health of the overall industry will still be determined by the top few distillers who control the majority of production.

With regard to Brexit, Karen Betts, CEO of the Scotch Whisky Association, has clearly stated that the industry can adapt to changes in the way in which we export to Europe and elsewhere in the world, but we need to know in sufficient time what those changes are so we can plan system changes and implement them. And, with no deal on the terms of the UK's departure from the EU agreed in Parliament, she says she is increasingly concerned about the impact of a no-deal Brexit and the difficulties and disruption that would bring.

Brexit aside, I believe that WhiskyInvestDirect's proposition is increasingly relevant in this vibrant market. Scotch whisky, as an investment, is now more widely understood. And, as Scotch whisky grows, and more players enter the market so the need to trade stock efficiently increases.

WHISKYINVESTDIRECT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Albert Goodman LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board on 9 April 2019 and signed on its behalf by:



R C Patrick
Director

WHISKYINVESTDIRECT LIMITED
(REGISTRATION NUMBER: 09068458)
BALANCE SHEET AS AT 31 OCTOBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	4	270,801	205,778
Investments	5	<u>10,000</u>	<u>10,000</u>
		<u>280,801</u>	<u>215,778</u>
Current assets			
Stocks	6	1,388,958	1,048,014
Debtors	7	268,222	176,929
Cash at bank and in hand		<u>2,240,315</u>	<u>2,741,059</u>
		3,897,495	3,966,002
Creditors: Amounts falling due within one year	8	<u>(353,266)</u>	<u>(475,682)</u>
Net current assets		<u>3,544,229</u>	<u>3,490,320</u>
Total assets less current liabilities		3,825,030	3,706,098
Creditors: Amounts falling due after more than one year	8	(1,554,972)	(1,554,972)
Provisions for liabilities			
Deferred tax liabilities		<u>(51,452)</u>	<u>(37,198)</u>
Net assets		<u>2,218,606</u>	<u>2,113,928</u>
Capital and reserves			
Called up share capital		80,000	80,000
Share premium reserve		2,003,333	2,003,333
Profit and loss reserve		<u>135,273</u>	<u>30,595</u>
Total equity		<u>2,218,606</u>	<u>2,113,928</u>

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006. The option not to file the profit and loss account and directors' report has been taken.

Approved and authorised by the Board on 9 April 2019 and signed on its behalf by:

R C Patrick
 Director



WHISKYINVESTDIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

7th Floor
3 Shortlands
London
W6 8DA
United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in Sterling (£).

Turnover recognition

Turnover represents amounts receivable before the sale of whisky and the related services as part of a composite supply of services to customers and includes interest earned on client accounts.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Exchange differences are recognised in the profit and loss in the period in which they arise.

WHISKYINVESTDIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit. Deferred tax liabilities are presented within provisions for liabilities on the balance sheet.

Deferred tax is recognised on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax liabilities are presented within provisions for liabilities on the balance sheet.

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation of tangible assets

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant & machinery	Straight line over 15 years

Investments

Investments in equity shares which are not publicly traded are measured at cost less impairment.

Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

WHISKYINVESTDIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

Debtors

Other financial assets are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Creditors

Other financial liabilities are measured individually at fair value net of transaction costs and subsequently at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Reserves

Called up share capital represents the nominal value of shares that have been issued.

Share premium account includes any premiums received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from the share premium.

Profit and loss account includes all current and prior period profits and losses.

Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

WHISKYINVESTDIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Client accounts

The company operates separately designated client accounts in each currency in which the company trades. Customers are only able to purchase whisky once the company has received cleared money and this money is paid to and held in the separately designated client accounts. As these amounts are held within designated client accounts and beneficial entitlement is retained by the customers, these cash balances are not included in the balance sheet of the company.

Redeemable preference shares

Redeemable preference shares are treated as non-current loans and borrowings, which is in accordance with FRS 102.

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NOTES TO THE FINANCIAL STATEMENTS
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3 Staff numbers

The average number of persons employed by the company (including directors) during the year was 7 (2017 - 4).

4 Tangible assets

	Plant and machinery £	Total £
Cost or valuation		
At 1 November 2017	221,969	221,969
Additions	<u>82,112</u>	<u>82,112</u>
At 31 October 2018	<u>304,081</u>	<u>304,081</u>
Depreciation		
At 1 November 2017	16,191	16,191
Charge for the year	<u>17,089</u>	<u>17,089</u>
At 31 October 2018	<u>33,280</u>	<u>33,280</u>
Carrying amount		
At 31 October 2018	<u>270,801</u>	<u>270,801</u>
At 31 October 2017	<u>205,778</u>	<u>205,778</u>

5 Investments

	2018 £	2017 £
Investments in subsidiaries	<u>10,000</u>	<u>10,000</u>
Subsidiaries		
		£
Cost or valuation		
At 1 November 2017		<u>10,000</u>
At 31 October 2018		<u>10,000</u>
Carrying amount		
At 31 October 2018		<u>10,000</u>
At 31 October 2017		<u>10,000</u>

WHISKYINVESTDIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

6 Stocks

	2018	2017
	£	£
Whisky	<u>1,388,958</u>	<u>1,048,014</u>

7 Debtors

	Note	2018	2017
		£	£
Amounts owed by group undertakings and undertakings in which the company has a participating interest	10	201,924	80,483
Other debtors		<u>66,298</u>	<u>96,446</u>
Total current debtors		<u>268,222</u>	<u>176,929</u>

8 Creditors

Creditors: amounts falling due within one year

	Note	2018	2017
		£	£
Due within one year			
Amounts owed to group undertakings and undertakings in which the company has a participating interest	10	832	188,676
Taxation and social security		9,201	5,448
Other creditors		293,160	171,312
Preference share dividends accrued		<u>50,073</u>	<u>110,246</u>
		<u>353,266</u>	<u>475,682</u>
Due after one year			
Loans and borrowings	9	<u>1,554,972</u>	<u>1,554,972</u>

WHISKYINVESTDIRECT LIMITED
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9 Loans and borrowings

	2018	2017
	£	£
Non-current loans and borrowings		
Redeemable preference shares	<u>1,554,972</u>	<u>1,554,972</u>

Redeemable convertible preference shares

The redeemable preference shares are accounted for as debt rather than equity in accordance with accounting standards.

The redeemable convertible preference shares are redeemable at the option of the holder between 1 May 2019 and 31 May 2019 or 1 May 2025 and 31 May 2025. They are redeemable at £1 per share together with any unpaid cumulative preference dividend at the time of redemption and carry no voting rights.

The holder has the right to purchase one ordinary share of £0.01 each per preference share redeemed between 1 May 2025 and 31 May 2025 for consideration of £1 each.

If the shares are not redeemed by the holder during either of the periods above then the company can enforce redemption after 31 May 2025.

10 Related party transactions

Summary of transactions with key management

During the year the directors made personal purchases of whisky from the company totalling £75,889 (2017 - £32,615) which have been settled as normal clients paying in personal funds. At the balance sheet date the amount due from the directors was £nil (2017 - £nil).

Summary of transactions with parent

Galmarley Limited, the parent company, has provided IT, operational and finance support to the company and has charged £253,511 (2017 - £235,626) for these services during the year. The company maintains an unsecured interest free loan account with Galmarley Limited, which is repayable on demand, and at the balance sheet date the amount due (to)/from Galmarley limited was £18,341 (2017 - £(188,676)).

Summary of transactions with subsidiaries

The company's subsidiary, James Eadie Limited, maintains an unsecured interest free loan account with the company, which is repayable on demand and at the balance sheet date the company was owed £183,583 (2017 - £80,483).

WHISKYINVESTDIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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11 Relationship between entity and parents

The parent of the smallest group in which these financial statements are consolidated is Galmarley Limited, incorporated in England and Wales.

The address of Galmarley Limited is:
7th Floor, 3 Shortlands, London, W6 8DA, United Kingdom.

12 Audit Report

The auditor's report on the annual report and financial statements was unqualified and signed by Alison Kerr FCA as Senior Statutory Auditor, for and on behalf of the Statutory Auditors, Albert Goodman LLP.