ARTISANAL SPIRITS COMPANY

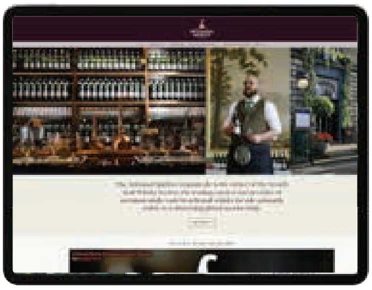
2021

INVESTING WITH SPIRIT

The Artisanal Spirits Company plc
Annual Report

BUILDING A PREMIUM, DIRECT TO CONSUMER, HIGH GROWTH, HIGH MARGIN GLOBAL SPIRITS GROUP

The Artisanal Spirits Company (ASC) is building a portfolio of premium brands that bring together some of the world's best spirits producers. This allows it to curate an unrivalled collection of craft spirits.



You can also read our Annual Report online at
artisanal-spirits.com/ar2021

AT A GLANCE
page 2

INVESTMENT CASE
page 6

Highlights of the year

Revenue
£18.2m
+21%

Gross profit
£11.2m
+27%

SMWS member lifetime value
£1,445

SMWS membership
33,300
+18%

Successful admission to AIM
Raised gross proceeds of £26m.

High growth in key markets
57% membership growth in China, 20% in the UK and 18% in the US.

New supply chain facility
10-year lease signed on new facility for cask storage, bottling and order fulfilment.

Significant investment in spirit and wood
c£4m investment during FY21 continuing to build on the Group's vast and unique range of outstanding single cask Scotch malt whiskies.

Continued recovery in UK venue and events
UK venue sales in H2-21 surpassed those in the entirety of FY20. December 2021 returned to around 90% of the pre-pandemic level in December 2019.

In this report

CAPTIVATING A GLOBAL COMMUNITY OF WHISKY ADVENTURERS

At its core, The Artisanal Spirits Company is driven by SMWS, supported by additional brands.

The Artisanal Spirits Company (ASC)
Founded to acquire The Scotch Malt Whisky Society in 2015, ASC is building a portfolio of premium brands that bring together some of the world's best spirits producers with a growing movement of discerning consumers by curating unrivalled collections of craft spirits.

ASC currently owns two brands, SMWS and J.G. Thomson and intends to continue to build a portfolio of complementary brands, including an American Whiskey proposition.

The Scotch Malt Whisky Society (SMWS)
SMWS is the leading curator and provider of premium single cask Scotch malt whisky for sale primarily online to a discerning global membership.

SMWS was established in 1983 and currently has a growing worldwide membership of over 33,000 paying subscribers. SMWS provides these members with inspiring experiences and exclusive access to a vast and unique range of outstanding single cask Scotch malt whiskies and other spirits from over 20 countries.

J.G. Thomson
In November 2021, ASC launched J.G. Thomson, a creator of small batch blended malt whiskies, grain whiskies, rum and gin.

The launch of J.G. Thomson in November 2021 has been supported by proceeds of the Company's IPO in June 2021. It forms part of the Company's long-term growth strategy to expand its addressable market by launching complementary but independent brands without compromising its core SMWS membership proposition.

Total membership (December 2021)
33,300

Annual membership retention
77%

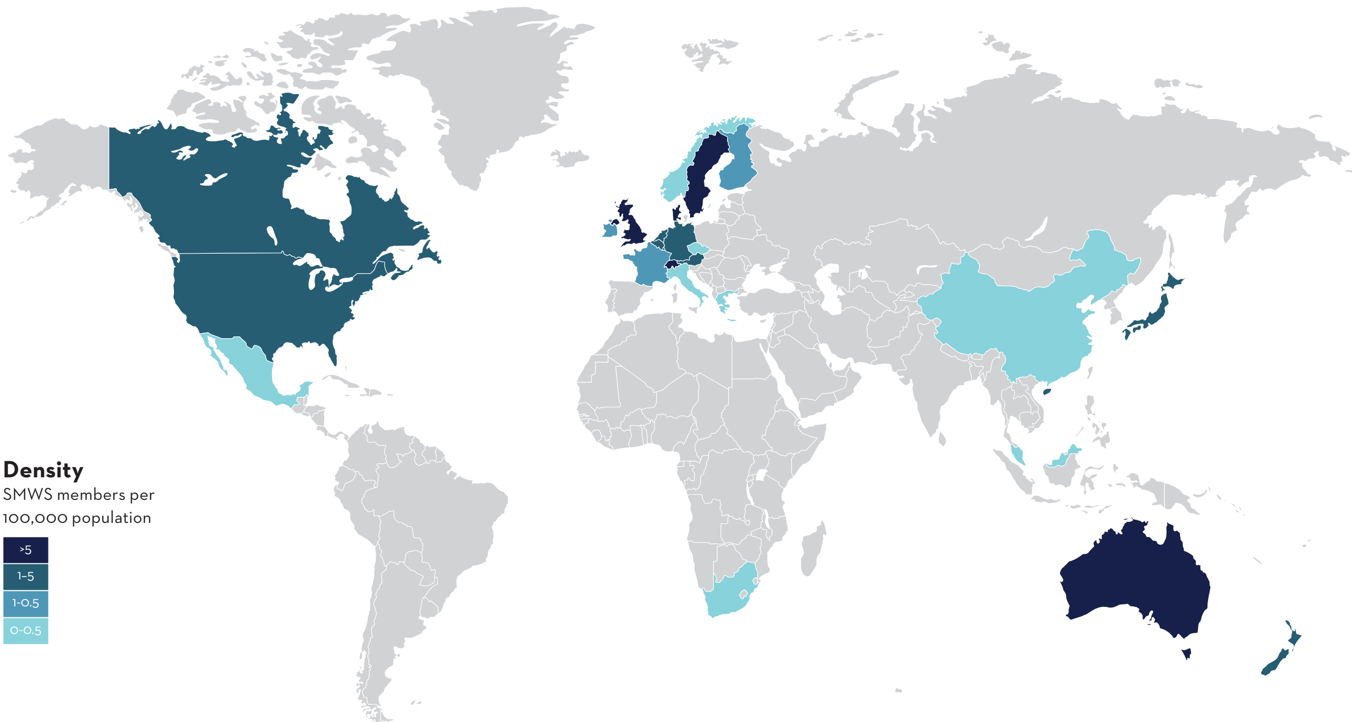
Average revenue per member
£619

Average contribution per member
£332

Lifetime value
£1,445

Presence
EXPANDING GLOBALLY

SMWS Membership



United Kingdom
Where it all began, with establishment of SMWS in 1983. Membership has grown to 16,400 (49% of global total), with a strong omni-channel offering, including the four UK members rooms (across Edinburgh, Glasgow and London).

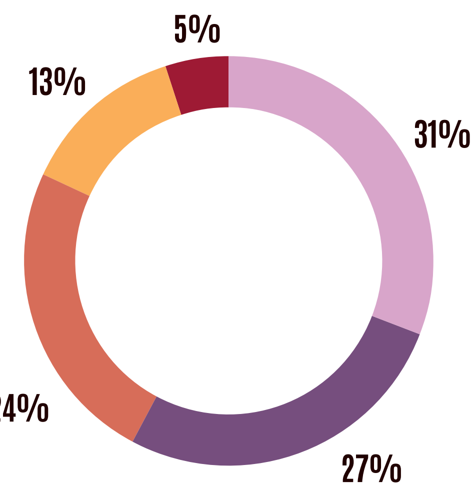
Asia
Represents the Group's largest and fastest growing international region. Home to SMWS fast growth Chinese market, established at the end of 2017 and which now represents over 20% of global revenue, in addition to significant markets in Japan and Taiwan.

North America
The US market is the second largest individual market for SMWS (after the UK), with North America also home to the Canadian franchise which celebrated its 10-year anniversary in 2021 and the Mexico franchise which opened its doors in November 2021.

Europe
Direct presence across most of Europe including key markets of Germany, France and Sweden, as well as strong franchises in Denmark and Switzerland.

Australia
The Australian business has grown strongly since it was brought into 100% ownership from the previous franchise owner, which occurred at the end of February 2020.

Revenue breakdown by region



Find out more about our growth in these markets on page 14

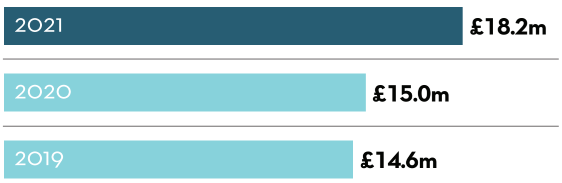
DELIVERING GROWTH

Strong initial progress made against objective of doubling revenue between 2020 and 2024, with investment made to support delivering our further growth ambition.

FINANCIAL KPIs

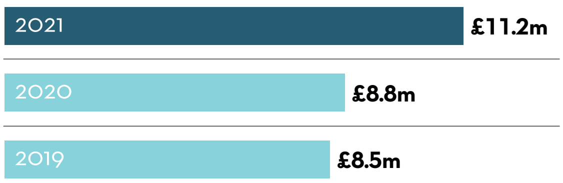
Global revenue

+21%



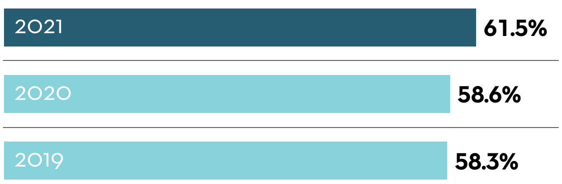
Gross profit

+27%



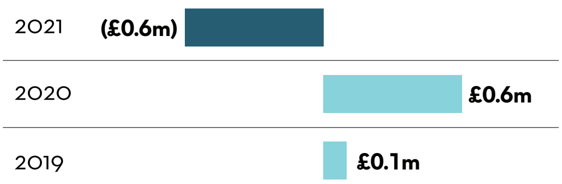
Gross margin

+2.9ppt



EBITDAE*

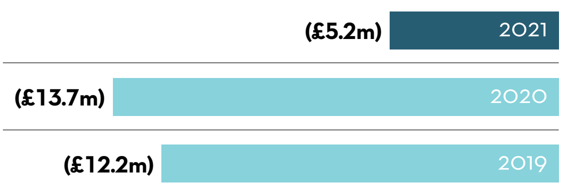
(£1.2m)



* EBITDAE defined as earnings before interest tax, depreciation, amortisation and exceptional costs as set out in Note 6.

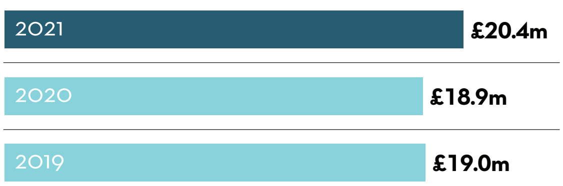
Net debt

(£8.5m)



Cask value

+8%



NON-FINANCIAL KPIs

Members

+18%

2021	33,300
2020	28,300

Lifetime value*

£1,445

2021	£1,445
2020	£932

Annual membership retention

+7ppt

2021	77%
2020	70%

Annual contribution per member

+20%

2021	£332
2020	£276

Casks

+9%

2021	15,300
2020	14,000

Retail value

+26%

2021	£430m
2020	£341m

UNIQUE, AWARD-WINNING SPIRITS

The Group's objective is to bring together spirits from some of the world's best spirits producers. We add value by managing the maturation process and provide exclusive access to a vast and unique range of outstanding single cask Scotch malt whisky and other spirits.

SMWS is focused on providing premium single cask spirits. With an average whisky cask yielding around 250 bottles each time, each release is by its very nature a limited edition with exclusive characteristics. In the last three years, SMWS' Scotch malt whisky and other spirits have been recognised with a total of almost 200 awards from seven of the leading industry bodies.

J.G. Thomson has a 7 spirit collection of small batch, limited edition whiskies, gin and rum – including a 1972 Grain. J.G. Thomson has already received industry recognition, having been awarded a Master medal, four Gold medals and one Silver medal at this year's The Luxury Masters, hosted by The Spirits Business.

Reasons TO INVEST

Proven track record of growth
The Company has a track record of consistent growth. Between FY16 and FY19, revenues almost doubled from £7.6 million to £14.6 million, representing a CAGR of 24%. While growth slowed in FY20 (driven by the impact of Covid-19), strong growth returned in FY21, with over 20% year-on-year revenue growth delivered.

Loyal and growing membership base
At the heart of SMWS' unique market positioning is its subscription-based membership model. A key driver of the Group's financial performance has been SMWS' expanding global membership, which has grown at a CAGR of 9% since December 2016. There are now approximately 33,000 members of SMWS across the globe, with global retention rates of 77%.

Membership loyalty not only provides a strong platform from which to recruit new members and develop brand awareness, but also generates a predictable recurring revenue stream in the form of annual membership fees.

Creating value and high margins
In contrast to conventional spirits retailers and resellers, the Group engages in both spirit and cask selection and in active management of the maturation process, which accounts for a significant proportion of the flavour profile of the finished product, in the same manner as a distillery. However, the Group is not a primary producer of spirits and so is able to create award-winning products without the burden of the additional capital investment required to operate a distillery.

This value-added proposition combined with an e-commerce led business (83% of sales online in 2021) generates high margins. The high retention and engagement rates combined with these high margins mean that members also generate significant lifetime value of over £1,400 at December 2021 (up by over 50% since December 2020).

The Company has also made strong progress to date to capitalise on a number of opportunities to further improve the margin profile of the business, such as purchasing younger stock, ex-sherry cask finishing and in-sourcing some elements of the Group's supply chain.

International footprint
The Group has successfully developed the SMWS brand internationally and is present in more than 30 countries. International members (being those resident outside of the UK) comprised 51% of the total December 2021 membership base, yet represented 69% of the Group's total FY21 sales, and therefore represent the most profitable demographic.

Importantly, SMWS has a presence across a number of key international whisky markets including the US, China and Japan as well as a number of major European markets such as France, Germany and Sweden.

Quality assurance
Both the selection of cask spirit from distilleries and the maturation process are carried out under the supervision of the Group's Spirits Director with a view to ensuring that the final outturn represents the finest quality spirits and flavour profiles.

Vast stock holding
As at 31 December 2021, the Group had over 15,000 casks (equivalent to approximately 4.7 million standard 70cl bottles) of whisky in its reserves, with an equivalent retail value of around £430 million (based on FY21 average revenue per bottle).

These casks comprise over 200 different makes, sourced from well over 100 different distilleries.

Diverse and secure supply chain
The Group owns 100% of the stock required to satisfy forecast demand through to the end of FY26, as well as the vast majority of FY27 and FY28.

To ensure ongoing security of supply, the Group has developed long-term relationships with a large number and a wide variety of distilleries, which range from large scale producers to new market entrants. The Group also has forward purchase commitments for new make spirit (which the Group will mature), with agreements currently in place (with varying expiry dates) for the supply of the equivalent of 275,000 bottles per annum.

Revenue increase from FY16 to FY21
140%

Global members
33,300

Gross margin
61.5%

Member Lifetime Value
£1,445

International revenue
69%

Awards won in last three years
200+

Cask value
£20.4m

Retail value
£430m

Supplies from distilleries
100+

AN EXCITING START TO THE JOURNEY AHEAD

In this, our first full set of results following our IPO in June 2021, I am delighted to report the momentum seen in the first half continued to build through the second half across all geographies, resulting in full year revenue comfortably ahead of market expectations.

Our priority in the year, alongside protecting the wellbeing of our colleagues, partners and everyone connected with the business, was to deliver growth across the most important global whisky markets while using the IPO proceeds to lay the foundations for future success. Given the challenges presented by the Covid-19 pandemic, the fact that we have achieved this is testament to the quality and hard work of our teams, the strength of our membership offering and the resilience of our model.

Decisive early progress

The Company's successful admission to AIM in June 2021, raising gross proceeds of £26m, was a significant milestone in our history. Since then, we have been driving forward plans and initiatives to take the business to the next level. Using the proceeds raised at IPO, in a few short months we have made significant investment in matured spirit stock and cask wood, secured a new supply chain facility, launched a new brand in the shape of J.G. Thomson, increased our stakes in our China and Japan joint ventures and accelerated the growth in the number of members. While we are still at the beginning of our journey as a listed company, we have made an encouraging start in testing circumstances that stands us in good stead.

A winning team

This year saw the completion of our company culture project, helping to codify and communicate our purpose, ambition, strategy and values. We believe having the right culture to be a prerequisite for business success, and thus it remains a core focus.

Recognising the role every one of our colleagues plays in helping us reach our strategic goals, we strive to offer an outstanding working environment for everyone at the business, working hard to give colleagues the flexibility and respect they need to thrive.

Proceeds raised from IPO

£26m

In my time at the Artisanal Spirits Company, I have been impressed by the way everyone is aligned and engaged by the unique ethos of the business. Through innovation, grit and determination and by fostering a progressive culture, together we have navigated what was at times a difficult year. Our team members have shown exceptional resolve and adaptability throughout the year, ensuring the business continued to progress while minimising disruption caused by the pandemic, and on behalf of the Board I would like to express heartfelt thanks.

Prior to IPO, several changes were made to the Board in preparation for our journey as a listed business, ensuring the highest possible standards of corporate governance. Alongside my appointment as Non-Executive Chair, Lesley Jackson and Helen Page joined the Board as Non-Executive Directors, joining Gavin Hewitt, Mark Bedingham and Paul Skipworth. Paul, who was previously Chair, stepped into the role of Non-Executive Deputy Chair. I would like to take this opportunity to thank former directors Stella Morse, Mehdi Shalfrooshan and Benjamin Thompson, who left the Board at IPO, for their exceptional stewardship in helping shape the Group into its current form.

A compelling offering

While becoming a listed company inevitably brings with it a certain amount of change to how things are done, one thing that will always remain absolutely consistent is our uncompromising approach to keeping the interests of our loyal SMWS members firmly at the centre of everything we do.

Every year we deliver more and better experiences to SMWS members, and 2021 was no different despite the uncertain backdrop. During the year, we produced over 200,000 bottles of limited-edition whiskies, we launched the new SMWS EU site, we doubled down on the amount of engaging online content we create and we took several steps to make the online member and e-commerce experience even more engaging.

Looking ahead, we plan to deliver new and exciting additions to the membership proposition, alongside an increase in in-person events as restrictions ease, and we look forward to seeing how members react.

> "We are delighted to have successfully achieved the first step in our journey to doubling revenue between 2020 and 2024, and look forward with confidence towards further progress towards this ambition."

We are grateful to all our members, new and old, for their continued support and at times patience when contending with Covid-19 and Brexit-related logistical issues. Our teams are working hard to ensure they receive the very highest level of service and are committed to repaying the faith they have shown in us.

We continue to achieve universal recognition for our outstanding whiskies with 2021 being a standout year. The Artisanal Spirits Company won a record number of awards for both its SMWS and J.G. Thomson products across three of the most prestigious competitions in the global spirits calendar – the International Wine & Spirits Competition, Ultimate Spirits Challenge, and The Luxury Masters, hosted by The Spirits Business.

Looking to the future

With a clear strategy, a significantly enhanced organisational infrastructure and favourable long-term growth drivers, we are confident of continued progress in 2022 and beyond. We remain cognisant of the inherent unpredictability of the pandemic, the Ukraine crisis and cost of living increases in most of our markets. We will continue to execute against our growth strategy in a disciplined and measured way, building out our already established presence in all the key international spirit markets and continuing to deliver exceptional spirit experiences wherever there are touch points with our customers.

Whilst our intent to accelerate growth is evident, we are committed to doing so responsibly, taking our environmental impact into consideration. We currently operate within the Scotch Whisky Association's 'Sustainability Strategy', adhering to best practice, and remain focused on exploring further areas for improvement which we will update on periodically.

The opportunity before us is vast, and we are increasingly well positioned to capitalise on it. I am grateful to all shareholders, including those historical investors without whom we wouldn't be here today. I warmly welcome those who have joined us on our journey in the year and look forward to keeping them all updated with further progress as we move through the new financial year.

Mark Hunter
Chair

OPTIMISING OPERATIONS FOR SUSTAINABLE AND PROFITABLE GROWTH

In the months since IPO, we have successfully achieved the first steps in our growth plan — delivering an impressive sales performance, comfortably ahead of market expectations, while investing in the enhancement and optimisation of our operations to create a platform for high, sustainable and ultimately profitable growth.

A clear plan for growth

We have made decisive early progress against our ambition to double revenue between 2020 and 2024, delivering revenue growth ahead of market expectations, and we are beginning to execute on our strategy with focus on the five key growth pillars, set out in detail on pages 14-27 and discussed below.

#1 Grow Membership Experience Proposition

Global membership growth in the year, a leading indicator of future revenue growth, was extremely strong, particularly in the second half, with significant growth in both UK and International membership. This was driven by a material acceleration of sign-ups in several key markets including the UK, China and the US, supported by strong returns on campaigns targeted at recently lapsed members, as well as gains from extending our marketing to new potential members.

This was also supported by improving retention rates, particularly in the same key markets of the UK, China and the US, where the increasing focus on onboarding, combined with practical steps such as the introduction of auto-renewal in some markets has generated fantastic initial results, which we will continue to embed in these locations and roll out to other markets as appropriate.

To have accomplished all this and more in the face of unforeseen challenges presented by the pandemic is a remarkable achievement and I am incredibly grateful to our teams for making it happen.

Growing global membership

33,300

+18%

Global revenue

£18.2m

+21%

#2 Enhance E-commerce & Digital Content

We continued to build our e-commerce experiences for our SMWS members worldwide, expanding our digital ecosystem and significantly expanding the volume and quality of our digital content production, as well as introducing new websites for our European SMWS members and launching the J.G. Thomson e-shop.

Work continues in this space, with a new website for our Japanese members expected during the first half of 2022, and other markets to follow thereafter.

#3 Value Creation – Improve Margins

We continue to build on our vast and unique range of outstanding single cask Scotch malt whiskies with a view to ensuring that stock investment supports the Group's long-term membership and revenue growth expectations. In particular, we've also made great progress on expanding our investment in younger and new make spirit, which helps drive down the spirit cost over time, and will drive significant long-term gross margin improvement.

We have continued to enter new rolling agreements for new make spirits since the first agreement in November 2019. We have been delighted with both the range of suppliers we have engaged with (with 15 different distillery makes now covered) and the level of commitments made (with the equivalent of 275,000 bottles per annum now covered).

Alongside this, we also signed a ten-year lease on a new multi-purpose facility in Scotland, which will provide us with much greater control of our supply chain once it becomes operational later this year. We expect bringing certain processes in-house will have a beneficial impact on margin contribution over time, which is a key objective for the Group. The 37,000 sq. ft. facility comprises a high-quality warehouse, production building and offices is located on a secure yard with excellent transport links. Design work and the process of sourcing equipment is underway. The materials for cask racking were delivered in February 2022 and initial bottling line equipment in early March 2022. We continue to expect the facility to become fully operational in the second half of 2022.

#4 New and Complementary Brands

In November 2021 we launched J.G. Thomson, a creator of small batch blended malt whiskies, grain whiskies, rum and gin, in line with our strategy of launching complementary but independent brands, without compromising our core SMWS proposition.

The soft launch period has been a success and we look forward to the active launch in 2022 with the addition of new distribution channels and geographies.

Work is ongoing to develop further opportunities. In particular an exciting prospect within the sizable and fast growing domestic American whiskey market. According to IWSR, there is now a $1.4bn domestic market for American whiskey at Ultra-Premium price points and above, having grown by 1,000% in the last decade. We continue to develop a proposition to target this opportunity and look forward to providing further updates on this during this year.

#5 Talent and Organisational Development

This is a key area of focus for us, with an emphasis on talent development, and with clear alignment across the business on values and behaviours. We have made good progress on helping capture and codify the culture, values and behaviours. The focus now is to work to help embed these across the business as well as developing and implementing the more formal talent and organisational development plan that has been delivered.

> "Global membership growth in the year, a leading indicator of future revenue growth, was extremely strong. 2021 was a trans–formational year for the Artisanal Spirits Company."

In the period, we strengthened our Leadership Team through a number of key strategic hires, including Rebecca Hamilton as Marketing & E-commerce Director, and Douglas Aitken as Company Secretary and Legal Counsel.

A growing global presence

Alongside its UK home market, the Artisanal Spirits Company has operations in all the key whisky markets around the world, including the US, China, Japan and Australia as well as a number of major European markets such as France, Germany and Sweden.

United Kingdom: Alongside encouraging e-commerce performance, the strong year-on-year performance in UK venue and events sales resulted from a continued recovery through to the end of the year, despite the emergence of Omicron during the fourth quarter, and special thanks are due to our venue staff, who have dealt with the well-publicised, pandemic-related issues such as staff availability admirably.

This demonstrates the strength of our unique multi-channel business model, where revenue mixes can ebb and flow between in-person and online depending on the trading environment. While we expect the revenue mix in the UK will continue to shift and change as conditions normalise, we continue to see strong growth momentum across both online and in venue, giving us confidence in our ability to make further progress in our home market.

Asia: We saw extraordinary growth in the number of members in China. Optimising our route to market and consumer accessibility in China has been a key strategic focus, and we are now seeing the benefits of the partnerships we established with purchasing platforms in prior periods filter through strongly, both from a sales and member recruitment perspective. We have also invested in our team on the ground in the territory while making enhancements to our CRM capability there, all of which have contributed to making our SMWS China joint venture a more robust and efficient operation capable of scaling at pace. In December 2021, in recognition of its importance to the growth story of the Artisanal Spirits Company and in line with our strategy of extracting greater value from our assets, we announced that we have increased our equity interest in our China operation.

At the same time, we announced a similar restructuring and increased stake in our Japan joint venture. Although Japan was severely impacted by tight Covid-19 restrictions during the year (particularly in H1), making marketing challenging and impacting consumer confidence, we continue to see a substantial opportunity in the territory and are working hard to strengthen our platform there to capture it.

North America: In the US, the world's largest whisky market, member numbers and underlying in-market depletions both grew strongly. Retention was also a major area of focus in the year here, with particular success from the auto-renewal programme implemented in Q2. We also bolstered our membership offering, hosting a greater number of virtual tastings and making greater use of our social media channels, which helped drive interest. Although we are making excellent headway in the US, despite the impact of Covid, we are still only scratching the surface in terms of market penetration. In June, we were buoyed by the US Government's decision to extend the suspension of tariffs on imports of single malt Scotch whisky for a period of five years. This allows us to plan with much greater certainty, as well as having a positive impact on profitability with the Group having budgeted to absorb those costs.

Europe: We continued to work our way through a variety of Brexit-related logistical challenges in the year, culminating in the establishment of a warehouse in mainland Europe which enabled us to reduce shipping times to members on the continent. From the moment Britain left the EU single market and customs union in January 2021, we, like so many other exporters, were thrust into uncharted territory. It was a steep learning curve for all parties and in some cases led to delivery delays. We are extremely grateful to SMWS members outside the UK who were affected by these challenges for their understanding. We are pleased to report that the vast majority of the issues have now been resolved.

Australia: A market where we bought back the business from the franchise holder at the end of February 2020. We have seen strong performance in both revenue and membership growth. Our Australian face-to-face events business is a larger component of revenue than it is elsewhere, meaning the strict local Covid related lockdowns had a proportionately higher impact, but sales growth was boosted by improved availability of stock versus the previous year. In Q4-21, we were excited to release the first of two unique whiskies created and curated in the territory, with the second release made available to Australian SMWS members in Q1-22. This is the first time that we have bottled Australian single malt whisky in Australia and is an initiative we are giving consideration to recreating in other geographies.

"Strong growth in key focus markets of China, the US and the UK."

Our sustainability journey

Our impact on the environment remains a key focus area for the Group, working within the Scotch Whisky Association's wide sustainability framework and taking appropriate steps such as increasing the level of recycled glass content in bottles and reducing the level of non-recyclable packaging we use. At the same time, we acknowledge we are near the start of our journey and that there is more work to be done in terms of measurement, actions and communication of our strategy. We are working behind the scenes across these fronts. Further information on sustainability is included on page 28.

Current trading and outlook

We have made a strong start to the new financial year. Revenues are ahead by over 30% year-on-year and in line with our internal forecasts. Global membership at the end of February stood at 34,200, an increase of 3% from the position at the year-end and also in line with our internal forecasts.

Progress since IPO has been encouraging, and against a backdrop of favourable long-term growth drivers, we will continue to execute against our growth strategy in a disciplined and measured way. As we move through the new financial year, we remain focused on delivering the very best SMWS member experiences, driving membership growth and increasing revenues across our brands while investing a significant proportion of the funds raised to ensure we realise the immense potential in the business. Meanwhile our product goes from strength to strength – earlier this month we presented our landmark 150th SMWS distillery bottling, from the south-west of Ireland, and celebrated another impressive awards haul at IWSC 2022, taking home several prestigious gold and silver awards across both SMWS and J.G. Thomson.

Recognising that the first quarter is seasonally less active, typically representing just over one fifth of total annual revenues, that the Covid-19 pandemic continues to generate operational uncertainties and that comparative performance figures will get tougher as the year progresses given the beneficial impact of the gradual unwinding of Covid-19-related trading restrictions in the second half of last year, our expectations for the year as a whole remain unchanged at this stage. However, with the momentum in the business and key performance indicators positive for the early months of the year, we are confident in our prospects, and remain well placed to deliver another year of significant growth.

David Ridley
Managing Director

SMWS membership at February 2022

34,200

YTD revenue growth

>30%

SIGNIFICANT AND GROWING ADDRESSABLE MARKET

The premium Scotch and spirits market is experiencing significant growth which has built scale and we are represented in the key markets with a firm focus on them.

Growing demand driven by premiumisation

There is strong global consumer demand, especially for Scotch whisky with strong stories of provenance and creation. The consumer trend is towards premiumisation which matches well to our product offer, and premium spirits are growing in market share.

In particular, the consumer's behaviour toward authenticity plays well to our product information and provenance. The limited edition nature of the product (e.g. where typically no more than 250 people in the world can buy a bottle of any one particular SMWS release) supports the status appeal.

The business also provides content to expand the consumer's knowledge so we believe that we are well placed to take advantage of the increasing spending power of these consumers.

Significant addressable market driven by key markets where we have existing presence

We have defined our addressable market over four criteria – Scotch whisky only, Ultra-Premium price points and above, domestic markets and only markets we have existing distribution in. That $4.3 billion addressable market has had a decade of tailwinds, having grown by 200% and forecast to continue.

In the key markets, e-commerce is a strongly accepted purchasing channel. In line with global trends, e-commerce is accepted as the main purchasing channel for our business. In our key markets, in particular, we are seeing a growth due to convenience to the customer, speed of shop and delivery and in-your-own-time browsability, with multiple device access. This is consistent in the US, China, UK and Europe – and we see varying purchase amounts based on consumer behaviour in the market.

> "The addressable market has had a decade of tailwinds, having grown by 200% and forecast to continue."

MARKET AT A GLANCE

Growth

Significant and growing addressable market

$4.3bn

Global addressable market in 2020 up by 200% vs 2010. The Group is in all the key markets with huge opportunity to expand.

Increased premiumisation

170%

Growth in ultra-premium and above price points for global whisky sales between 2010 and 2020 vs 62% growth for lower price points.

E-commerce alcohol sales growing

66%

Led by the US, beverage alcohol e-commerce value expected to grow +66% across key markets 2020–2025.

Source: IWSR

China
China is the world's largest alcohol e-commerce market, dominated by TMall and JD.com (the leading Chinese e-commerce platforms). SMWS is in both these channels and sales are growing.

United States
Ultra-premium distilled spirits sales value grew by 23.5% in 2021 (Source: NielsenIQ and IMPACT DATABANK 2022).

Europe
A sizable and fast growth market. Our focus is in the main European single malt markets of UK, France, Germany and Sweden.

A CLEAR PLAN FOR GROWTH

ASC has the ambition to double sales between 2020 and 2024 and has a clear plan to deliver that growth, with focus on the five strategic growth pillars below.

Strategy Priority	What it means
1 GROW MEMBERSHIP EXPERIENCE PROPOSITION	Create a consistently compelling membership proposition on a global scale to achieve brand fame and commercial impact. Develop the membership base in major international growth markets, in particular China and the US. Utilise SMWS venues and partner bars to bring to life the discerning whisky experience.
2 ENHANCE E-COMMERCE & DIGITAL CONTENT	Create e-commerce experiences to drive growth and bottle purchase engagement in multiple markets internationally. Engage with members globally in a digital format to support engagement, loyalty and purchase. Develop digital content that supports positive awareness and perception of the brand offer and engagement with it – including live and multimedia digital content in the physical and digital space.
3 VALUE CREATION - IMPROVE MARGINS	Improve high gross margins through additional value creation while growing cask stock levels and developing innovative styles to meet growing demand.
4 NEW AND COMPLEMENTARY BRANDS	ASC is building a portfolio of premium brands that bring together some of the world's best spirits producers with a growing movement of discerning consumers by curating unrivalled collections of craft spirits.
5 TALENT AND ORGANISATIONAL DEVELOPMENT	Offering an outstanding experience for our team.

Find out more about what risks we may be facing and how we have set up a robust risk management framework on page 36

Key initiatives	2021 achievements	KPIs
– High growth market focus – Targeted digital recruitment – Build a member first value proposition	– 57% full year membership growth in China. – 18% full year membership growth in the US. – Delivered strong UK venue performance since reopening in May, helping deliver 20% full year membership growth in UK (with 22% growth in H2 vs 2% decline in H1).	**Members** **33,300** Global membership as at December 2021, up 18% on December 2020.
– E-commerce rolled out – Implement CRM systems – Develop online content and events	Refinement and roll out of e-commerce platforms underway, including: – Launch of smws.eu site for European members. – Launch of J.G. Thomson site. – Progress made on re-platforming SMWS in Japan.	**E-commerce sales** **83%** 83% were made online during FY21 (2020: 86%)
– Buy younger spirit – Supply chain optimisation built – Ex-sherry cask maturation progressed	– Growing number of rolling new make spirit agreements, now representing 160% of FY20 sales and doubled the number of new make spirit casks owned to 2,200. – Signed the lease for new Supply Chain Facility. – 25% of stock now ex-sherry cask matured, up from 17% in 2017.	**New make casks** **2,200** Owned at December 2021, an increase of 1,000 vs December 2020.
– J.G. Thomson growth – Build American Whiskey proposition	In November 2021, ASC launched J.G. Thomson, a creator of small batch blended malt whiskies, grain whiskies, rum and gin. Work is ongoing to develop further opportunities, including the American Whiskey market.	**J.G. Thomson awards** **6 medals** One Master medal, four Gold medals and one Silver medal at this year's Luxury Masters.
– Embed Culture – Personal Development Plans	Work has been done to help capture and codify the culture, values and behaviours and help embed these across the business. In addition, development of a more formal talent and organisational development plan has been delivered.	**Global employees** **100** Team members helping to bring our proposition to life around the world.

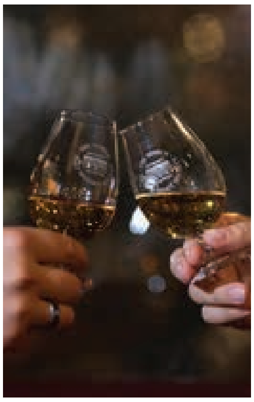
"Your online sessions, along with tastings with characters like John, Mags and Olaf meant a lot to us – we even got dressed up for the occasion. I'm sure many other members feel the same."

Member feedback, December 2021

Grow

MEMBERSHIP EXPERIENCE PROPOSITION

For 38 years, the members of The Scotch Malt Whisky Society have remained dedicated to the discovery and exploration of flavour through our unique approach to whisky.



The original spirit of the SMWS founder, Pip Hills, remains true to this day: as a membership community, we curate, present and share whisky for the pure joy of our flavour adventure.

This adventure is brought together by a global community of members that talk, share, learn, enjoy and savour the sip of our spirits and supply of stories that are collectively generated.

The experience proposition for our members is based on being part of this community. Access to unique, limited edition, whiskies that are flavourful elixirs, founded from the combination of single cask, maturation and distillery liquid – made exclusively for our membership.

In 2021, we built on this offer with a series of highlights and improvements to the delivery of the proposition for SMWS, on a global scale.

We created the Dram-Cierge – a team of service and whisky expert professionals, here to help our members navigate their way through flavour and whisky enjoyment.

Virtual tastings and experiences continued to play a strong role as we saw a demand for separate and hybrid digital and physical experiences develop and continue through the second year of Covid-19.

Online pub sessions, with tastings, music sessions, member hosted chat and knowledge swapping, all took place around the world, in different languages, cultures and countries. Home Dining and home tasting kits played a part as people created their own member experiences, in the comfort of their own home.

Membership increase in 2021

+18%

Where we could, we ran in-person events and get-togethers in the SMWS Members Rooms. As our venues reopened, we created special celebration events, such as summer parties, music listening rooms and member gathering opportunities.

Alongside this, we supplied content – editorial, reading, podcasts, video reels. Our production and editorial team worked overtime to create, curate and present world-class whisky content to our members to keep them entertained all around the world, through what has been a challenging time for many people on an international scale. Special guests and influencer partners from across the globe took time out to talk about our whisky, our membership and our members.

During Covid-19, we found ways to connect and build our community more than we ever have before. Ending our year with 33,300 members globally marks a new moment for this long-lived membership business, with only more of the good stuff for our members in years to come.

Visit www.smws.com to find out more

Enhance E-COMMERCE AND DIGITAL CONTENT

As an e-commerce business with global reach, our digital footprint reaches more than 30 countries worldwide.

E-commerce sales

83%

83% of sales were made online during FY21 (2020: 86%)

Building our direct-to-consumer success continued in 2021 with improvements across e-commerce experiences for our SMWS members worldwide – and the introduction of our e-shop for J.G. Thomson.

Our digital ecosystem continued to expand across CRM, email, SMS, apps, multi-channel social media and messaging apps as well as unofficial members forums and social groups all around the world.

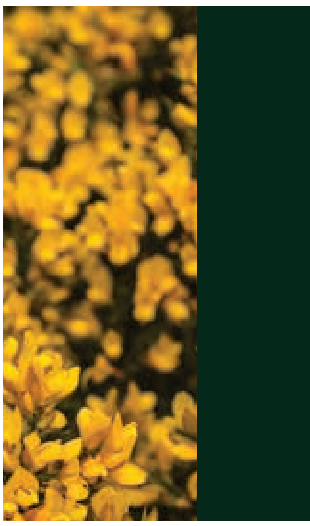
We introduced new shopping websites for our European SMWS members and improved user experiences across the portfolio. Delivery times were cut down with improved tracking and updates to our customers, and our ongoing communications saw additional activity to more target groups, with more tailored messaging, than ever before.

Visit the website at www.smws.com

The legendary 'First Friday' whisky release – of limited edition, limited bottle availability – grew and expanded into multiple releases a month to supply demand. Our bottle selection remained varied, flavourful and expansive in choice to quench the interest and exploration of members all around the world. We created and celebrated special release bottles across our digital world to maximise interest in whisky festivals, member gatherings and country exclusive opportunities.

Digital content and storytelling is our means of reaching and engaging our global community. Connecting people through storytelling – enabling and providing a platform for people to trade and exchange stories is what we're all about. Our members are part of this world because they love to share, to talk and to take part in what we do.

Our work in digital content production in 2021 grew to a higher level than ever before – and we hosted and facilitated live, recorded and catch-up digital content that enthused, engaged and enticed members to consider their next limited edition, single cask bottle.



> "I have recently renewed my membership once again and am very thoroughly enjoying the new website!"

Member feedback, December 2021

"Let's go west", the first release from distillery number 150.

"Delighted to see our range of outstanding spirit continue to grow allowing us to excite our members well into the future."

Kai Ivalo, Spirits Director

Flavours

CASK STRENGTH EPIPHANY

Expanding our vast and unique range of outstanding single cask Scotch malt whisky and other spirits, investing in younger stock and ex-sherry casks to further improve long-term margins.

Cask variety

We now hold 100% of all the stock required to meet our sales ambitions through to 2026, and over 95% of the total requirement to 2028.

This extensive stock base not only provides mitigation against any potential shortages of supply but, when coupled with SMWS' approach of producing limited edition spirits, represents the potential for over 15,000 new product lines. This provides the Group with greater flexibility as it is not constrained by requirements to reproduce a particular age or flavour profile of spirit.

This range has continued to grow, with net 1,000 casks added during 2021, from an increasing range of distilleries, and we were delighted to release whisky from our 150th distillery in March 2022.

The flavour profile of these casks continues to develop to excite members well into the future, with a focus on key flavour profiles (e.g. 20% of our whisky being peated, while only 13% of Scotch whisky comes from Islay) as well as championing the importance of the cask itself, with significant investment in new cask wood having spent around £700k during 2021.

New make purchases

We've made great progress on buying younger and new make spirit (during 2021, we added an extra 1,000 casks of new make spirit), which helps drive down the spirit cost over time, with purchase cost of <£2/bottle versus >£6/bottle for our 2021 sales.

We have also continued to expand the range and depth of our rolling agreements for offtake of new make spirit and now have agreements in place covering the equivalent of around 275,000 bottles per year covering around 15 different distillery makes, and that range continues to grow.

Ex-sherry cask programme

The ex-sherry cask maturation programme is a great example of where we are adding extra value. In practice, we have invested heavily in more ex-sherry casks (having spent just under half a million pounds on ex-sherry cask wood during FY21). This is because we know that it gives the whisky a flavour profile that our members love, as well as generating extra margin.

We have an ambition to significantly increase the volume of ex-sherry cask (and other fortified wine cask) influenced whiskies. The plan is for around a third of our releases to be ex-sherry cask influenced by 2024/25; primarily from our additional maturation programme, but over time also full term ex-sherry cask maturation.

Casks from well over 100 distilleries

+15,000

Bottles covered by rolling agreements for new make spirit (per year)

275,000

In November 2021, we unveiled our new J.G. Thomson brand and the first batch of its extraordinary, award winning spirits.

The 18th century whisky blender and wine merchant James Gibson Thomson operated from what is today the spiritual home of SMWS, The Vaults in Leith, Edinburgh. The launch of our new brand – J.G. Thomson – saw the company diversifying into the fast-growing blended malt whisky segment and the gin and rum categories with a new brand in the Artisanal Spirits Company portfolio.

The launch was bolstered by early recognition from the industry, with J.G. Thomson winning several awards at The Luxury Masters, a global competition hosted by The Spirits Business. The awards included: a prestigious Master medal for Batch 1 of our Rich 23-year-old Blended Malt Scotch whisky in the Scotch Whisky: Blended Malt category; Gold medals for all three of the first batches of our blended malts; a Gold medal for batch 1 of our citrus dry gin in the Super-Premium category; and a Silver medal for batch 1 of our bold Jamaican rum in the Super-Premium category.

The media reacted positively to the launch, with coverage in more than 30 online and print publications across business, trade and consumer media, including The Times, The Spirits Business and Whisky Magazine. The coverage had a total potential reach of more than 50 million readers. In the run-up to Christmas with interest in buying spirits peaking, content was also strategically placed in a selection of lifestyle media outlets such as The Gentleman's Journal, Stylist, Ape To Gentleman and The Coolector.

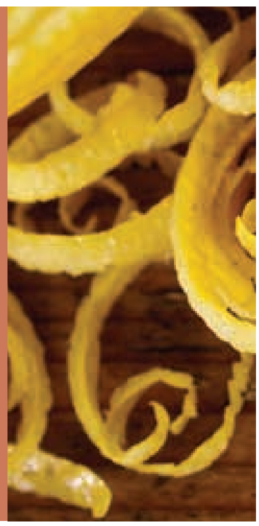
Samples of J.G. Thomson were also shared with carefully chosen industry influencers, leading to further awareness and positive reaction. Notable praise came from world-renowned whisky writer Charles Maclean, who said "J.G. Thomson was once a well known name in the whisky trade and I am delighted that name has been revived and launched with such a splendid range of products."

Won at The Spirit Business' Luxury Masters 2021

6 awards

Unveiling OUR NEW AWARD-WINNING J.G. THOMSON BRAND

In the last quarter of 2021, we successfully launched our new small batch spirits brand.



"This award winning collection is a demonstration of our ability as a business to produce high quality, taste-full, artisanal spirits."

Kai Ivalo, Spirits Director

J.G. Thomson's first collection of already award-winning small batch spirits...believe us, you'll want to taste them

Gentleman's Journal

"Our values are what we stand for. It's how we hold ourselves to account and how we depend on each other."

"Being spirited is what we stand for... it's what makes us special."

Talent DEVELOPMENT

Talent and organisational development is one of the Group's key areas of focus. Work has been done to help capture and codify the culture, values and behaviours and help embed these across the business. In addition, development of a more formal talent and organisational development plan has been delivered.

Culture

In Q2 of 2021 the consultation process was concluded during which the input from employees across different locations and levels of the organisation was collected to help codify the behaviours and values that underpin who we are and how we do things in the Artisanal Spirits Company. As a result of this process five values were identified along with a set of behaviours.

By December 2021 over 90% of UK employees had an opportunity to participate in culture sessions delivered by our Managing Director as well as the Group Operations and Commercial Director, with support from the wider team, and this is now being rolled out to international employees and work undertaken to embed this in our recruitment and onboarding processes.

Organisational development

As the business continues to grow and develop, we have set out our ambition to offer an outstanding experience for our team. To help achieve this, a more formal Performance Management process was introduced in Q3, complemented with half day workshops for people managers to equip them with skills and knowledge to deliver constructive feedback. ASC values are a part of the appraisal process, where we ask employees to reflect and provide examples of how they embrace our values.

In addition, a programme of training and development was launched, covering both implementation of an extensive programme of annual training on core subjects for all relevant staff (e.g. first aid, GDPR, cyber security, bullying and harassment) as well as management development, delivered through workshops covering Performance Management, Recruitment and Interviewing Skills, and Managing Attendance, Conduct and Capability.

Total number of employees

100

Our values

RESPECT
PROGRESSIVE
UNIQUE
GRIT &
DETERMINATION
INNOVATIVE

These values are what we stand for. It's how we hold ourselves to account and how we depend on each other. This is how we live and breathe.

INVESTING IN SUSTAINABILITY

The Group is committed to becoming more sustainable and providing clear reporting on its sustainability to shareholders and all other interested stakeholders. This ensures that the Directors can provide stakeholders with an insight on the Group's environmental impact as well as accepting full accountability for its actions.

SMWS is a member of the Scotch Whisky Association (SWA) and the Directors are committed to the SWA's 'Sustainability Strategy'. The Sustainability Strategy is working to ensure that the Scotch whisky industry achieves its goal of zero emissions by 2040, five years in advance of the Scottish Government's 'Net Zero' target. The SWA's target is to move towards Net Zero across the industry's operations (Scope 1 and 2) by implementing carbon reduction and energy efficiency measures. Scope 1 refers to all direct greenhouse gas emissions within the boundaries of a company's operations, while Scope 2 refers to indirect greenhouse gas emissions from the consumption of purchased electricity, heat or steam.

The Sustainability Strategy focuses on four key goals:
1. Tackling climate change
2. Using water responsibly
3. Moving to a circular economy
4. Caring for the land

The Group's business operations do not include whisky distilling or growing the required ingredients needed for the process. As such, the Group's ability to impact sustainable water or land usage is limited at present.

The Group is therefore focused on minimising its own impact, in particular with respect to the first and third of the SWA's key goals: tackling climate change and moving to a circular economy. During 2020, the print runs of the Group's 'Unfiltered' magazine ended, with the award winning magazine moving to a fully digital and interactive edition. All Group venues have committed to all local policies for recycling and are committed to reducing the proportion of their waste that goes to landfill to less than 10% by the end of 2022 and are on track to achieving this goal.

The Group is also working on the 'circularity' of its products as it continues to minimise the impact of packaging; aligned with the SWA's goal of encouraging innovation in packaging technology and design across the industry, the Group is actively reducing the amount of plastic packaging required for each delivery. The revised packaging introduced in 2021 has already resulted in a significant reduction in protective and unrecyclable plastic. All packaging used for shipping to consumer is 100% recyclable and the new J.G. Thomson inner vacuum bag, used for direct-to-consumer sales, is 100% biodegradable.

According to the SWA, glass has the biggest impact on the industry's ability to use recycled materials in its operations: as at the end of 2018, the recycled content of the industry's product packaging was 37%. The Group is committed to responsible sourcing of glass and our primary glass supplier has improved the percentage of recycled material within the glass used by SMWS from 60% to 65% in 2020, with a goal of 69% recycled glass by 2025. All decoration on the glass bottles used by the Group is currently 100% recyclable.

The transportation of the Group's products forms another key component of tackling climate change and the continued movement to a circular economy. The Group is dedicated to ensuring that products are shipped in the most efficient and expedient manner, and changes to the supply process in Europe and the work towards opening the supply chain optimisation facility at Masterton Bond are significant steps forward.

STAKEHOLDER ENGAGEMENT

Stakeholders are the life blood of everything that we do. The Board has a duty to run the Company for the benefit of its shareholders, and in doing so, to consider the long-term impact of any decisions and how those decisions could affect the interests of stakeholders, including employees, the Company's relationships with suppliers, customers and wider society, and the Group's impact on the community and the environment.

Directors must ensure that decisions take into account the need for the Company to maintain a reputation for high standards of business conduct, and must ensure that different shareholders are treated fairly.

Under the Companies Act 2006 (the 'Act'), the Directors must describe how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company.

Set out below are examples of how the Directors have considered the matters set out in section 172(1) of the Act in their decision making throughout the reporting period showing:
- The issues, factors and stakeholders considered relevant in complying with s172(1), and how the Board has formed that opinion.
- The methods used to engage with stakeholders and understand the issues to which they must have regard.
- The effect of that engagement and regard on the Company's decisions and strategies during the year.

Key decisions made

Throughout 2021 the key decisions made by the Board of Directors were:
- Listing the Company on the AIM section of the London Stock Exchange and raising £26 million of fresh capital for investment in long term growth.
- Identifying the five strategic Growth Pillars which would be supported by the IPO proceeds and drive long-term benefits.
- Launching the J.G. Thomson range, diversifying the Group's product offering with new and complementary brands.
- Securing the lease and beginning the operational development of the new supply chain optimisation facility at Masterton Bond, improving margins and making operations more efficient and sustainable.
- Securing the ongoing operation of the China joint venture and Japan joint venture for at least the next three years.
- Recruitment of key members of the Leadership Team, including the Marketing & E-commerce Director and the Company Secretary and Legal Counsel.

The Company has engaged with various stakeholders throughout the year:

Shareholders and investors

Who engaged	How we engaged	Outcome
Executive Directors	Regular meetings with shareholders and prospective shareholders throughout the year, focused on the run up to the IPO, and following interim and full year results.	Feedback collated and supplied to the Board.
The Leadership Team	Engagement with Spirited shareholder benefit events, where members of the Board, the Executive and the wider Leadership Team met with shareholders in informal settings.	All feedback from shareholders collated and supplied to the Executive Team and the Board, leading to discussion at Strategy setting sessions.
The Chair	Regular discussions with significant shareholders assisted by the Nominated Adviser.	Comments and feedback incorporated into strategic roadmap.

Employees

Who engaged	How we engaged	Outcome
The Executive Team	Staff engagement survey.	Outcome of the staff engagement survey was analysed and resulted in an action plan for the Executive and Leadership Teams.
The Leadership Team	Regular one to ones with staff at all levels within the business allowing two-way feedback.	Any pertinent feedback from staff relayed to the Board, the Executive and the Leadership Teams.
The Executive Team	360 degree feedback surveys.	Feedback from 360 degree feedback sessions held with all direct reports incorporated into development plans and strategy.

Suppliers

Who engaged	How we engaged	Outcome
The Executive Directors	Regular engagement with key suppliers, site visits, update calls and ongoing communication, including discussions around the strategic aims of the Group.	Continuing strong relationships developed further.
The Leadership Team	Regular contact with suppliers forms part of the regular activity of the Leadership Team members, with a year-through schedule of visits and other contact with distilleries, bottlers, warehouse keepers and other key suppliers.	All key issues fed back to the Executive Team and to the Board as necessary.

Customers and members of SMWS

Who engaged	How we engaged	Outcome
The Board	Membership surveys	Outcome of surveys reported to the Board.
The Executive and Leadership Teams	The Executive Team and members of the Leadership Team have engaged with customers and members of SMWS through customer feedback surveys, the review of customer satisfaction reviews and through ad hoc face to face interactions with SMWS members at various SMWS events.	Feedback from customers and SMWS members has been supplied to the Board and factored into decision making.

Community and the environment

Who engaged	How we engaged	Outcome
The Board	Development and adoption of the Group Environmental, Social & Governance (ESG) approach.	Receipt of regular ESG progress reports at each Board meeting.
The Executive Team	Attendance at industry ESG Forums and interaction with ESG experts.	Amendments to the ESG approach suggested to the Board for approval.

BUILDING A PLATFORM FOR LONG-TERM PROFITABLE GROWTH

Good early progress deploying IPO funds, investing in a strong platform to support ongoing development, while delivering better than expected revenue growth.

Investing strategically

We have made good early progress towards investing the IPO funds to deliver our strategic priorities. Most notably, significant investment has been made in spirit stock and cask wood, with around £4m invested during 2021, delivering progress against a range of objectives, including:

- The acquisition of mature stock to fill known gaps in the stock planning model, meaning that we now hold 100% of the stock we plan to sell through to the end of 2026.
- Ramping up the investment in younger and new make spirit that drive up margins over time. During 2021 we added over 1,000 extra casks of new make spirit.
- Continuing to enter further rolling agreements for new make spirit, we now have coverage for the equivalent of around 275,000 bottles per year with an average cost of less than a third of the cost of the mature stock currently being sold.
- Making good progress at investing in the ex-sherry cask maturation programme, investing around £0.5m in ex-sherry cask wood during the year to deliver growth in our range of ex-sherry cask influenced whiskies which our members love and which generate additional value for the Artisanal Spirits Company.

Significant progress has also been made against the other strategic objectives, including:

- The supply chain facility Masterton Bond, where the lease was signed and initial costs of c£0.6m (inc £0.2m lease deposit) incurred in Q4-21, but the majority of costs (c£2m) are expected to be incurred during 2022.
- Launch of J.G. Thomson, with around £0.2m deployed initially on brand and product development.
- Increased equity interests in joint venture entities in China and Japan. The total cost of acquiring the additional 10% interest in the China JV is c£0.5m, comprising £0.4m in relation to the profit multiple for FY21 results, and £0.1m relating to the December 2021 cash balance. There was no material cost associated with Japan increase.

Strong Group financial performance

Overall, the Artisanal Spirits Company delivered strong revenue and membership growth, with momentum continuing to build, despite the global impact of Covid-19. We were also delighted to deliver a 55% year-on-year increase in member Lifetime Value (LTV) to £1,445, driven by a combination of factors. The most significant was the improving retention rates in the UK, China and the US, which are key markets. While the improvements in China and the US were driven by improved onboarding and the introduction of auto-renewal respectively, the largest impact was from the UK, which experienced both an underlying improvement in retention rates and the knock-on effect of lower recruitment rates during 2020, namely a lower proportion of inherently lower percentage first year renewals in 2021. The second largest factor impacting group LTV was the positive impact on contribution of the long term suspension of US tariffs. The importance of LTV as a management KPI is that, put simply, a consistently high LTV and a growing global membership will together deliver sustainable, profitable growth for the Group over the long term.

At present, as stated at IPO, we remain in a growth and reinvestment phase while retaining a focus on gross margin improvement, with the goal of returning to positive EBITDAE in the near term and delivering profitability in the medium term. Increased investment has also been directed into building the platform to support further growth, in particular the teams and systems needed to fulfil our ambition of doubling revenue between 2020 and 2024. While this conscious decision to front load the investment has resulted in losses during 2021, the growth in absolute gross profit, and notably the improvement in gross margin, both provide a degree of comfort over the path to delivering the goal of achieving profitability in the medium term.

Growing global revenue

United Kingdom

In the UK, we saw growth in online sales of 8% to £3.5m (2020: £3.2m). There was also a very strong rebound in venue revenue, with H2-21 growing by 120% vs H2-20 (and surpassing the total of the full year FY20). Despite the emergence of the Omicron variant towards the end of the year, December 2021 sales reached around 90% of the pre-pandemic level in December 2019. Overall this meant that the UK as a whole remained the largest individual market for the Group and contributed 31% of total Group sales.

Member numbers were up 20% in the year, from 13,700 to 16,400, thanks in large part to a particularly strong second half.

Asia

In China, we saw extraordinary growth in members, up 57% in the year, with sales up by 28% to £3.9m (2020: £3.0m). Particularly pleasing was the growth in retention rates, which increased significantly during the year, but still have scope for further substantial value, which will continue to drive up member LTV in China which already has the Group's highest level of gross margin and LTV.

While member numbers in Japan grew 14% in the year, sales were flat at £0.7m, with the growth in direct to consumer sales offset by the fall in sales to partner bars, reflecting the impact of Covid-19.

North America

For the US, revenue is recognised on a shipment basis, and on this basis, sales were up by 50% to £4.1m. This growth in part reflects the comparatively low level of shipments in 2020. Depletions grew by 21% to $5.5m (c£4.1m). 2021 profitability was significantly boosted versus the prior year as a result of the long-term suspension of US import tariffs on single malt Scotch whisky during the period.

Europe

In Europe, member numbers were relatively flat in the year, with sales down 20% from £2.1m to £1.7m reflecting Brexit related logistical challenges. Although member retention dipped towards the middle of the year, we saw improved momentum in member growth and trading towards the end of the year as confidence in our ability to fulfil orders returned, meaning that H2 sales were flat year-on-year at £1.2m.

Australia

In Australia, the decision to convert from a franchise to a wholly owned subsidiary in February 2020, has continued to deliver results, with member numbers up 18% in the year, and sales up 46% from £0.6m to £0.9m.

> "Revenue comfortably ahead of market expectations, driven by good growth in US and China as well as the strong rebound in UK venues."

Cost base expanding as we invest to support continued growth across the business

Gross profit growth, driven by the improving revenue (and long-term suspension of US tariffs) noted above, is being re-invested for further growth in the business.

Payroll costs (including share options and corresponding national insurance costs) increased by 38% to £4.5m (2020: £3.3m) reflecting additional Board and Executive Team members as well as investment in other operational and support functions across the world.

Marketing costs increased by 32% to £2.4m (2020: £1.8m) with the initial deployment of IPO funds supporting the substantial membership growth in the latter part of the year (as well as the development and launch of J.G. Thomson). The majority of these funds remain to be deployed during 2022.

Commission costs largely relate to the US, and have grown by 47% to £1.4m (2020: £1.0m). This was driven by the 50% growth in US revenue, partially offset by improved terms agreed in December 2020.

Other significant overhead cost increases included:

1) IT & Systems cost increase of c200% to £0.6m (2020: £0.2m) including additional non-recurring costs associated with systems implementations as well as increases in corresponding ongoing support
2) New Investor Relations ("IR") & AIM costs of c£0.2m (2020: Nil) including Nomad, Financial PR and LSE costs as well as other IR costs
3) Share Options costs of £0.3m (2020: £0.1m): Includes non-recurring costs associated with NIC on share options exercised at the time of the IPO Other operating income (primarily relating to furlough payments and other Covid-19 related support) decreased to £0.2m (2020: £0.4m).

There were also substantial exceptional costs of £0.9m (2020: £0.4m) relating to the legal and other professional fees associated with the IPO.

Overall this resulted in an increase in the loss per share to 5.9p (2020: loss of 3.0p per share), though as noted, since the company is in a phase of investing for growth, management does not consider that this metric is a relevant measure of success yet.

Share incentive schemes

During the year, a new long term incentive plan was introduced with a total of 1.4m new share options awarded at the time of the IPO. These all carry performance conditions, based on Revenue, EBITDA and Share Price. Full details are included in Note 26. No new schemes are expected in 2022, though some additional awards will be made under this existing scheme during the year and in future periods.

Tax

A change to the future UK corporation tax rate was announced in the March 2021 budget. The rate will increase to 25% with effect from 1 April 2023. This change has been reflected in these financial statements, with full details included in Notes 8 & 9.

Strong, well-capitalised, asset-backed balance sheet

We have continued to invest in high quality spirits – principally single malt Scotch whisky – in the year. At the period end we had £20.4m of cask stock, providing a strong asset backing to the business and providing the security of stock to cover 100% of sales through to the end of 2026 and also the vast majority of 2027 and 2028.

> "We remain in a growth and reinvestment phase while retaining a focus on gross margin improvement, with the goal of returning to positive EBITDAE in the near term and delivering bottom line profitability in the medium term."

Committed inventory secured RCF with Royal Bank of Scotland (RBS)
The Company and SMWS entered into a revolving credit facility agreement with RBS on 19 January 2021. The facility has a limit of £18.5m, which may, if RBS agrees, be increased by £3m. As at 31 December 2021, £6.2m of this facility had been drawn down.

The facility is available for three years, with an interest rate margin of 2.5% over SONIA. The availability of funds under the facility agreement is linked to a calculation of eligible inventory. The facility is committed, subject to compliance with representations, undertakings and events of default, including financial covenants in respect of minimum EBITDA and net tangible assets, tested only if the cover afforded by inventory levels falls below a stated level (the springing test). As at 31 December 2021, there was approximately £12m headroom before the covenants would be tested.

Reduction in net debt pending full deployment of IPO proceeds
Net debt reduced significantly in the year to £5.2m (2020: £13.7m), as a portion of the proceeds of the IPO fundraise were used to reduce outstanding Group borrowings, pending the deployment of the remaining balance, expected to largely occur during 2022.

Net operating cash outflow driven by EBITDAE loss, and growth in stock and debtors
During the year we saw an increase in working capital, principally driven by an increase in debtors, reflecting the growth in sales to the US which represents the majority of the debtor balance (with hedging in place for this FX exposure as set out in note 23). Contract terms with the US importer agreed in late 2020 provide for a reduction in debtor days, which took effect from 1 January 2022, which would therefore partially offset some of the future impact of ongoing growth.

Finished goods stock increased in the year. This in part reflected the correction of the short stock position at 31 December 2020, which was driven by production issues in 2020 during the Covid-19-related lockdowns.

Looking ahead to 2022

In the current financial year, we expect to see further deployment of funds raised at IPO in spirit and wood, underpinning our ambitious long-term growth plans. We also intend to ramp up marketing spend on member recruitment and retention to continue to grow our global membership, alongside paying the majority of costs relating to the new supply chain facility 'Masterton Bond'.

As noted at the time of the IPO, we identified venue investment as part of the long-term plan for the business. We are taking the opportunity presented by the pandemic-related closures to reassess the Group-wide approach to venues, partner bars and physical engagement and expect to complete that assessment during 2022.

The Group is currently conducting a tender of its external audit this year, with any potential change to be effective for the year ending 31 December 2022. Further details on the process are provided in the Audit Committee report.

Looking forward, we expect to see improving profitability and operational cash flows, continued investment to support strategic growth pillars and ongoing balance sheet strength.

Andrew Dane
Finance Director

Year end RCF headroom:
£12m

Year end net debt:
£5m

Year end net assets:
£24m

MANAGING OUR RISKS

The Board reviews the effectiveness of the Group's risk management process. It also manages the Group's evolving risk environment as it approves the strategy, key decisions, budgets and annual operating plans.

The key elements of the Group's risk management control process are:

- The Group maintains a comprehensive risk register. The risk register contains details of all material risks which have been identified by management which might impact the Group and its profitability. It includes an assessment of the likelihood of a risk event taking place, the expected severity of its impact, details of the mitigation strategies which management have put in place in order to reduce either the likelihood of the risk taking place, the impact of that risk, or both, and the residual likelihood and impact of the risk, taking into account those mitigating factors.
- The Board determines the principal risk items for the Group following a recommendation by the Audit Committee once a year.
- The Board of Directors, assisted by the Audit Committee, undertakes a review of the risk register on a regular basis and at least annually.
- Responsibility for maintaining the risk register, as well as implementing and monitoring mitigating actions, lies with the Executive Directors and the wider Leadership Team.

The Board is satisfied that, through the processes set out above, it is able to effectively identify, assess and manage the risks affecting the Group. The Board relies on the assurances provided through the periodic reports presented to the Board and Audit Committee.

Using the process set out above, the Board believes that it has undertaken a robust assessment of the principal risks which threaten the implementation of the strategy and the long-term viability of the Group and is satisfied that appropriate mitigation plans are in place.

Risk impact assessment

When considering the potential impact of our key risks, we have linked them to the key performance objectives that they are likely to impact if crystallised. We have not undertaken specific stress testing for every risk but, as part of our overall impact analysis as well as our going concern assessment, we have considered the likely magnitude of the realisation of major risks on the balance sheet and cash flow forecasts. These forecasts are based on detailed budgeting which is prepared for the next fiscal year with revisions done mid-year, together with a forward view of the subsequent 24 months (forecasts for 36 months). Based on its assessments, the Board believes that the Group is well placed to withstand the impact of realisation of reasonably foreseeable risks over the forecast period through a combination of the mitigation in place, the strong balance sheet we closed FY21 with and our ability to make adjustments to our plans, should they be required.

The principal risks and uncertainties facing the Group are summarised below.

The Group has elected to list the principal risks and uncertainties thematically under the sub-headings which follow.

Risk trend
↑ Increasing ÷ Unchanged ↓ Decreasing

Risk	Impact	Mitigation	Movement
SUPPLY CHAIN RISKS			
The Group is reliant on distilleries to produce the spirits for the Group's maturation process	The Group does not distil its own spirits and is therefore highly reliant on distilleries to produce the spirits for its maturation process.	The Group does not have any significant reliance on one distillery and the Directors and Executive Team have strong relationships with individual distilleries and the whisky industry more generally. The Group has also accumulated a large stock of spirits, which is the equivalent of approximately 26 times the volume sold during FY20, and has coverage of 100% of the stock that it expects to sell through to the end of 2026, and the vast majority of 2027 and 2028.	↓
The Group's operating results may be adversely affected by disruption to its outsourced bottling, storage and distribution operations	Currently, the Group mainly carries out bottling at an external bottling site operated by Angus Dundee Distillers Plc at Coatbridge in the UK, and at two other bottling sites. Over half of the Group's stock is stored at a single bonded warehouse facility in the UK provided by John G Russell (Transport) Limited, with the remaining stock distributed amongst a number of other bonded warehouses provided by third parties, including distilleries at which stock is distilled. The Group relies on distributors in relation to its UK and foreign operations.	Making use of multiple bottlers and warehousing arrangements spreads and minimises the risk of material disruption and has built in contingency. The Group will bring in-house a range of supply chain services which are currently provided by third parties as noted. During 2021, a 10-year lease was signed for the supply chain facility at Masterton Bond, which is expected to become operational during 2022. Third-party distributors can be easily put in place in all of the material markets in which the Group operates.	↓

Risk	Impact	Mitigation	Movement
SUPPLY CHAIN RISKS continued			
The Group's business could be materially adversely affected if there was a significant disruption to any of the Group's production, storage or distribution operations	In the event of the insolvency of any one of the Group's production, storage or distribution providers, or any other termination of such operations, the Group may not be able to arrange for alternative production, storage or distribution on as favourable terms, or with sufficient speed to ensure continuity of business, or at all. Further, if there were a technical failure, fire, explosion or any other event resulting in a major or prolonged disruption at any of the facilities used by the Group's service providers, this could result in a significant loss in production capacity and significant costs and/or damage to the Group's reputation, all of which could have a material adverse effect on the Group's prospects, results of operations and financial condition. Although the Group carries insurance, not all risks may be covered by its policies, and any insurance coverage available may be insufficient to cover some or all costs. There may also be a disruption to sales which could impact relationships with members and in turn adversely affect the Group's prospects, results of operations and financial condition.	The Group's operations are carefully monitored with contingencies in place to allow production to be transferred to another provider in the event of a third-party failure. The Group's insurance provisions are considered annually and are deemed to be appropriate and sufficient.	
BRAND RISKS			
The Group may not be able to protect its intellectual property rights **Certain countries in which the Group operates may offer less stringent intellectual property protection than is available in Western Europe and the US**	The Group owns and licenses trademarks and other intellectual property rights that are important to its business and competitive position. The Group cannot ensure that third parties will not infringe on or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns and licenses. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property.	The Group maintains a robust system to monitor and review its suite of trademarks across multiple jurisdictions and react to any potential infringements. All new branding is reviewed to ensure that suitable and appropriate trademark protections are in place, with all intellectual property registrations made as appropriate. As a member of the Scotch Whisky Association, the Group works with the SWA to support their efforts in continuing to protect the unique brand of Scotch whisky internationally. The SWA operates a worldwide trademark watching service and alerts SWA member companies if any trademark application looks likley to infringe their intellectual property.	

Risk trend
↑ Increasing ÷ Unchanged ↓ Decreasing

Risk	Impact	Mitigation	Movement
BRAND RISKS continued			
A reduction in the quality of the Group's products could harm the integrity of, or support from members for, the Group's brand and products and adversely affect sales	The success of the SMWS and J.G. Thomson brands depend upon the positive image that members have of the product. A lack of quality in the products or contamination of the Group's products, whether accidental or deliberate, could harm the brand and could adversely affect sales.	The Group maintains stringent quality assurance measures. A mature and embedded spirits team is engaged to ensure that the quality of the Group's products remains high. The Group's products are regularly submitted to third-party tasting and continue to regularly win awards.	Unchanged
An unsuccessful launch of a new brand or product may have an adverse impact on consumer perception of the Group	Brand and product innovation is a significant part of the Group's plans for future growth. However, the launch of new brands and products is an inherently uncertain process. The profitable lifespan of those brands and products is also uncertain and it largely depends on the consumer reaction to such brands and products.	Market research is undertaken prior to the launch of any new brands, and is reviewed during the lifecycle of each of the Group's products, with changes made following feedback, where necessary.	Unchanged
MULTI JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT RELATED RISKS)			
The uncertainty and unpredictability caused by Brexit may result in adverse effects for the Group	The uncertainty and unpredictability concerning the UK's future laws and regulations and relationships with EU member states following Brexit may continue to be a source of instability in international markets, create significant currency fluctuations or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements for the foreseeable future.	In the latter part of 2021, the Group established alternate procedures for ensuring delivery of products to the EU and such arrangements will continue to be kept under review to ensure maximum efficiency as this situation evolves.	Decreasing

Risk	Impact	Mitigation	Movement
MULTI JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT RELATED RISKS) continued			
The Group operates in certain jurisdictions through franchises, joint ventures and partner bars	SMWS has seven franchise agreements in place covering the sale of products (and franchise operations) in each of Canada, Taiwan, Denmark, Switzerland/Lichtenstein, New Zealand, South Africa and Mexico. In addition, drams of SMWS whisky are sold in around 100 partner bars around the world. The franchises and partner bars are independent operators. The Group's image, brands and reputation may suffer in certain jurisdictions if the franchises or partner bars that operate in those jurisdictions do not uphold the standards of the Group. This could have an adverse effect on the Group's ability to maintain and attract new members in those jurisdictions. The Group operates in China and Japan through joint venture companies.	The Group maintains some control over the franchises through the enforcement of the franchise agreements. The Group regularly monitors partner bars, but for the most part has no contractual relationship with them. The Group owns 75% of SMWS China and 80% of SMWS Japan. The counterparty in China is an individual who is a longstanding professional partner of the Directors. The counterparty in Japan was appointed as the new Managing Director of SMWS Japan at the end of 2021. Both are key to the Group's operations in those jurisdictions. The shareholders' agreements with each joint venture partner contain 'put and call options' over the shares allocated to the joint venture partner in the relevant joint venture company. The shares allocated to the joint venture partners represent minority positions in the joint venture companies. The options over the shares in both SMWS Japan and SMWS China will become exercisable at the end of December 2024.	
The Group's overseas operations are reliant on finding and maintaining reputable and appropriate importers, distributors and customer service providers on favourable commercial terms	For some overseas territories, the Group enters into agreements with third-party importers for the distribution of the Group's products on an exclusive basis. This is particularly important in relation to the Group's US operations due to the unique three tier regulatory system in the US. These agreements are generally for a fixed term and terminable upon a short notice period. Any failure to renew agreements with third-party importers, the termination of these agreements or a dispute with importers, or the termination or failure of any other party or arrangement in the distribution chain could result in disruption to the Group's normal distribution channels, and loss of sales or members.	The Group keeps the various third-party relationships with importers and other parties in the distribution chain under review. Alternative third parties are available in almost all cases.	

Risk trend
↑ Increasing ↕ Unchanged ↓ Decreasing

Risk	Impact	Mitigation	Movement
MULTI JURISDICTIONAL RISKS (INCLUDING TAX AND BREXIT RELATED RISKS) continued			
The Group may be subject to regulatory change or uncertainty	As a result of its international operations, the Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are sold. There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Group and which may impact our leading markets.	The regulatory framework in each of the jurisdictions which the Group operates in is kept under regular review through industry forums, professional advisers, and in-house experts. The SWA keeps changes to regulation in a number of jurisdictions under review, and regularly consults with member companies on any upcoming changes. The Group operates across a number of different jurisdictions, most of which are well established in relation to the sale of the Group's products, and is not materially dependent on any one jurisdiction or market.	Increasing
Changes in tax legislation, or the Group's tax position, could adversely affect the Group's profitability	Changes to the tax regime (such as an increase in VAT or equivalent taxes) could result in increases in prices of the Group's products to members and/or other consumers and impact demand for the Group's products and its overall profitability.	Tax and duty regimes are kept under regular review. The Group operates across a number of different jurisdictions and is not materially dependent on any one jurisdiction or market.	Unchanged
Changes in duty rates could adversely affect the Group's profitability	Alcoholic beverages are subject to national excise, import duty and other duties in most countries around the world. The Directors believe one key risk to profit margins is the rate of duty on the sale of spirits set by HMRC. Duty represents a significant cost that is effectively passed on to the customer. Whilst duty is not paid by the Group directly in relation to exports, the price that overseas purchasers will pay for the Group's products is dependent on their expected margins after the payment of duty due in overseas territories. An increase in any such taxes or duties could have a material adverse effect on the Group's sales revenue or margin.	Tax and duty regimes are kept under regular review. The Group operates across a number of different jurisdictions and is not materially dependent on any one jurisdiction or market.	Unchanged

Risk	Impact	Mitigation	Movement
CHANGES TO CONSUMER PREFERENCES			
Demand for the Group's products may be adversely affected by changes in consumer preferences	Consumer preferences and spending habits may shift due to a variety of factors that are difficult to predict and over which the Group has no control (including lifestyle, nutritional and health considerations and regulatory changes). Any significant changes in consumer preferences or any failure to anticipate and react to such changes could result in reduced demand for the Group's products and weaken its financial performance and competitive position.	The Group continues to monitor consumer spending trends and has diversified into the production and sale of small batch premium spirits other than single malt Scotch whisky through J.G. Thomson, and will continue to explore other opportunities. Current consumer trends show an increased movement towards premium brands, which the Group is well positioned to exploit.	↓
The maturation process adopted by the Group takes a number of years to complete, therefore there is a significant period of time between spirit acquisition and the sale of the final product	Whisky must be matured for a minimum period of three years for it to be identified as 'Scotch whisky'. The Group aims to purchase whisky early in the maturation process. The Group must, therefore, predict what consumer preferences will be in the future when planning which spirits to purchase and the maturation process to be applied to those spirits. Changes to consumer preferences, which are not in line with the predictions made by the Group, may have a negative impact on the price at which the Group's products may be sold and may reduce the market for those products.	The increasing long-term trend toward premiumisation supports the Group's strategy. The purchase of younger spirit brings increased opportunities for greater margin. The Group has mature storage arrangements and is developing its own capabilities at Masterton Bond.	↓
ECONOMIC RISKS			
The Group's results depend on general economic conditions and could be affected by deterioration in the economic conditions of its key markets	The Group's results of operations are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets. Any deterioration in the economic conditions in the Group's key markets could lead to reduced consumer confidence and spending and reduced demand for the Group's products. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Group's business.	The Group is diversified across a number of separate jurisdictions and regions, and is not wholly dependent on any one market for its continuing operations. Despite inflationary and cost of living pressures in many of our current markets, we believe that the premium spirits we sell will remain attractive to the members of the SMWS and the Group's customer base.	

Risk trend
Increasing Unchanged Decreasing

Risk	Impact	Mitigation	Movement
CLIMATE RELATED RISKS			
The Group's business is subject to seasonality and changes in temperature	There is seasonality in the Group's business due to increased sales around national celebrations in the Group's key markets. If a major unexpected adverse event such as a natural event, economic or political crisis or a failure in the Group's distribution chain were to occur during or in the lead up to these periods, this may result in a reduction in the Group's revenue. Changes in temperature such as extreme hot spells in the summer or extremely cold temperatures in the winter can result in temporary changes in consumer preferences and impact demand for the Group's products.	The Group's operations in different export markets provide a significant mitigation of this risk as it is unlikely that unexpected natural or political events or changes to climatic conditions would affect all markets uniformly.	Unchanged
Changes in climate may have an adverse effect on spirit production	Fertile land and reliable rainfall are essential to grow the grains used in the production of whisky and other spirits, and to provide a high quality water supply for distilleries.	The Scotch Whisky Association has recognised the threat of climate change to the whisky industry and has introduced strategies to reduce the industry's environmental impact, including research into climate change resistant barley and other grains.	Unchanged
PERSONNEL RISKS			
The Group's success depends on retaining and replacing key personnel and attracting highly skilled individuals	The Group's success depends substantially upon the efforts and abilities of its key personnel, its ability to retain such personnel and to successfully manage succession in key roles. The loss of the services of any member of the executive management team and a failure to replace them with an individual who has similar levels of experience, knowledge and connections in the industry could have an adverse effect on the Group's operations. Competition for such individuals in the whisky industry is intense. The Group may not be successful in attracting and retaining such individuals in the future, which could have a material adverse effect on the Group's prospects, results of operations and financial condition. The loss of certain individuals in non-managerial positions may also have a material adverse effect on the Group's business where such individuals possess specialised knowledge that is not easily replaceable.	The Group's Executive and Leadership Teams have significant experience, knowledge and connections in the industry in which the Group operates. Executive succession plans are in place in respect of each member of the Board, the Executive Team and the Leadership Team, and are reviewed and approved by the Nomination and Governance Committee. Remuneration packages for Senior Executives are reviewed and approved by the Remuneration Committee and are designed to be competitive and considered within the context of industry peers.	Unchanged

Risk	Impact	Mitigation	Movement
DATA AND IT RELATED RISKS			
The Group's operations could be adversely affected by breaches of data security or a breakdown of its information technology systems or a failure to develop these systems	The Group is highly reliant on its information technology systems for the processing, transmission and storage of electronic data relating to its operations and financial reporting. A significant portion of communications among the Group's personnel, members of SMWS and suppliers relies on the efficient performance of information technology systems. As an e-commerce focused business, the success of the Group is dependent on its technical capabilities and it relies to a significant extent on the efficient and uninterrupted operation of its website, and the systems of its third-party suppliers, such as external hosting providers, including the internet.	The Group has an IT strategy which makes use of material and well-known third-party providers for IT systems and support, in accordance with international standards, and keeps service levels and outage levels under constant review. Full mitigation plans are in place in the event of any material IT issues. Third-party support is in place and backup systems are regularly tested.	

Risk trend
Increasing Unchanged Decreasing

Risk	Impact	Mitigation	Movement
OUTSIDE RISKS			
Risks outside the control of the Group may impact its operations	The Group's operations may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, hostilities, war, subversive activities or sabotage, fires, floods or other catastrophes, pandemics, epidemics or quarantine restrictions. Since December 2019, there has been a rapid spread of Covid-19. Many countries have during this period imposed particularly restrictive measures to limit the spread of the virus, including, among other things, the temporary interruption of production activities, commercial activities and restrictions on the movement of goods and people. Due to the continuation of the Covid-19 pandemic globally, it is not possible for the Directors to predict how long various restrictions will last or when or if they will be re-introduced. In general, the spread of Covid-19 could lead to a deterioration in the economies of the countries directly affected and at a global level, with possible negative effects on customers' purchasing power. Any further regional or global epidemics or pandemics or the further spread of Covid-19 may have an adverse effect on the Group's business, results of operations and financial condition.	The Directors consider that the growth in online revenues experienced by the Group during 2020 and 2021 was due, in part, to the Covid-19 lockdown restrictions in place in the jurisdictions in which the Group sells its products, and the resulting general shift to online purchases. The Group has no control over the nature or length of government-led restrictive measures and the impact these measures may have on consumer demand for the type of products the Group sells across the different channels through which the Group operates. The Group has no exposure to the Russian invasion of Ukraine in terms of membership or supply.	Unchanged
The alcoholic beverage industry is intensely competitive	The principal competitive factors in the Group's industry include product range, branding, pricing, product quality, distribution capabilities and responsiveness to changing consumer preferences and demand. There can be no assurance that the actions of competitors will not affect the Company and as such, forecasting sales of new or existing products is very difficult. If the Company is unable to remain competitive, the future turnover and profitability of the Company could be materially adversely affected.	The Group maintains an active review of its product range and seeks to diversify its product offering through the creation and launch of complementary brands. Ensuring that the ongoing quality of the Group's product remains at an extremely high level allows the Group to continue to be competitive. The Group's retained expertise and existing relationships across the whisky industry remain as a barrier to entry for any direct competitors.	Unchanged

Risk	Impact	Mitigation	Movement
OUTSIDE RISKS continued			
Expansion into new markets may increase risks for the Group	The Group may decide, in the future, to expand into new markets in order to aid its growth strategy and increase the overall global footprint of the business. Whilst the Group aims to take appropriate precautions when developing new markets, this may involve greater legal, regulatory and commercial risks than those associated with their current markets.	Market research is undertaken prior to the launch in any new markets, and is reviewed during the lifecycle of each of the Group's products, with changes made following feedback, where necessary. Full due diligence is undertaken before any new markets are opened, and all identified legal, regulatory and commercial risks factored into any launch.	
The Group is exposed to foreign currency exchange rate risk that could affect its operating results and comparability of results between financial reporting periods	"The Group is subject to foreign currency exchange risk in its transactions because its business involves transactions in a variety of currencies due to its wide distribution network across various jurisdictions. There can be no guarantee that the Group will be able to compensate for or hedge against such exchange rate risks, and therefore exchange rate movements could have a material adverse effect on the Group's business and prospects, and its financial performance.	During the year to 31 December 2021, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2020: 75%) of their USD aged receivables. The Group has no exposure to the fall in the value of the rouble following sanctions in response to the Russian invasion of Ukraine.	

This Strategic Report was approved on behalf of the Board, by Andrew Dane, the Finance Director, on 28 March 2022.

Andrew Dane
Finance Director


FISHERMAN'S
JUMPERS
SOOTY SAUSAGES
HERBIVORE'S
TEMPTATION
A WEE CHEEKY CHAPPIE

Board of Directors

Mark Hunter
Non-Executive Chair

Mark is the former President and CEO of Molson Coors Brewing Company, a top five global brewer which had revenues of $10.8bn, EBITDA of $2.45bn and operations in over 25 markets globally as at 31 December 2018 (the end of the last accounting period before Mark retired). Mark retired from this role on 30 September 2019.

Mark has 35 years of marketing, sales and business unit leadership experience in North America, Europe and internationally. He has a track record of successful portfolio development, mergers and acquisitions, business integration and synergy delivery including the $12bn acquisition of MillerCoors in the US and multiple brand acquisitions.

He is a people-orientated leader who believes passionately in clarity of purpose and ambition, aligning people to build enabling cultures and investing to build leadership capability, engagement and executional brilliance.

Paul Skipworth
Non-Executive Deputy Chair

Paul started his career in corporate strategy consulting for ten years at LEK Consulting, and was then a Partner in an Asian based venture capital fund. Paul then spent 13 years building consumer brands and leading consumer companies globally at LVMH, working across consumer markets in Europe, Asia Pacific and the US. Paul was CEO and COO of Glenmorangie for five years, Regional Director Asia Pacific at Moet Hennessy, Senior Vice President of Strategy for Moet Hennessy and was a Partner in L Capital, LVMH's sponsored private equity fund focused on the consumer sector.

David Ridley
Executive Managing Director

David has worked in the international wines and spirits industry for 21 years and has experience across brand development, commercial and distribution management. He has previously held senior general management and business development roles globally, including at Moet Hennessy, where he was Managing Director of MH Vietnam for three years and Business Development Director for Asia Pacific, Africa, Middle East & the Americas for five years with Glenmorangie/Ardbeg single Malt Scotch whisky, where he also worked in Global Travel Retail.

David is a liveryman of the Worshipful Company of Distillers.

Andrew Dane
Executive Finance Director

Andrew previously worked for eight years at KPMG transaction services in London, Edinburgh and Toronto. During this time he worked on over 100 transactions covering multiple sectors, business sizes and geographies, including five Scottish capital markets transactions.

Prior to joining the Company, Andrew was the Finance Director at Argent Energy, the high growth UK biodiesel producer, from 2014 to 2020. He helped increase the size of Argent Energy's business from around 65 employees and approximately £50m turnover in 2014 (following their 2013 acquisition by Swire) to around 350 staff and approximately £350m turnover in 2020.

	Mark Hunter	Paul Skipworth	David Ridley	Andrew Dane
Term of Office	Appointed 24 March 2021	Appointed 30 March 2015	Appointed 6 April 2017	Appointed 17 September 2020
Independent	Yes	No	No	No
External Appointments	Mark is a non-executive director of TreeHouse Foods Inc. Mark became a director in April 2020 and he is a member of their Audit Committee and their Long Range Planning Committee.	Paul is a partner of Inverleith LLP.	None	None
Committee Membership	Chair Nomination and Governance Committee	Audit Committee Nomination and Governance Committee		

Lesley Jackson
Non-Executive Director

Lesley is a Chartered Accountant, having qualified with KPMG. She was the Group Chief Financial Officer for Stock Spirits PLC from 2011 to 2017, prior to which she held similar positions at William Grant & Sons, and at United Breweries (an Indian listed public company).

Lesley has served as a non-executive director of Trackwise Designs PLC (where she also chaired both the Audit and Remuneration Committees).

Lesley has extensive finance and business experience from her roles in international manufacturing businesses.

Helen Page
Non-Executive Director

Helen has more than 25 years' experience in marketing, innovation, consultancy and customer experience, including over 15 years in financial services. She joined Clydesdale Bank (now Virgin Money UK) in December 2012 and was part of the Executive Team to complete the IPO of the bank in 2016. Helen is Chief Brand Officer of the bank, and was chair of Virgin Money Giving until November 2021.

Prior to joining Virgin Money UK, Helen spent eight years at RBS in a number of roles. She became Managing Director for Marketing and Innovation and held responsibility for all UK brands across the Retail, Commercial and Corporate divisions.

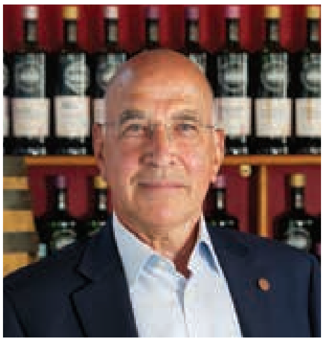
Helen was also Head of Brand Marketing at Argos, where she re-launched the catalogue company as a retailer. Before Argos, Helen held a number of product and marketing roles at Abbey (now Santander), where she became Head of Marketing. She also has experience in research, consultancy and central government roles.

Mark Bedingham
Non-Executive Director

Mark spent 20 years as the Regional Managing Director of Moet Hennessy Asia-Pacific, spearheading the Asia-Pacific growth of Moet Hennessy's portfolio of luxury wines and spirits, including Veuve Clicquot, Moet et Chandon, Hennessy, Cloudy Bay, Dom Perignon, Krug and Glenmorangie, turning the region into a major contributor to the Moet Hennessy Group's global turnover and profit. During this time, he also spent seven years as a non-executive director of the DFS Group, a Hong Kong based travel retailer of luxury products with a network of duty-free stores in over 17 major airports.

From 1997 to 2002, Mark was a director of Jardine Pacific, a subsidiary of Jardine Matheson, which represents a significant number of the Jardine Matheson Group's non-listed interests in Asia, including in engineering and construction, consumer, transport services, restaurants and IT services.

More recently Mark is the vice chair and part of the founder investor group in Aspirational Consumer Lifestyle Corporation, a SPAC, which is listed on the NYSE and has recently announced a business combination with Wheels Up, the leading private aviation company in the US. Aspirational (ASPL) has recently announced the filing of its second SPAC.



Gavin Hewitt CMG
Non-Executive Director

Gavin was the Chief Executive of the Scotch Whisky Association from October 2003 to December 2013. In November 2011 Gavin was elected as president of spiritsEUROPE (previously The European Spirits Organisation – CEPS) and held this role in conjunction with his position at the Scotch Whisky Association.

Gavin was appointed non-executive chair of Bladnoch Distillery Limited (2015 to 2017).

Before working in the alcohol industry, Gavin served in Her Majesty's Diplomatic Service (1970-2003) and between 1994 and 2003 was successively Her Majesty's Ambassador to Croatia, Finland and Belgium acquiring considerable expertise in international and EU trade matters and a close connection with many large UK companies operating overseas. He is a Companion of the Order of St Michael and St George (CMG), a Keeper of the Quaich and a liveryman of the Worshipful Company of Distillers.

Term of Office

Lesley Jackson	Helen Page	Mark Bedingham	Gavin Hewitt CMG
Appointed 2 June 2021	Appointed 2 June 2021	Appointed 1 September 2015	Appointed 27 March 2015

Independent

Lesley Jackson	Helen Page	Mark Bedingham	Gavin Hewitt CMG
Yes	Yes	No	Yes

External Appointments

Lesley Jackson	Helen Page	Mark Bedingham	Gavin Hewitt CMG
Lesley is a non-executive director of Aberforth Split Level Income Trust plc and Devro plc (where she is appointed as the senior independent director and Chair of the Audit Committee)		Mark is the President and CEO of SMI, a company listed on the Singapore Stock Exchange. He is concurrently executive chair of the hospitality group Iconic Locations which owns the CELAVI group with locations in five key cities in Asia Pacific. He is also a director and investor in the recently formed Straits BioPharma.	Gavin is the non-executive chairman of Findr Ltd, a digital platform serving as a market-place for professional photographers.

Committee Membership

Lesley Jackson	Helen Page	Mark Bedingham	Gavin Hewitt CMG
Chair Audit Committee Remuneration Committee	Chair Remuneration Committee Audit Committee	Audit Committee	Nomination and Governance Committee Remuneration Committee

SAFEGUARDING OUR NEW VENTURE

I'm pleased to present the Corporate Governance Report, our first since IPO, for the year ended 31 December 2021. This section of the Annual Report sets out the governance structure we follow and is intended to provide our stakeholders with a clear understanding of how the Board and its Committees operate including how our corporate governance structures and processes have been put into practice. Having listed on AIM in June 2021 and given the Company's size and the constitution of the Board, we have opted to comply with the recommendations set out in the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code sets out a standard of minimum best practice for small and mid-sized quoted companies, particularly AIM companies.

The role of the Board is to promote the long-term success of the Company, ensuring that appropriate corporate governance principles are in place. We have worked and will continue to work to develop and embed the right processes, cultures and practices as an integral part of the operations of the Company. My role as Chair of the Artisanal Spirits Company is to ensure that the Board is performing its role effectively, overseeing its function and direction, and having ultimate responsibility for implementing the Company's corporate governance arrangements.

The Board and I fully recognise the value of a robust corporate governance framework and diverse opinion in the successful delivery and preservation of our future objectives and strategy, and in our accountability to all our stakeholders, in particular in the face of ongoing challenges as a result of the pandemic. We are fully cognisant of our responsibility to ensure the highest standards of corporate governance across all divisions of the business. Our goal is to instil a progressive, innovative and respectful culture.

Effective governance has allowed us to continue to ensure sound strategic planning and to make critical business decisions which promote progress against strategic growth objectives outlined at IPO, ultimately resulting in the Company emerging from the year with sales comfortably ahead of market expectations and giving us confidence as we move through FY22.

The most significant governance event in the period under review was the Company's IPO on the AIM Market of the London Stock Exchange in June 2021. It was at this point that the Board as it stands was established, remaining unchanged throughout the year. The Company did, however, make key strategic hires to the Leadership Team, including Marketing & E-commerce Director, Rebecca Hamilton, and Company Secretary and Legal Counsel, Douglas Aitken, helping to strengthen and impact the direction of the Company.

The Board regularly meets to ensure that our corporate plans and goals are working well in practice, ultimately creating an effective and conducive environment to support the business' growth. Details on how frequently the Board and its Committees meet can be found on pages 51 and 52.

The Board would like to thank all shareholders and colleagues for their continued support, and we look forward to continuing our success. We wish you a safe and healthy 2022.

Mark Hunter
Chair

Division of responsibilities

The Group operates within the following governance framework.

The Board

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success in accordance with our purpose, culture and values. The Board is responsible for the overall management of the Group, including the formulation and approval of the Group's long-term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. While the Board may delegate specific responsibilities, there is a formal schedule of matters specifically reserved for decision by the Board. Such reserved matters include, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions. The Board meets regularly to review performance.

The Board reviews reports from the Executive Managing Director, the Executive Finance Director, and from members of the Executive and Leadership Team on progress against approved strategies and the annual business plan. There are regular presentations from other key members of the Leadership Team on each of the main areas of the Group's operations.

The Chair

The Chair:

- Leads the Board and ensures it operates in accordance with its corporate governance framework and with all relevant rules and regulations.
- Promotes high standards of corporate governance.
- Sets the agenda for the meetings of the Board.
- Ensures the Board members receive accurate, timely and quality information.
- Encourages open debate and constructive challenge from other members of the Board.
- Leads the performance assessment in respect of other Board members.
- Speaks on behalf of the Board to shareholders and other stakeholders.

Executive Managing Director

The Executive Managing Director is responsible for:

- Developing the strategic plans of the Group for presentation and agreement with the Board.
- Making and implementing operational decisions in respect of the Group's activities.
- Leading the Executive and Leadership Teams in the day-to-day running of the Group's operations.
- Reporting to the Board with timely and accurate information.
- Together with the Chair, representing the Group to external stakeholders, including shareholders, customers, suppliers, regulatory bodies and the local and wider community.

Non-Executive Directors

The role of Non-Executive Directors is to:

- Participate in the Board's decision making.
- Advise and support the executive team in the execution of the Group's strategy.
- Provide appropriate constructive challenge and oversight to management activities.

The Board has established an Audit Committee, Nomination and Governance Committee and a Remuneration Committee. The activities and responsibilities of the Committees are detailed below.

The Audit Committee

The Audit Committee is chaired by Lesley Jackson. Its other members are Helen Page, Paul Skipworth and Mark Bedingham. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets at least three times a year and has unrestricted access to the Company's auditors. It met four times in 2021.

The Nomination and Governance Committee

The Nomination and Governance Committee is chaired by Mark Hunter. Its other members are Gavin Hewitt and Paul Skipworth. The Nomination and Governance Committee will identify and nominate candidates to fill Board vacancies, as and when they arise, for the approval of the Board. The Nomination and Governance Committee also has delegated responsibility for establishing and promoting the Company and the Group's Environmental, Social and Governance (ESG) framework, which is then approved by the full Board. The Nomination and Governance Committee meets at least once a year. It met two times in 2021.

The Remuneration Committee

The Remuneration Committee is chaired by Helen Page. Its other members are Gavin Hewitt and Lesley Jackson. The Remuneration Committee reviews the performance of the Executive Directors and other senior executives and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company are set by the Board. Throughout the year the Remuneration Committee has received advice from h2glenfern, the Group's remuneration consultants, on matters relating to executive, senior management and Board remuneration, the Group's share schemes and the Group's remuneration policy. The Remuneration Committee meets as and when necessary, but at least twice each year. It met three times in 2021.

The Executive and the Leadership team

The Company's Executive Directors are David Ridley (Executive Managing Director) and Andrew Dane (Executive Finance Director), who both sit on the Board of Directors. The Group's Executive team consists of The Executive Directors, plus Kai Ivalo (Spirits Director), Rebecca Hamilton (Marketing & E-Commerce Director), Jan Damen (Group Operations & Commercial Director) and Douglas Aitken (the Company Secretary).

The Executive team is responsible for assisting the Board of Directors in developing, and then executing the Group's strategy and in directing the day-to-day activities of the Group. In doing this they are assisted by the Leadership Team which is made up of other senior managers across the Group.

Board and Committee meetings and meeting attendance

The Board and its Committees meet regularly, operating to an agreed timetable of formal meetings and informal Board update calls. The Board met formally ten times in 2021 and held one informal update call. Meetings are usually held in Edinburgh and may also take place by video conference. Directors who are based overseas will normally join the meeting virtually, although all Directors aim to meet in person at least once a year where circumstances permit this.

The Chair and the Non-Executive Directors also met during the year, formally at each Board meeting, and informally, without the Executive Directors present and where matters including executive performance and succession and Board effectiveness were discussed.

Directors are asked to attend all meetings of the Board and the Committees they serve on, and to devote enough time to the Company to perform their duties. Board and Committee papers are distributed in advance of meetings other than, by exception, urgent papers which can be tabled at the meeting. If Directors are not able to attend a meeting because of conflicts in their schedules, they receive all the relevant papers and have the opportunity to submit their comments in advance to the Chair or to the Company Secretary. If necessary, they can follow up with the Chair of the relevant meeting.

The Chair is not a member of the Audit or Remuneration Committees. The Chair may attend meetings of all Committees, by invitation, in order to keep abreast of their discussions.

The table below reflects the composition of the Board and Board Committees during 2021 and records the number of meetings and members' attendance.

Director	Board	Audit Committee	Remuneration Committee	Nomination and Governance Committee
Mark Hunter (Joined 24 March 2021)	10/10			2/2
Paul Skipworth*	9/10	4/4		2/2
David Ridley*	9/10			
Andrew Dane	10/10			
Mark Bedingham	10/10	4/4		
Gavin Hewitt	10/10		3/3	2/2
Lesley Jackson (Joined 2 June 2021)	4/4	4/4	3/3	
Helen Page (Joined 2 June 2021)	4/4	4/4	3/3	
Former Directors				
Stella Morse (Resigned on 2 June 2021)	6/6			
Mehdi Shalfrooshan (Resigned on 2 June 2021)	6/6			
Benjamin Thomson (Resigned on 2 June 2021)	6/6			

*Mr David Ridley and Mr Paul Skipworth were asked to recuse themselves from one Board meeting of the Company which took place in April 2021 as the topic of discussion at that meeting was their remuneration.

Board development

When new Directors join the Board, an induction programme takes place, which is tailored to their existing knowledge and experience. New Board members are also introduced to members of the Executive and Leadership Teams, other key employees and, as appropriate, external advisers. The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company's other professional advisers, where appropriate.

Executive Directors are included within the Group's performance review process, through which their performance against predetermined objectives is reviewed annually. This process also considers their personal and professional development needs. Non-Executive Directors are encouraged to raise any personal development or training needs with the Chair and Company Secretary or through the Board effectiveness and evaluation process.

Board effectiveness and evaluation

The Board undertakes an effectiveness review each year which helps establish how effectively the Board and Committees are operating and how individual Board members have contributed to that performance. This is conducted through individual self-assessment and peer review, overseen by the Chair and the Chair of each Committee. Additional details on the evaluation of the Board's performance can be found in the Corporate Governance Statement. The Nomination and Governance Committee evaluates the balance of skills, knowledge, experience and diversity on the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary on an ongoing basis.

Information and support

The Chair, aided by the Company Secretary, is responsible for ensuring the Board members receive accurate, timely and quality information. Board and Committee papers are distributed in advance of meetings other than, by exception, urgent papers which can be tabled at the meeting. The Company Secretary leads this process, and ensures that any suggested improvements or feedback on Board papers are supplied to management. The Board and its Committees can receive advice from external advisers as required throughout the year, at the Company's expense, and have access to the Company Secretary, the Nominated Adviser, the remuneration consultants, the auditors, external legal counsel and other professionals as needed.

Throughout 2021 the Board took material advice from its legal advisers Dickson Minto W.S., the Reporting Accountant BDO LLP, the Nominated Adviser and Broker Singer Capital Markets, its Registrar Link Market Services Limited and its financial public relations advisers Alma PR in relation to the preparation for and the admission of the Company's shares to trading on AIM, a market operated by the London Stock Exchange. The Board have also taken advice from the Nominated Adviser and Alma PR in relation to the announcement of the Group's interim and full year financial results.

Time commitment

Each member of the Board is required to dedicate sufficient time to discharge their responsibilities. All Directors have been advised of the time required to fulfil the role prior to appointment. The Board is satisfied that the Chair and each of the Non-Executive Directors are able to devote sufficient time to the Group's business.

QCA Corporate Governance Code

The Company has elected to adopt the QCA Corporate Governance Code (the 'Code'). The Code consists of ten general principles. These are broadly split into the categories of: Delivering Growth; Maintaining a Dynamic Management Framework; and Building Trust. The Board, assisted by the Audit Committee, has assessed the Group's compliance with the Code, and has determined that throughout the year since the adoption of the Code on admission to AIM the Group has complied with the Code's requirements.

Annual General Meeting

The Annual General Meeting of the Company will take place on 24 May 2022. In accordance with the Code, all Directors will be submitted for re-election at the Annual General Meeting in 2022. Following this, one-third of Directors will be submitted for re-election at each subsequent Annual General Meeting.

Mark Hunter
Chair

I am pleased to present the maiden report of the Audit Committee, which is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies and advising on the appointment of external auditors as well as the effectiveness of their audit.

Committee members	Meetings attended
Lesley Jackson – Chair	4/4
Helen Page	4/4
Paul Skipworth	4/4
Mark Bedingham	4/4

I am also pleased to report that the Finance Team demonstrated great resilience during the IPO process despite the extra demands asked of it and has adjusted well to life as a public company. They have responded well to the impact of Brexit, namely the additional paperwork and administration effort that this has created, as well as changes to working conditions created by the Covid-19 pandemic.

Members of the Audit Committee

Lesley Jackson became Audit Committee Chair upon the IPO in June 2021. Two members of the Committee, including the Committee Chair, are independent Non-Executive Directors. The Finance Director routinely attends the Audit Committee meetings by invitation, but other members of the Executive and Leadership Teams may also be invited to attend meetings as required. The Non-Executive Directors are provided an opportunity at the Audit Committee meetings to discuss matters with the auditor without the presence of the Executive Directors. The Company Secretary acts as secretary to the Committee. The Board is satisfied that the Chair of the Committee has recent and relevant financial experience. Lesley is a Chartered Accountant and is also Chair of the Audit Committee at Devro plc.

The Committee meets at least three times a year and more frequently if required, and has unrestricted access to the Group's auditor. Attendance at Board and Committee meetings is set out in the Corporate Governance Report on pages 49-51.

Duties

The main duties of the Audit Committee are set out in its terms of reference, which are available on the Group's website (www.artisanal-spirits.com). The work carried out by the Audit Committee during FY21 comprised the following:

- Agreeing the Committee terms of reference;
- Approving the 2021 full year audit fee and annual audit plan;
- Agreeing the approach to half year and full year results announcements;
- Ongoing review and monitoring of agreed actions in relation to the Financial Position and Prospects Procedures;
- Review of the risk management process, control framework and risk register;
- Review of the Group insurance arrangements; and
- Approving the QCA Corporate Governance Code Compliance Assurance Framework.

Statutory auditors

Johnston Carmichael LLP have been the Company's statutory auditors since 2015. The lead partner is Grant Roger.

The Group is currently conducting a tender of its external audit this year, with any change to take place post AGM and be effective for the year ending 31st December 2022. In addition to the incumbent auditors, a number of 'Big 4' and certain 'mid tier'; audit firms were approached with an invitation to tender. The tender process was managed by the Finance Director, and each firm received the same Invitation to Tender, access to a selection of relevant data and an invitation to follow up with the Finance Director for further information gathering.

The Audit Committee assessed the responses to this Invitation to Tender, based on the key criteria that were established and circulated to all participating parties. On this basis, the Audit Committee agreed that based upon the responses we invited three firms to present to a selection panel, including the Chair of the Audit Committee, the Finance Director, the Company Secretary and Group Financial Controller.

This selection panel has made a recommendation to the Audit Committee on the basis of these presentations. The Board is yet to consider its final recommendation, but this will be presented at the Company's AGM in May.

Statutory audit

Johnston Carmichael provided audit services for the Company in 2021. Johnston Carmichael were not the Reporting Accountants through the Company's IPO process. A total of £36k was paid during the year (pre-IPO) for other non-audit related services conducted by Johnston Carmichael as shown in note 6 to the Financial Statements. The Committee noted this non-audit work when reviewing the statutory auditors' independence. The Committee is responsible for reviewing the effectiveness of the auditors. The following processes are used for this purpose:

- The Committee received a detailed audit plan from the statutory auditors at the beginning of the annual audit process which included an outline of the proposed scope of the audit, and identification of key audit risks and areas of focus. This was discussed and agreed with the Committee.
- The Committee challenged the work done by the statutory auditors to test management's assumptions and estimates in relation to the significant issues.
- At the completion of the statutory audit, the Committee received feedback from the Finance Director and the Finance Team on how effectively issues were addressed at the statutory audit clearance meetings.

Based on the above processes and feedback, and its own ongoing assessment of the statutory auditors' performance the Committee was satisfied with the independence, objectivity and overall effectiveness of the statutory auditors with regard to the 2021 audit process.

Internal controls and environment

Considerable focus was paid during the IPO process on the Company's financial position, prospects and procedures, as well as ensuring that the business has the right internal processes as it looks to scale in line with its growth ambitions. Any significant actions that arose were completed prior to completion of the IPO, whilst all material remaining areas have since been addressed, with a small number of low risk items to enhance existing controls expected to be completed during 2022.

Internal audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one. The Committee conducts rigorous reviews of monthly results and Key Performance Indicators. It also focuses on potential key risks and in the past year has paid particular attention to risks concerning cyber security and IT infrastructure.

Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. During the year, there were no incidents for consideration.

Fair, balanced and understandable reporting

The Audit Committee has provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy. Each Director was also asked to provide this confirmation.

Other Significant Matters

The Audit Committee has also reviewed whether other areas of material judgement or subjective decisions have been appropriately addressed in the Annual Report & Accounts. Specific areas considered include Inventory, Going Concern, Taxes and Exceptional Items. The Audit Committee was comfortable with the approach taken with respect to these matters.

On behalf of the Board
Lesley Jackson
Audit Committee Chair
28 March 2022

On behalf of the Board, I am pleased to present the Nomination and Governance Committee report of the Company for the year ended 31 December 2021. The Nomination and Governance Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes. The Nomination and Governance Committee also has delegated responsibility for establishing and promoting the Company and the Group's ESG framework, which is then approved by the full Board.

Committee members	Meetings attended
Mark Hunter – Chair	2/2
Paul Skipworth	2/2
Gavin Hewitt	2/2

Members of the Nomination and Governance Committee

During the year, the Committee consisted of myself (Mark Hunter), Gavin Hewitt and Paul Skipworth. All but Paul Skipworth are fully independent.

Duties

The Committee's principal duties are to:

- Monitor the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Give full consideration to succession planning for Directors and other senior executives in the course of its work, and the skills and expertise needed on the Executive and Leadership Teams in the future;
- Keep under review the leadership needs of the organisation, both Executive and Non-Executive;
- Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates; and
- Establishing and promoting the Company and the Group's ESG framework for approval by the full Board.

Committee attendance

The Nomination and Governance Committee met formally twice during 2021 with all members present.

Succession planning

The Committee conducted a review of succession plans during the year. Ensuring that there are robust succession plans in place at Board and senior management level is fundamental to the long-term prospects of the business. Succession plans for the Board and senior executives were reviewed and, where appropriate, adjusted during the year.

Board composition

The Board of the Company was reviewed prior to the admission of the Company in the AIM segment of the London Stock Exchange on 4 June 2021, and a number of changes were made prior to admission. This included the appointment of myself as Chair in March 2021 and the additions of Helen Page and Lesley Jackson to the Board in June 2021. The skills required, experience and background of all of the Board were considered as part of the Board review process running up to the admission.

Nomination and Governance Committee in 2022

The Committee is scheduled to meet at least twice in 2022. The Committee will continue to review the balance of skills and diversity of the Board and promote and suggest amendments to the Group's ESG framework.

On behalf of the Board
Mark Hunter
Nomination and Governance Committee Chair
28 March 2022

Remuneration Committee Report

This Remuneration Report summarises the remuneration paid to the Directors for the year ended 31 December 2021. The Company was admitted to trading on AIM on 4 June 2021. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. The Company is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Committee members	Meetings attended
Helen Page – Chair	3/3
Gavin Hewitt	3/3
Lesley Jackson	3/3

The Remuneration Committee was formally established by the Board in the lead-up to the Company's admission on AIM, and I was appointed its Chair. Gavin Hewitt and Lesley Jackson are the other members of the Committee. All Committee members are deemed independent by the Board. The Remuneration Committee meets at least twice each year.

The Committee operates under terms of reference approved by the Board and is responsible for reviewing the performance of the Executive Directors and other designated senior executives and determining their remuneration packages. The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company are set by the Board.

In the run up to the IPO, the Company appointed h2glenfern to provide advice on Executive Director and senior executive remuneration and incentives and, after the IPO, to provide advice and support on remuneration on an ongoing basis. h2glenfern is a member of the UK Remuneration Consultants Group.

Duties

The key objectives of the Remuneration Committee are to:
- Develop remuneration packages which motivate the Executive Directors and senior executives and support the delivery of business objectives in the short, medium and long term;
- Align the interests of the Executive Directors with the interests of long-term shareholders;
- Encourage senior executives to operate within the risk parameters set by the Board; and
- Ensure the Company can recruit and retain high-quality executives through packages which are fair and attractive, but not excessive.

It is the Remuneration Committee's intention that remuneration should reward achievement of objectives aligned with shareholders' interests over the medium to long term. Executive Director and senior executive remuneration consists of the following elements: basic salary, benefits, pension contribution, performance-related annual bonus, Long-Term Incentive Plan (LTIP).

The Executive Directors each have a service agreement containing six months' notice. The Non-Executive Directors each have letters of appointment with a three-month notice period.

Remuneration in 2021

On IPO, the salaries of our Executive Managing Director and Executive Finance Director were set at £155,540 and £122,400 per annum respectively. Executive Directors participated in the Group pension scheme on the same terms as are available to the rest of the workforce with a Company contribution at 5% of salary. In addition, Executive Director benefits comprised free SMWS membership and £500 product allocation in line with the benefit available for other staff within the Company.

The Executive Directors were eligible to be considered for an annual discretionary bonus of up to 30% of their basic annual salary, as determined by the Remuneration Committee.

In the light of performance in 2021 including the achievement of the Company's revenue target, corporate and individual performance objectives, our Managing Director will be paid an annual bonus of £46,662 (30% of salary) and our Finance Director will be paid a bonus of £36,720 (30% of salary).

Summary of 2021 remuneration

	Salary	Bonus	Pension	Total
David Ridley	£155,540	£46,662	£7,777	£209,979
Andrew Dane	£122,400	£36,720	£6,120	£165,240
Mark Hunter	£68,750	n/a	–	£68,750
Paul Skipworth	£42,055	n/a	–	£42,055
Helen Page	£35,417	n/a	£1,594	£37,011
Lesley Jackson	£35,417	n/a	–	£35,417
Mark Bedingham	£26,250	n/a	–	£26,250
Gavin Hewitt	£23,750	n/a	–	£23,750
Former Directors				
Stella Morse (resigned on 2 June 2021)	n/a	n/a	n/a	n/a*
Mehdi Shalfrooshan (resigned on 2 June 2021)	£15,000	n/a	n/a	£15,000**
Benjamin Thomson (resigned on 2 June 2021)		n/a	n/a	n/a*

* Stella Morse, Paul Skipworth and Benjamin Thomson were non executive Directors of the Company in their capacity as partners of Inverleith LLP. The Company paid a service fee to Inverleith LLP of £25,200 in 2021 in consideration of them acting as directors.

** Medhi Shalfrooshan recived compensation which included benefits in kind including the lease of two cars valued at a total of £15,000 during 2021.

The table above shows the value of actual salary received relating to 2021. On IPO, the Chair's fee was set at £75,000 per annum.

The bonus shown is the value of the bonus to be paid in relation to the 2021 financial year (payment to be made in 2022). During 2021, the following bonuses were paid in relation to the 2020 financial year: David Ridley £46k (taken as £36k cash and £10k pension contribution) and Andrew Dane £15k.

Non-Executive Director fees were set at £42,500 per annum for Paul Skipworth, Deputy Chair, and for Lesley Jackson and Helen Page, who chair the Audit and Remuneration Committees respectively, and £30,000 per annum for the other Non-Executive Directors.

Directors' interests – Interests in share options (audited)

Details of options held by Directors who were in office at 31 December 2021 are set out below. 947,000 options were exercised during the year (2020: nil). Details of the Group's option schemes are set out in note 26 to the Financial Statements.

The closing market price of the Group's shares at 31 December 2021 was 97.5 pence. The range of daily closing market prices during the period from admission to AIM in June 2021 to year end was 80.5 pence to 121 pence.

Options granted before IPO

	Date of grant	Number	Exercise price	Earliest exercise date
Paul Skipworth	27 March 2016	326,000	30p	27 March 2021
Paul Skipworth	16 April 2018	148,000	39.75p	16 April 2022
David Ridley	27 February 2017	527,000	30p	27 Feb 2022
David Ridley	22 March 2018	256,000	39.75p	22 March 2023
David Ridley	12 June 2019	400,000	39.75p	12 June 2024
David Ridley	3 September 2020	236,000	39.75p	3 September 2025
Andrew Dane	24 February 2020	212,700	0.25p	4 August 2025

Options granted before IPO can normally only be exercised from the fifth anniversary of grant. Options granted before IPO vest as to one-third on grant and one-third on the first two anniversaries of grant.

Options granted on IPO

	Date of grant	Number	Exercise price	Vesting date
David Ridley	4 June 2021	200,000	0.25p	4 June 2024
Andrew Dane	4 June 2021	319,050	0.25p	4 June 2024
Andrew Dane	4 June 2021	319,050	0.25p	4 June 2025

Options granted on IPO are subject to three and four year performance conditions weighted 33% on absolute share price performance, 33% on revenue and 33% on EBITDA. They are subject to malus and clawback provisions.

Directors' interests – Interests in shares (audited)

The interests of Directors who were serving as at 31 December 2021 and their immediate families and any persons connected with them (within the meaning of section 252 of the Act) in the Ordinary Shares of the Company are set out below (all restated to reflect the June 2021 four for one share split for consistency):

	Holding balance at 31 December 2021	% of share capital at 31 December 2021
Mark Bedingham*	2,501,476	3.6%
Mark Hunter	943,525	1.4%
Paul Skipworth	803,884	1.2%
David Ridley	184,156	0.3%
Lesley Jackson	64,560	0.1%
Andrew Dane	47,017	0.1%
Gavin Hewitt	41,236	0.1%
Helen Page	–	–

* Mark Bedingham's holdings are held through Birdwing Investments Limited.

Remuneration in 2022

The Managing Director's and Finance Director's salaries were increased by 3% effective 1 January 2022 to £160,206 and £126,072 respectively, in line with the Company-wide wage increase. The Company pension contribution will be increased to 7% of salary, in line with arrangements for the wider workforce.

Annual bonus in 2022 will operate in a similar way to 2021. The Managing Director and Finance Director will be eligible to be considered for an annual discretionary bonus of up to a normal maximum amount of 30% of basic salary, with the Remuneration Committee having the ability to pay amounts above this limit, up to a maximum total of 50% of salary, in the event of substantial outperformance of objectives. The performance targets will be reflective of the delivery of objectives across the business and subject to an overall revenue target underpin.

The Remuneration Committee will not be making LTIP awards to the Executive Directors during 2022. The Company intends to make share incentive awards to other staff across the Company during 2022 to support incentivisation, Group objectives and employee retention.

There will be no change to the Chair and Non-Executive Director remuneration for 2022.

Shareholder engagement

The Company welcomes shareholder feedback on its Director remuneration arrangements. A resolution to approve this Remuneration Report will be put to an advisory resolution at our 2022 AGM.

On behalf of the Board
Helen Page
Remuneration Committee Chair
28 March 2022

As required under the Companies Act 2006, the Directors present their report together with the audited financial statements for the year ended 31 December 2021. The Corporate Governance Statement on pages 48–62 also forms part of this Directors' Report.

Dividends

The Directors do not wish to recommend any payment of dividend for the financial year 2021 (2020: nil).

Directors

The Directors of the Company during the period and to the date of this report are as follows: Mark Hunter (from 24 March 2021), Paul Skipworth, David Ridley, Andrew Dane, Mark Bedingham, Gavin Hewitt, Lesley Jackson (from 2 June 2021) and Helen Page (from 2 June 2021).

The names of the Directors, along with their brief biographical details, are given on pages 48–49.

Stella Morse (resigned on 2 June 2021), Mehdi Shalfrooshan (resigned on 2 June 2021), and Benjamin Thomson (resigned on 2 June 2021) were also Directors of the Company for the period through to 2 June 2021.

Directors' interests

The Directors' interests in the Company's shares and options over Ordinary Shares are shown in the Remuneration Report on pages 57–59.

During the period, Mark Bedingham held 30% of the issued share capital of The Scotch Malt Whisky Society Japan Limited, one of the subsidiary companies of the Company. Mark Bedingham sold these shares to The Scotch Malt Whisky Society Limited, a wholly owned subsidiary of the Company, on 31 December 2021. Since that date, no Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

Directors' and Officers' liability insurance

The Group purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

Political donations

The Group made no political donations in the financial period.

Disclosure of information to auditor

As far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditor in connection with preparing their Report) of which the Group's auditor is unaware, and each Director has taken all reasonable steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Financial instruments

The financial risk management objectives of the Group, including credit risk, interest rate risk and currency risk, are provided in note 23 to the Financial Statements.

Subsidiaries

The Company has nine subsidiaries; a complete list is provided at note 14 to the Financial Statements.

Share capital structure

At 31 December 2021, the Company's issued share capital was £174,014.44 divided into 69,605,774 Ordinary Shares of 0.25p each. Further details of the Company's issued share capital are given in note 24 to the Financial Statements.

The Company's Ordinary Shares rank *pari passu* in all respects with each other, including for voting purposes and for all dividends. Each share carries the right to one vote at general meetings of the Company. Further information on the voting and other rights of shareholders, including deadlines for exercising voting rights, are set out in the Company's Articles of Association, which are available on the Company's website (www.artisanal-spirits.com).

Restriction on shares

The Company's Ordinary Shares are freely transferable and there are no restrictions on the size of a holding. Transfers of shares are governed by the provisions of the Articles of Association and prevailing legislation. The Ordinary Shares are not redeemable; however, the Company may purchase any of the Ordinary Shares, subject to prevailing legislation and the requirements of the Listing Rules.

The Directors are aware of an agreement between the Company, the Nominated Adviser and a number of shareholders to not take part in the sale or disposal of the Company's shares for a period of 12 months following the date of admission of the Company onto the AIM portion of the London Stock Exchange, which was 4 June 2021. No shareholder holds securities carrying any special rights or control over the Company.

Significant shareholders

As of 31 December 2021, the Company is aware of the following holdings of significant shareholders in the Company (as defined in the AIM Rules).

Name	No. of shares	% of issued share capital
Inverleith (ASC) Limited	12,177,764	17.50%
BGF Investment Management Ltd	6,250,000	8.98%
Mehdi Shalfrooshan	6,125,000	8.80%
Benjamin Thomson	5,675,976	8.15%
Canaccord Genuity Wealth Limited	5,450,000	7.83%
John Dunsmore	3,239,384	4.65%
Dowgate Wealth Management Limited	2,548,226	3.66%
Birdwing Investments Limited	2,501,476	3.59%

Insofar as it is aware, as at 31 December 2021 the percentage of the Company's Ordinary Shares that were not in public hands was 45.96%.

Share option schemes

Details of employee share schemes are set out in note 26 to the Financial Statements.

Appointment and retirement of Directors

The Board may from time to time appoint one or more additional Directors so long as the total number of Directors does not exceed the limit prescribed in the Articles of Association (twelve).

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details of the assessment of going concern can be found in note 2.6 of the Financial Statements.

Directors' Statement

The Directors believe that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company and the Group's position and performance, business model and strategy.

The Directors have carried out a robust assessment of the Company and the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated.

The Directors' Report for the year ended 31 December 2021 comprises these pages and other relevant sections of the Annual Report which are incorporated into the Directors' Report by reference. In addition, certain disclosures required to be contained in the Directors' Report have been incorporated into the 'Strategic Report' as set out above.

Annual General Meeting

The Annual General Meeting will be held on 24 May 2022.

The ordinary business comprises receipt of the Directors' Report and audited financial statements for the year ended 31 December 2021, the re-election of Directors, the appointment of the Company's Auditor and authorisation of the Directors to determine the Auditor's remuneration.

Approval

This Directors' Report was approved by the Board and was signed on its behalf on 28 March 2022.

Andrew Dane
Finance Director

Statement Of Directors' Responsibilities

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 UK-adopted International Accounting Standards in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.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THE SCOTCH MALT WHISKY SOCIETY

Opinion

We have audited the financial statements of The Artisanal Spirits Company PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, for the parent company financial statements, UK-adopted International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards, as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 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 as applied to listed entities, and we have fulfilled our 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.

Our approach to the audit

We tailored the scope of our audit to ensure that we obtained sufficient appropriate audit evidence to be able to give an opinion on the group and parent company financial statements, taking into account the structure of the group and the parent company, the accounting processes and controls and the industry in which they operate.

The group financial statements are a consolidation of ten companies, including the parent company itself. We completed full scope statutory audits of the parent company and the three UK trading subsidiaries, as well as the audit of the Hong Kong subsidiaries to group component materiality. We engaged component auditors for the audit of all overseas trading subsidiaries (in China, Japan, Australia and Ireland). We provided detailed formal group reporting instructions to ensure all material balances in each component have been audited to group component materiality. All audit working papers prepared by each component audit team have been provided to the group audit team and reviewed, with robust challenge of the procedures performed and reconciliation to the group instructions issued. Formal completion meetings were held by the component auditors with local management, and we held formal close-out meetings with each component audit team to discuss the key findings from each component audit

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters include those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter (Group)	How our audit addressed the key audit matter
Revenue recognition (note 4) The Group has multiple different revenue streams, with the main ones being sales of whisky, membership income and member events income. The accounting policy sets out the accounting requirements of IFRS 15 "Revenue from contracts with customers" for each key revenue stream of the Group. Revenue is a key performance indicator and recognition of the following revenue streams has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud and/or error. Sales of whisky has been identified as a key component of revenue (2021: £14.4m, 2020: £12.0m) and recognition of these sales is a key audit matter due to significance of the value of these sales to the financial statements. Membership income has been identified as a key component of revenue (2021: £1.6m, 2020: £1.5m) and recognition of this income is a key audit matter due to the additional complexity of ensuring recognition over the 12-month contractual period and accounting for bundle contracts and separation of the components of the transaction (membership and physical bottle) in line with IFRS 15.	Our audit procedures to respond to the risks identified included, but was not restricted to, the following: – assessed whether the accounting policies adopted by the directors were in accordance with IFRS 15, and whether management accounted for revenue in accordance with the accounting policies; – traced a sample of whisky sales (online, venue and franchise sales) from source documentation to bank statements to test whether each sale was valid and complete; – tested a sample of transactions either side of the year end to assess whether cut-off was appropriate for whisky sales; – performed analytical procedures on membership income to identify any unusual or unexpected revenue relationships based on membership data and cost of annual memberships; – evaluated and tested management's calculation of membership income to reconcile the deferred income position from sales of membership subscriptions/renewal to members on an annual contractual obligation; and – tested a sample of bundle packages to check allocation of the two components of revenue and recognition in line with the accounting policy.
Stock valuation (note 15) The group continues to invest significantly in stock acquisition to meet their longer-term growth plans. Total stock held at year end is £23.7m (2020: £21.7m), therefore the carrying value is material to the balance sheet. The accounting policy states that stock is accounted for at the lower of cost and net realisable value (NRV). Cask stock is a key component of stock (2021: £20.4m, 2020: £18.9m), which, due to its nature, takes a considerable period of time to mature. The group will therefore hold the cask stock over a long period of time and there is therefore a risk that once matured the NRV of this stock falls below that of the carrying value. Bottle stock is a key component of stock (2021: £2.3m, 2020: £1.6m) with estimation and judgement involved in the allocation of each component of cost (labour, overheads, dry good costs) to drive the standard cost of a product. Due to the high degree of estimation uncertainty in management's determination of the carrying value of cask stock and bottled stock this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud and/or error.	Our audit procedures to respond to the risks identified included, but were not restricted to, the following: – assessing whether the accounting policies adopted by the directors were in accordance with IAS 2 "Inventories", and whether management accounted for cask stock and bottle stock in accordance with the accounting policies; – testing a sample of cask stock balances at year-end by agreeing purchases in the year and storage costs capitalised to supporting documentation, as well as reperforming the depreciation charge allocation to the cost of cask stock; – performing a reconciliation of the movements in cask stock in the year; – to assess for any indication of impairment or carrying values being lower than NRV we performed analytics on gross margin for whisky sales in the year and obtained and read tasting panel results; – reperforming the costing for a sample of bottled stock products, agreeing a sample of the cost components to supporting documentation; and – tracing a sample of bottle stock to subsequent sale post year end or to sales price listing to check whether stock is held at lower of cost and NRV.

Our application of materiality

The scope of our audit was influenced by the application of materiality. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Materiality was determined as follows:

Materiality Measure	Group	Parent company
Financial statements as a whole (Overall materiality)	£173,000 Based on 1% of revenue for the year. Revenue is considered the most appropriate benchmark for the business as this is the key performance indicator used by the directors and board The threshold of 1% is considered a mid-point of a generally accepted range, selected to reflect the fact that the group is newly listed.	£156,000 Based on 0.5% of gross assets for the year. Gross assets is considered the most appropriate benchmark given the nature of the parent company as a holding company for the wider group. The threshold of 0.5% is considered a mid-point of a generally accepted range, selected to reflect the fact that the company is newly listed.
Performance materiality, used to drive the extent of testing	75% of financial statement materiality. In determining this percentage we considered the history of low levels of misstatements and our risk assessment and concluded that a percentage at the upper end of a generally accepted range was appropriate.	75% of financial statement materiality. In determining this percentage we considered the history of low levels of misstatements and our risk assessment and concluded that a percentage at the upper end of a generally accepted range was appropriate.
Threshold for communication of misstatements to the Directors	£8,650 (5% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£7,800 (5% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

For each subsidiary within the group separate materiality calculations were prepared using the most appropriate benchmark and taking into account component materiality allocations. The statutory materiality for each subsidiary was lower than the allocated component materiality at a group level.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the key inputs and assumptions within the director's forecasts to supporting documentation, board approved budgets, and our own understanding of the group and parent company and the macro-economic environment in which it operates, and the results of other audit work.
- evaluating the directors' base case and downside scenarios by challenging key assumptions and performing sensitivity analysis of downside scenarios and forecasts.
- testing the mathematical accuracy of the directors' forecasts and the integrity of the models used.
- assessing the reasonableness of the directors' planned mitigating actions.
- considering the financing available to the group and conducted a robust review of the group and parent company's liquidity position, including considering the maturity profile of existing debt.
- reviewing the adherence to covenants in place based on the forecasts and considered the likelihood of these being breached in the future via the stress tested scenarios previously mentioned.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Conclusions relating to going concern continued
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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.

Responsibilities of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 62, 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

For component auditors detailed formal group instructions were issued setting out the requirements in regards to identifying non-compliance with laws and regulations and areas of fraud risk for each component subject to audit. We assessed whether the component auditors had the appropriate competence and capabilities to identify any such non-compliance or any indicators of fraud by considering their experience and past performance.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:
- UK-adopted International Accounting Standards;
- UK Corporate Tax legislation;
- UK Companies Act 2006;
- AIM Rules for Companies;and
- UK Market Abuse Regulation.

We gained an understanding of how the group is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes. Our component auditors made enquiries of local management for each component and we held formal close-out meetings with component audit teams to confirm their understanding of local laws and regulations and potential impact on the group financial statements.

We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

In addition to the procedures outlined in our response to the identified key audit matters the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:
- reviewing minutes of meetings of those charged with governance for reference to breaches of laws and regulation or for any indication of any potential litigation and claims;
- reviewing the level of and reasoning behind the parent company and group's procurement of legal and professional services;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- confirming with component auditors that there were no issues in each component in regard to the fraud.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Grant Roger
(Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor
7-11 Melville Street
EDINBURGH
EH3 7PE

28 March 2022

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenue	4	**18,237**	15,026
Cost of sales		**(7,026)**	(6,222)
Gross profit		**11,211**	8,804
Selling and distribution expenses		**(4,046)**	(2,979)
Administrative expenses		**(9,694)**	(6,938)
Finance costs		**(348)**	(499)
Other income	4	**160**	410
Loss on ordinary activities before taxation		**(2,717)**	(1,202)
Taxation	8	**(631)**	(418)
Loss for the year		**(3,348)**	(1,620)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Movements in cash flow hedge reserve		**(113)**	51
Movements in translation reserve		**–**	–
Tax relating to other comprehensive profit/(loss)		**23**	(11)
		(90)	40
Total comprehensive loss for the year		**(3,438)**	(1,580)
Loss for the year attributable to:			
– Owners of parent company		**(3,653)**	(1,688)
– Non-controlling interest		**305**	68
		(3,348)	(1,620)
Total comprehensive loss for the year attributable to:			
– Owners of parent company		**(3,743)**	(1,648)
– Non-controlling interest		**305**	68
		(3,438)	(1,580)
Basic EPS (pence)	10	**(5.9p)**	(3.0p)
Diluted EPS (pence)	10	**(5.9p)**	(3.0p)

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investment property	11	**391**	391
Property, plant and equipment	12	**8,377**	5,785
Intangible assets	13	**2,420**	2,599
		11,188	8,775
Current assets			
Inventories	15	**23,719**	21,651
Trade and other receivables	16	**2,968**	1,956
Forward currency contracts		**–**	83
Cash and cash equivalents	17	**2,012**	2,176
		28,699	25,866
Total assets		**39,887**	34,641
Current liabilities			
Trade and other payables	19	**3,949**	3,157
Current tax liabilities	19	**277**	332
Financial liabilities	18	**392**	14,963
Lease liability	20	**259**	139
Forward currency contracts		**31**	–
		4,908	18,591
Net current assets		**23,791**	7,275
Non-current liabilities			
Financial liabilities	18	**6,796**	901
Lease liability	20	**3,332**	1,428
Deferred tax liabilities	9	**563**	324
Provisions	21	**407**	404
Total non-current liabilities		**11,098**	3,057
Total liabilities		**16,006**	21,648
Net assets		**23,881**	12,993
Equity			
Called up share capital	24	**174**	135
Share premium account	25	**14,938**	99
Translation reserve	28	**(17)**	(15)
Retained earnings	29	**8,505**	12,544
Cash flow hedge reserve	27	**(23)**	67
Equity attributable to parent company		**23,577**	12,830
Non-controlling interest		**304**	163
Net assets		**23,881**	12,993

Approved by the Board for issue on 28 March 2022
and signed on its behalf by:

A Dane
Director
Company Registration No. SC490305

Company Statement of Financial Position
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	12	**2,464**	–
Intangible assets	13	**23**	27
Investments	14	**16,111**	1,060
		18,598	1,087
Current assets			
Trade and other receivables	16	**14,323**	15,452
Cash and cash equivalents	17	**100**	702
		14,423	16,154
Total assets		**33,021**	17,241
Current liabilities			
Trade and other payables	19	**372**	155
Financial liabilities	18	**20**	20
Lease liability	20	**110**	–
		502	175
Net current assets		**13,921**	15,979
Non-current liabilities			
Financial liabilities	18	**55**	75
Lease liability	20	**2,052**	–
Non-current liabilities subtotal		**2,107**	75
Total liabilities		**2,609**	250
Net assets		**30,412**	16,991
Equity			
Called up share capital	24	**174**	135
Share premium account	25	**14,938**	99
Retained earnings	29	**15,300**	16,757
Equity attributable to parent company		**30,412**	16,991

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £1,673k (2020 – £228k).

Approved by the Board for issue on 28 March 2022
and signed on its behalf by:

A Dane
Director
Company Registration No. SC490305

Consolidated Statement of Changes In Equity
For the year ended 31 December 2021

£'000	Called up share capital	Share premium account	Retained earnings	Cash flow hedge reserve	Translation reserve	Other reserves	Total controlling interest	Non-controlling interest	Total equity
Balance at 31 December 2019	131	15,980	(2,687)	27	(48)	–	13,403	349	13,752
Issue of share capital	4	987	–	–	–	–	991	–	991
Loss for the period	–	–	(1,688)	–	–	–	(1,688)	68	(1,620)
Share-based compensation	–	–	51	–	–	–	51	–	51
Dividend paid	–	–	–	–	–	–	–	(254)	(254)
Share premium reduction	–	(16,868)	16,868	–	–	–	–	–	–
Other comprehensive gain	–	–	–	40	33	–	73	–	73
Balance at 31 December 2020	135	99	12,544	67	(15)	–	12,830	163	12,993
Issue of share capital	39	15,579	–	–	–	–	15,618	–	15,618
Share issue direct costs	–	(740)	–	–	–	–	(740)	–	(740)
Loss for the period	–	–	(3,653)	–	–	–	(3,653)	305	(3,348)
Adjustment to non-controlling interest	–	–	(252)	–	–	–	(252)	252	–
Share-based compensation	–	–	216	–	–	–	216	–	216
Dividend paid	–	–	–	–	–	–	–	(280)	(280)
Investment in subsidiary	–	–	(350)	–	–	–	(350)	(136)	(486)
Other comprehensive gain/(loss)	–	–	–	(90)	(2)	–	(92)	–	(92)
Balance at 31 December 2021	**174**	**14,938**	**8,505**	**(23)**	**(17)**	**–**	**23,577**	**304**	**23,881**

Company Statement of Changes In Equity
For the year ended 31 December 2021

Company	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2019	131	15,980	66	16,177
Issue of share capital	4	987	–	991
Share-based compensation	–	–	51	51
Transfers	–	(16,868)	16,868	–
Loss for the period	–	–	(228)	(228)
Balance at 31 December 2020	135	99	16,757	16,991
Issue of share capital	**39**	**15,579**	**–**	**15,618**
Share issue direct costs	**–**	**(740)**	**–**	**(740)**
Share-based compensation	**–**	**–**	**216**	**216**
Loss for the period	**–**	**–**	**(1,673)**	**(1,673)**
Balance at 31 December 2021	**174**	**14,938**	**15,300**	**30,412**

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Loss for the year after tax	6	**(3,348)**	(1,620)
Adjustments for:			
Taxation charged		**631**	418
Finance costs		**348**	499
Interest receivable		**(5)**	(19)
Movements in provisions	21	**3**	2
Share-based payments	26	**216**	51
Depreciation of tangible assets		**671**	683
Amortisation of intangible assets		**271**	283
(Profit)/loss on disposal of assets		**–**	250
Movements in working capital:			
(Increase)/decrease in stocks		**(2,068)**	(698)
(Increase)/decrease in debtors		**(929)**	591
Increase/(decrease) in creditors		**252**	(655)
Cash absorbed by operations	5	**(3,958)**	(215)
Income taxes paid		**(360)**	(327)
Interest paid		**(347)**	(477)
Net cash outflow (used in)/from operating activities		**(4,665)**	(1,019)
Cash flow from investing activities			
Purchase of intangible assets	13	**(92)**	(437)
Purchase of property, plant and equipment	12	**(1,101)**	(660)
Proceeds received on sale of fixed assets		**–**	1
Interest receivable	4	**5**	19
Net cash used in investing activities		**(1,188)**	(1,077)
Cash flows from financing activities			
Share issue		**14,878**	991
Asset backed lending (repaid)/drawn down		**(14,823)**	1,980
Inventory secured RCF facility		**6,200**	–
Dividends paid		**(385)**	(254)
Loan received		**93**	214
Repayment of loan		**(145)**	(103)
Repayment of leases		**(139)**	(125)
Net cash from financing activities		**5,679**	2,703
Net increase in cash and cash equivalents		**(174)**	607
Cash and cash equivalents at beginning of year		**2,176**	1,536
Other reserve movements		**10**	33
Cash and cash equivalents at end of year		**2,012**	2,176
Relating to:			
Bank balances and short term deposits		**2,012**	2,176

Company Statement of Cash Flows
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Loss for the year after tax		**(1,673)**	(228)
Adjustments for:			
Amortisation of intangible assets		**4**	3
Non cash share option charge		**(216)**	51
Movements in working capital/shareholder funds:			
(Increase)/decrease in debtors		**(312)**	(272)
(Increase)/decrease in intercompany loan		**(13,610)**	63
Increase/(decrease) in creditors		**217**	89
Cash absorbed by operations		**(15,158)**	(294)
Net cash outflow (used in)/from operating activities		**(15,158)**	(294)
Cash flow from investing activities			
Purchase of intangible assets	13	**–**	(30)
Purchase of property, plant and equipment	12	**(302)**	–
Purchase of investment in Subsidiaries		**–**	(92)
Net cash used in investing activities		**(302)**	(122)
Cash flows from financing activities			
Share issue		**14,878**	991
Loan received		**–**	100
Repayment of loan		**(20)**	(5)
Net cash from financing activities		**(20)**	1,086
Net increase in cash and cash equivalents		**(602)**	619
Cash and cash equivalents at beginning of year		**702**	32
Cash and cash equivalents at end of year		**100**	702
Relating to:			
Bank balances and short term deposits		**100**	702

1 Corporate information

The Artisanal Spirits Company plc ("the Company") was incorporated in Scotland on 3 November 2014, is a public limited company by shares, and is domiciled in the United Kingdom. The Company's registered office is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

The Group consists of the Company and its subsidiaries. The Group sells whisky and associated products and services in the United Kingdom and internationally.

2 Accounting policies

2.1 Accounting convention

The Group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention; in accordance with UK adopted International Accounting Standards.

The financial statements have been prepared on the historical cost basis, with the exception of investment properties and derivatives recognised at fair value. The principal accounting policies adopted are set out below.

The Company's functional and presentational currency is the pound sterling. Monetary amounts in the Financial Statements are rounded to the nearest thousand (£'000). The foreign subsidiaries have different functional currencies – see further detail in note 2.7.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- IFRS 16 Leases: Covid-19-Related Rent Concessions.

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

Other

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2.2 Basis of consolidation

The consolidated financial statements incorporates the financial information of the Company and its subsidiary undertakings (collectively the "Group" and individually "Group companies"), made up to 31 December 2020 and 31 December 2021. Intra-group sales and profits are eliminated fully on consolidation. Consistent accounting policies are applied across the Group.

The subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date on which control commences until the date on which control ceases.

2 Accounting policies continued

2.3 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred at the acquisition date plus any deferred or contingent consideration. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Where fair value of the aggregate consideration paid is below the fair value of the separately identifiable assets and liabilities at the acquisition date, the balance is recognised as a gain on bargain purchase immediately in the Statement of Comprehensive Income.

Where fair value of the aggregate consideration paid is above the fair value of the net assets acquired, goodwill is recognised in the Statement of Financial Position. It is initially measured as an asset at cost and is subsequently measured at cost less impairment losses. Any contingent consideration is measured at fair value at the date of acquisition.

2.4 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2.5 Transactions

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated on consolidation.

2.6 Going concern

The financial information has been prepared on the basis that the Group will continue as a going concern. The Directors have considered relevant information, including annual budget sensitivities, forecast future cash flows up until June 2023, availability of financing and the impact of subsequent events in making their assessment.

The Directors have considered in detail the impact Covid-19 has had on the Group's business to date and based on their forecasts and sensitivity analysis including the potential impact of further lockdown scenarios are satisfied there is sufficient headroom in their cash flow forecasts to continue to operate as a going concern.

Based on this assessment, and taking into account the Group's and the Company's current position (but not including any new equity investment), the Directors have a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due over the 12-month period from the date of approval of these Financial Statements.

These financial statements do not include any adjustments to the balance sheet value of assets and their recoverable amounts or to provide further liabilities which may arise if the going concern basis of preparation is inappropriate.

2.7 Foreign currency transactions

In preparing the financial information, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The assets and liabilities of operations whose functional currency is not sterling are translated to sterling at exchange rates ruling at the Statement of Financial Position date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rate ruling at the dates of the transactions. Exchange rate differences arising on retranslation are recognised in other comprehensive income and accumulated within a separate component of equity, the translation reserve, and are released upon disposal of the non-sterling operation.

2.8 Revenue

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Where the performance obligation is the supply of goods (e.g. whisky, spirits, food, and other point of sale material) which is satisfied at the point in time the goods are transferred to the customer, the Group will recognise revenue at that point in time. Revenue relating to the sale of whisky and other spirits includes excise duty.

2 Accounting policies continued

2.8 Revenue continued

The Group generates some of its revenue from sales of membership subscription/renewal to members on an annual contract obligation. Here the sales are recognised evenly over the 12 months of the contract, in line with the period of performance obligation.

Where the membership sale consists of a bundle of components, e.g. membership with a bottle of whisky, the sale of the physical goods is recognised at the point of sale and the membership income is recognised evenly over the 12 months of the contract, in line with the period of performance obligation.

In the China and Japan operations, a customer loyalty programme is operated where members accumulate points for purchases which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of sale. However, as unused points expire when a member subscription is not renewed, management make a judgement on the likely percentage of points that will be renewed. This is based on actual member retention levels in those markets. The liability recognised in the Consolidated Statement of Financial Position is the percentage of the total value of unused points at the end of the year.

2.9 Property, plant and equipment

Property, plant and equipment are stated at historic cost, less accumulated depreciation and any accumulated impairment losses. Assets under construction are stated at historic cost and will not be subject to depreciation unti completed and in operational use.

Assets under construction are stated at historic cost and will not be subject to depreciation until completed and in operational use.

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

Land and buildings freehold	50 years
Land and buildings leasehold	25 years
Leasehold improvements	4–10 years
Fixtures, fittings and equipment	4–10 years
Casks	20 years
Right-of-use assets	10–25 years

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 recognised in the Statement of Comprehensive Income.

Right-of-use assets are depreciated over the term of the relevant lease, including extension option periods where the Directors are reasonably certain the extensions will be executed.

2.10 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impaired losses.

Trademarks and customer lists

Trademarks and customer lists are initially recognised at their fair value on acquisition. Trademarks and customer lists are amortised over their useful life of 14 and 7–8 years respectively. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Website

The carrying value of the website represents the fair value of the domain name and the cost of the compilation of the website. The website is amortised over its useful life of 4–5 years. Amortisation methods and useful life are reviewed at each reporting date and adjusted if appropriate.

Computer software

Computer software represents the fair value of the stock/ERP systems used within the Group. The software is amortised over four years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted as appropriate.

2.11 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

2 Accounting policies continued

2.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and is subsequently measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the Statement of Comprehensive Income.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and related fixed and variable production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale.

2.14 Cash and cash equivalents

Cash and short term deposits in the Statement of Financial Position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. In the Consolidated Statement of Cash Flows, both the historical asset backed lending facility, and the inventory secured RCF that replaced it in January 2021, are presented as a financial liability rather than as a negative cash or cash equivalent, in accordance with accounting standards. This presentation basis is consistent with the Historical Financial Information presented in the Admission document published at the time of the IPO, but differs from the presentation basis used in previously published statutory accounts.

2.15 Financial instruments

Financial instruments are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial information only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding impairment, IFRS 9 requires the Group to record expected credit losses on all applicable financial assets, e.g. loans and receivables, trade receivables and bank balances, either on a 12-month or lifetime basis. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and other receivables. To measure expected credit losses on a collective basis, trade receivables and other receivables are grouped based on similar credit risk and aging.

Current receivables and payables

The carrying value of trade and other receivables/payables classified as financial assets/liabilities measured at amortised cost approximates fair value.

These are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

2.16 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

2.17 Hedge accounting

During the year to 31 December 2021, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2020: 75%) of their USD aged receivables.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the Statement of Comprehensive Income.

For cash flow hedges, where the forecast transactions resulted in the recognition of a financial asset or financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Statement of Comprehensive Income immediately.

2 Accounting policies continued

2.18 Inventory Secured RCF

The Company and SMWS entered into a revolving credit facility agreement with RBS on 19 January 2021. The facility has a limit of £18.5 million, which may, if RBS agrees, be increased by £3 million. The availability of funds under the facility agreement is linked to a calculation of eligible inventory. The facility is available for three years and therefore outstanding balances are accounted for as Long Term Liabilities.

Interest under the RBS Facility Agreement is calculated based on the prevailing Bank of England sterling overnight index average (commonly referred to as SONIA). Security is granted by the Company via a separate floating charge over the Company's property, undertaking, assets and rights owned at the time the floating charge was granted and in the future.

The facility is committed, subject to compliance with representations, undertakings and events of default, including financial covenants in respect of minimum EBITDA and net tangible assets, tested only if the cover afforded by inventory levels falls below a stated level.

2.19 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

2.20 Taxation

Corporation tax is accounted for using the taxes payable method. The corporation tax expense recorded in the Statement of Comprehensive Income for the period represents the corporation tax payable for the period.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and are recognised only when it there is a high degree of certainty that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.21 Employee benefits

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Statement of Comprehensive Income in the year they are payable.

2.22 Leases

IFRS 16 requires management to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group adopted IFRS 16 utilising the modified retrospective approach (simplified) during the year end 31 December 2019. One material additional right-of-use asset has been recognised during the year ended 31 December 2021; relating to the new Supply Chain Facility in Uddingston (known internally as Masterton Bond) for which a 10 year lease was signed during October 2021.

2.23 Exceptional items

Exceptional items comprise material and one-off costs that the Directors consider as material to the Statement of Comprehensive Income and that their separate disclosure is necessary for an appropriate understanding of the Group's performance.

2 Accounting policies continued

2.24 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 over the vesting period of the options. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the Company as a capital contribution and presented as an increase in the Company's investment in that subsidiary.

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.

For new share options issued during the year which carry performance conditions, the Directors have made critical judgments in relation to the likelihood of achieving the future performance conditions of these options. Further details on assumptions made are included in Note 26.

2.25 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that 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 reporting end date, 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. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

The Group has a provision in place for dilapidations on two of its venues. A corresponding right-of-use asset has been included in fixed assets.

2.26 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

3 Critical accounting estimates and judgements

In preparing this consolidated financial information, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements relate to share-based payments as set out below.

Share-based payments

The annual charge in respect of share-based payments is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. As set out in detail in Note 26, there are now options outstanding under two share option schemes. Options issued prior to June 2021 ("Legacy Options") and Options issued since the start of June 2021 under the new Long Term Incentive Plan ("New LTIP Options").

When determining the charge each year, the Directors have made critical accounting judgments on key assumptions. For Legacy Options, these critical judgments include the share price and volatility of the share price in determining the fair value of options granted. In addition, for the New LTIP options, the Directors have made critical judgments in relation to the likelihood of achieving the future performance conditions of these options.

4 Revenue

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Executive Team, which is responsible for developing strategy and leading its execution. The Executive Team includes the Managing Director, Finance Director, Spirits Director, Marketing & E-Commerce Director and Group Commercial & Operations Director.

An analysis of the Company's revenue is as follows:

	2021 £'000	2020 £'000
Revenue from sale of whisky	**14,439**	12,047
Membership income	**1,591**	1,523
Revenue from sale of other spirits	**395**	384
Member rooms	**1,095**	552
Events and tastings	**467**	340
Other	**250**	180
Total revenue	**18,237**	15,026

An analysis of Group revenue by geographical area is as follows

	2021 £'000	2020 £'000
United Kingdom (venue)	**2,291**	1,503
United Kingdom (online)	**3,497**	3,234
US (shipments)	**4,095**	2,730
China	**3,864**	3,029
Europe*	**1,706**	2,079
Australia	**905**	619
Japan	**729**	727
Rest of World	**1,150**	1,105
	18,237	15,026

*Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World.

An analysis of Group KPIs by geographical area is as follows:

	Revenue £'000	Year End Members	Average Members	Annual Revenue/ Avg Member £	Annual Contribution[1]/ Avg Member £	Retention %	Expected Years[2]	LTV[3] (Avg Members) £
UK	**5,788**	16,445	13,960	415	190	85%	6.7	1,280
United States	**4,095**	5,207	4,804	852	445	60%	2.5	1,123
China	**3,864**	1,732	1,378	2,804	1,956	40%	1.7	3,244
Europe[4]	**1,706**	3,349	3,109	549	169	69%	3.2	541
Rest of World	**1,150**	3,761	3,555	323	203	82%	5.5	1,124
Australia	**905**	1,337	1,227	738	423	85%	6.6	2,790
Japan	**729**	1,496	1,412	516	363	82%	5.4	1,968
Total	**18,237**	**33,327**	**29,445**	**619**	**332**	**77%**	**4.4**	**1,445**
Change vs prior year	**+21%**	**+18%**	**+4.5%**	**+16%**	**+20%**	**+10%**	**+28%**	**+55%**

1) Contribution is a non-IFRS measure, and is defined by Management as Gross Profit less Commission.
2) Expected Years is a non-IFRS measure, and is defined by Manager as one divided by one minus retention 1/(1-r%)
3) Lifetime Value (LTV) is a non-IFRS measure, and is defined as Annual Contribution per member, multiplied by expected years.
4) Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World.

Other operating income

	2021 £'000	2020 £'000
Coronavirus Job Retention Scheme	**50**	169
Government grants (UK)	**105**	187
Government grants (Australia)	**–**	35
Other income	**5**	19
	160	410

Other operating income primarily relates to furlough payments and other government support for the impact of Covid-19. These payments largely related to the UK venues and their staff.

5 Exceptional items

	2021 £'000	2020 £'000
ERP system expenditure	**–**	240
Legal and professional fees	**897**	152
	897	392

The 2021 exceptional legal and professional fees are in relation to the June 2021 AIM listing following an IPO. These represent the expenses which were charged to the Consolidated Statement of Comprehensive Income in the period and are in addition to the share issue expenses shown in Note 25. The exceptional items are included within administrative expenses in the Statement of Comprehensive Income. The cash flow statement shows both "Loss for the year after tax" and "Cash absorbed by operations" after payments of £897k relating to the exceptional IPO costs which are not part of the underlying cash flow of the Group.

6 Loss for the year

	2021 £'000	2020 £'000
Operating loss is stated after charging:		
Amortisation of intangible assets	**271**	283
Depreciation on tangible assets	**575**	600
Cost of inventories recognised as an expense	**5,580**	4,737
Operating loss is stated after charging:		
Net foreign exchange loss	**(5)**	70
Loss on ordinary activities before taxation:		
EBITDAE*	**(626)**	572
Depreciation of tangible assets	**(575)**	(600)
Amortisation of intangible assets	**(271)**	(283)
Finance Costs	**(348)**	(499)
Exceptional items	**(897)**	(392)
Loss on ordinary activities before taxation	**(2,717)**	(1,202)

* EBITDAE defined as earnings before interest tax, depreciation, amortisation and exceptional costs.

Services provided by the Group's auditor and associates

During the year the Group received the following services from the Group's auditor, Johnston Carmichael LLP and associates:

	2021 £'000	2020 £'000
Statutory audit – Company	**30**	15
Statutory audit – Subsidiaries	**100**	50
Tax advice	**7**	–
IPO related fees	**29**	–
	166	65

All non-audit services were provided prior to the IPO and Admission to AIM.

7 Employees

	2021 £'000	2020 £'000
Wages and salaries	**3,948**	2,886
Social security costs	**365**	217
Pension costs	**181**	158
	4,494	3,261

The average monthly number of employees (including Directors) during the year was:

	2021 Number	2020 Number
Management	**36**	24
Venue staff	**32**	32
Other support staff	**31**	26
	99	82

All employment costs are recognised in administrative expenses.

8 Income tax

	2021 £'000	2020 £'000
Current income tax		
UK corporation tax	**(14)**	–
Foreign tax	**382**	346
Deferred tax		
Relating to origination and reversal of temporary timing differences	**263**	72
Tax on ordinary activities	**631**	418

	2021 £'000	2020 £'000
Reconciliation of effective tax rate		
Accounting loss before tax	**(2,717)**	(1,202)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19.00% (2020: 19.00%)	**(516)**	(228)
(Income)/expenses not deductible in determining taxable profit	**3**	(70)
Adjustment in respect of prior years	**76**	56
Tax credit for loss not recognised	**843**	238
Depreciation on assets not qualifying for tax allowances	**66**	97
Foreign tax charge in local tax jurisdiction	**55**	346
Other movements	**104**	(21)
Total tax charge	**631**	418

For the year ended 31 December 2021, the UK corporation tax rate of 19% is applied.

9 Deferred tax

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Deferred tax liabilities	**563**	324	**–**	–
Net deferred tax liability	**563**	324	**–**	–
Reconciliation of deferred tax liability			£'000	£'000
Opening liability	**324**	241	**–**	–
Recognised in other comprehensive income	**(23)**	11	**–**	–
Recognised in profit or loss	**262**	72	**–**	–
Closing liability	**563**	324	**–**	–

A change to the future UK corporation tax rate was announced in the March 2021 budget. The rate will increase to 25% with effect from 1 April 2023. This change has been substantively enacted at the Statement of Financial Position date and, therefore, is recognised in this financial information. The deferred tax liability has been calculated using 25% on the basis that deferred tax liabilities are not expected to reverse until the rate change has taken effect.

The above represents the Group deferred tax position. No deferred tax asset or liability is recognised directly in relation to the Company.

The deferred tax liability is made up as follows:

	2021 £'000	2020 £'000
Origination and reversal of temporary timing differences	**563**	324
	563	324

10 Earnings Per Share (EPS)

	2021 £'000	2020 £'000
Earnings used in calculation	**(3,743)**	(1,648)
Number of shares	**63,009,163**	54,071,820
Basic EPS (p)	**(5.9p)**	(3.0p)
Number of dilutable shares	**68,272,288**	59,599,160
Diluted EPS (p)	**(5.9p)**	(3.0p)

All dilutable potential shares relate to share options as disclosed in note 26. A loss per share is not diluted. The number of shares and number of dilutable shares shown represent the weighted average for the period.

Following the IPO and successful listing on the AIM stock exchange in June 2021 the A Shares and the B Shares were sub-divided and re-designated as Ordinary Shares on the basis of four Ordinary Shares per A Share or B Share then in issue. In 2020 the A and B shares ranked *pari passu*.

The 2020 share position has been restated as if the four for one share split had already occurred.

11 Investment property

	Total £'000
Valuation	
As at 1 January 2020	391
Additions	–
As at 31 December 2020	391
Additions	–
As at 31 December 2021	391
Impairment	
As at 1 January 2020	–
Charge for the year	–
As at 31 December 2020	–
Charge for the year	–
As at 31 December 2021	–
Carrying amount	
As at 31 December 2020	391
As at 31 December 2021	391

Investment property is initially measured at cost and is subsequently measured using the fair value model and stated at its fair value at the reporting end date. As at 31 December 2021, based on a desktop review of relevant property pricing, the Directors consider the cost to be materially equivalent to the valuation.

The properties are residential flats located in Leith, Edinburgh and are owned by Group subsidiary, The Scotch Malt Whisky Society Limited.

12 Property, plant and equipment

Group

	Land and buildings freehold £'000	Land and buildings leasehold £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Casks £'000	Right-of -use asset £'000	Total £'000
Cost or valuation							
As at 1 January 2020	678	1,616	789	2,069	1,791	2,065	9,008
Additions	–	–	169	177	314	116	776
Disposals	–	(211)	(460)	(697)	(6)	–	(1,374)
As at 31 December 2020	678	1,405	498	1,549	2,099	2,181	8,410
Additions	–	36	–	419	646	2,162	3,263
As at 31 December 2021	678	1,441	498	1,968	2,745	4,343	11,673
Accumulated depreciation							
As at 1 January 2020	137	1,099	567	1,088	142	275	3,308
Charge for the year	16	70	93	219	86	199	683
On Disposals	–	(212)	(460)	(693)	(1)	–	(1,366)
As at 31 December 2020	153	957	200	614	227	474	2,625
Charge for the year	15	70	51	230	118	187	671
As at 31 December 2021	168	1,027	251	844	345	661	3,296
Net book value							
As at 31 December 2020	525	448	298	935	1,872	1,707	5,785
As at 31 December 2021	510	414	247	1,124	2,400	3,682	8,377

£96k (2020: £83k) of the depreciation charge for casks has been capitalised as a cost of stock. The remaining balance has been expensed to the Statement of Comprehensive Income.

Company

	Land and buildings leasehold £'000	Assets under construction	Right of use asset £'000	Total £'000
Cost or valuation				
As at 1 January 2020	–	–	–	–
Additions	–	–	–	–
As at 31 December 2020	–	–	–	–
Additions	36	266	2,162	2,464
As at 31 December 2021	36	266	2,162	2,464
Accumulated depreciation				
As at 1 January 2020	–	–	–	–
Charge for the year	–	–	–	–
As at 31 December 2020	–	–	–	–
Charge for the year	–	–	–	–
As at 31 December 2021	–	–	–	–
Net book value				
As at 31 December 2020	–	–	–	–
As at 31 December 2021	36	266	2,162	2,464

Assets under construction relate to the new Supply Chain Facility known internally as Masterton Bond.

In October 2014, freehold and leasehold land and buildings were professionally valued by Savills at an open market value of £790k. At 31 December 2021, the fair value adjustment resulted in a net increase in value of the tangible assets of £92k (2020: £116k). This is calculated as the gross increase in value of £254k (2020: £254k), less cumulative depreciation on this of £162k (2020: £138k).

13 Intangible assets

Group

	Goodwill £'000	Trade marks £'000	Customer database £'000	Website and computer software £'000	Total £'000
Cost					
As at 1 January 2020	1,282	1,058	386	802	3,528
Additions	41	–	30	366	437
Disposals	–	–	–	(381)	(381)
As at 31 December 2020	1,323	1,058	416	787	3,584
Additions	–	–	–	92	92
Disposals	–	–	–	–	–
As at 31 December 2021	1,323	1,058	416	879	3,676
Accumulated depreciation					
As at 1 January 2020	–	313	212	390	915
Charge for the year	–	74	57	152	283
On Disposals	–	–	–	(213)	(213)
At 31 December 2020	–	387	269	329	985
Charge for the year	–	76	57	138	271
On Disposals	–	–	–	–	–
At 31 December 2021	–	463	326	467	1,256
Net book value					
As at 31 December 2020	1,323	671	147	458	2,599
As at 31 December 2021	1,323	595	90	412	2,420

Company

	Customer Database £'000
Cost or valuation	
At 1 January 2020	–
Additions	30
At 31 December 2020	30
Accumulated amortisation	–
At 1 January 2020	–
Charge for the year	3
At 31 December 2020	3
Charge for the year 2021	4
At 31 Dec 2021	7
At 31 December 2020	27
At 31 December 2021	23

14 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2020	968
Additions (business combination)	41
Additions (share-based payments)	51
At 31 December 2020	1,060
Additions (intercompany loan conversion)	15,051
At 31 December 2021	16,111

During 2021, a loan from the Artisanal Spirits Company plc to its 100% owned subsidiary, The Scotch Malt Whisky Society Limited, was converted into equity.

Principal Group investments

At 31 December 2021, the company held investments in the following subsidiary undertakings, which principally affected the profits or net assets of the Group:

Name of undertaking	Country of incorporation or residency	Address	Nature of business	Class of shareholding	% Held Direct	% Held Indirect
The Scotch Malt Whisky Society Japan Limited	Japan	Quaranta 1966-406, 1-4-10, Jiyugaoka, Meguro-ku, Tokyo, Japan	To import and distribute whisky in Japan	Ordinary	–	80.00
The Scotch Malt Whisky Society Limited	Hong Kong	Room 2609, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong	To import and distribute whisky in China	Ordinary	–	75.00
The Scotch Malt Whisky Trading (Shanghai) Limited	China	Room 1125, 11th Floor, Building 1, No, 55, Aona Road, China (Shanghai) Pilot Free Trade Zone	To import and distribute whisky in China	Ordinary	–	75.00
The Artisanal Spirit Company Hong Kong	Hong Kong	Suite 3101, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong	To import and distribute whisky in Hong Kong	Ordinary	–	75.00
The Scotch Malt Whisky Society Limited	UK		Sales and marketing of malt whisky	Ordinary	100.00	–
ASC Scotland Limited	UK		Group support services	Ordinary	100.00	–
J.G. Thomson Limited	UK		Creation and sale of blended malt	Ordinary	100.00	–
The Artisanal Spirits Company (Ireland) Limited	Ireland	Coliemore House, Coliemore Road, Dalkey, Co Dublin, ROI, A96 A8D5	To import and distribute whisky in Europe	Ordinary	100.00	–
The Artisanal Spirits Company Pty Ltd	Australia	750a Barrenjoey Road, Avalon Beach, NSW Australia 2107	To import and distribute whisky in Australia	Ordinary	100.00	–

The registered office of the UK businesses is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

Dividend payments shown in the Consolidated Cash Flow relate to payments made to the minority shareholder in SMWS China, Christina Leung, who is also the Managing Director of SMWS China.

14 **Investments** continued

Investments – Business combinations

On 28 February 2020, the group re-acquired the Australian franchise with an investment in a subsidiary for a total consideration of £51k excluding legal expenses. Net assets of £10k were acquired (comprising the customer database valued at £30k, net of the historic holiday pay accrual of £20k), resulting in goodwill of £41k.

In the nine months to 31 December 2020, the acquired business contributed revenue of £61k and profit contribution of £102k to the group results.

These were accounted for under the acquisition method of accounting. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The following table sets out the fair values of the identifiable assets and liabilities acquired on the Australian acquisition in 2020.

	Fair value to Group £'000
Intangible assets	
Customer database	30
Current liabilities	
Holiday pay accrual	(20)
Net assets acquired	10
Cash consideration given	51
Goodwill	41

The goodwill balance represents the additional benefits of taking the franchise under ownership and the additional control over the future direction of the business in these markets.

The valuation technique used for measuring the fair values of material assets acquired were as follows:

Intangible assets	Intellectual property was valued by a specialist third-party valuer. The valuation model considers quoted market prices (e.g. royalty database) for similar items when they are available, using the relief from royalty method of valuation and discounted cash flows to derive the fair value.

Significant unobservable valuation input	Range
Discount factor	17.5%–32.5%
Royalty rates	1.5%–5%

In December 2021, the Group agreed to acquire 10 per cent. of the equity in SMWS China beneficially held by Christina Leung (the MD of SMWS China) for cash consideration of around £0.5 million, funded by the Company's existing cash resources, following which, SMWS and Christina Leung now hold 75 per cent. and 25 per cent. of the equity in SMWS China respectively. While the transaction occurred in December, the final consideration is based on full year 2021 results and hence was deferred until 2022, with the liability and investment therefore recognised at the year end.

Additionally, in December 2021, the Group also agreed to acquire the entire 30 per cent. equity interest in SMWS Japan previously held by Mark Bedingham, for cash consideration of £25k. Following this acquisition, the Group then sold 20 per cent. of its interest in SMWS Japan to Pei Hong Ong (known as Janelle Ong), the newly appointed local managing director of SMWS Japan, for consideration of ¥4.35m (approximately £20k). Following the above changes, SMWS and Pei Hong Ong will hold 80 per cent. and 20 per cent. of the equity in SMWS Japan respectively.

15 Inventories

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cask whisky and bottled stock	**23,719**	21,651	**–**	–

The above balance is net of a provision for aged stock of £83k (2020: £33k). This provision relates entirely to glass and dry goods relating to potentially obsolete designs.

16 Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables	**2,456**	1,711	**–**	–
Other receivables	**512**	245	**336**	24
Amounts owed by subsidiaries	**–**	–	**13,987**	15,428
	2,968	1,956	**14,323**	15,452

The trade receivables balance is shown net of a provision for £25k (2020: £25k).

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. No significant receivable balances have been impaired. See note 23 for information on the currency denomination of trade receivables. Other receivables are denominated 75% Sterling, 18% Yen, 7% Renminbi, 1% Euro.

17 Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash on hand and balances with banks	**2,012**	2,176	**100**	702

The Directors consider that the carrying amount of cash and cash equivalents is approximately equal to their fair value.

18 Financial liabilities

		Group		Company	
	Notes	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Inventory Secured RCF		**6,200**	–	**–**	–
Asset based lending facility		**–**	14,823	**–**	–
Bank loans		**913**	946	**–**	–
Other loans		**75**	95	**75**	95
Total financial liabilities		**7,188**	15,864	**75**	95

The asset based lending facility was available to drawdown or repay on demand and was repaid in full from a new Inventory Secured RCF facility during January 2021.

Analysis of financial liabilities

Financial liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date as follows:

	2021 £'000	2020 £'000
Current liabilities	**392**	14,963
Non-current liabilities (1–5 years)	**6,796**	901

No amounts fall due after more than five years.

18 Financial liabilities continued

Reconciliation of the movement in liabilities arising from financing activities:

	Notes	2021 £'000	2020 £'000
At the beginning of the year		**17,431**	15,465
Non-cash movements:			
Cash movements:			
Proceeds from new borrowings		**93**	214
Repayment of borrowings		**(145)**	(103)
Recognition of new lease liabilities	20	**2,163**	–
Lease repayments	20	**(139)**	(125)
Asset backed lending drawn down		**(14,824)**	1,980
RCF drawn down		**6,200**	–
		10,779	17,431
Represented by:			
Financial liabilities		7,188	15,864
Lease liability	20	3,591	1,567

	Balances due within 1 year £'000	Balances due after 1 year £'000	Total £'000
Balance at 31 December 2020	15,102	2,329	17,431
Cash flows	(14,561)	5,747	(8,814)
Non-cash flows	110	2,052	2,162
Balance at 31 December 2021	651	10,128	10,779

As referred to in note 2.18, on 19 January 2021, the Group signed a new agreement for a three year committed revolving credit facility. The new facility has since been utilised to repay the outstanding asset-backed lending facility in full and the previous asset-backed lending facility has been terminated.

The revolving credit facility is secured by a bond and floating charge over all of the Group's assets including the Company's brand and trademarks, and a corporate guarantee from the Company.

The bank loan is secured by standard securities over the Ground Floor Premises of the Leith property and a legal charge over the Greville Street property. The loan is interest bearing and interest is due at a rate of 2.5% over the Bank of England base rate.

19 Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade payables	**992**	1,379	**215**	69
Other payables	**2,216**	1,130	**110**	86
Deferred income	**741**	648	**–**	–
Corporation tax	**143**	111	**–**	–
Other taxes and social security costs	**134**	221	**–**	–
Amounts owed to Group undertakings	**–**	–	**47**	–
Total trade and other payables	**4,226**	3,489	**372**	155

All year end deferred income balances are recognised in full during the following financial year.

Other payables includes a creditor of £485k in relation to the additional investment made in SMWS China as described in Note 14.

20 Lease liability

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current liabilities	**259**	139	**110**	–
Non-current liabilities	**3,332**	1,428	**2,052**	–
Capitalised leases	**3,591**	1,567	**2,162**	–

Balances relate exclusively to liabilities recognised under IFRS 16. The increase during 2021 relates to the new 10 year lease signed for the Supply Chain Facility near Uddingston (known internally as Masterton Bond).

Measurement of lease liabilities

	£'000
Lease liability recognised as at 1 January 2021	1,567
Add: new leases in the year	2,162
Less: repayments	(139)
Lease liability recognised as at 31 December 2021	3,591

21 Provisions

	2021 £'000	2020 £'000
Dilapidation provisions	**407**	404

Movement in the year:

	£'000
At 1 January 2021	404
Charge to Statement of Comprehensive Income	3
At 31 December 2021	407

Provision for dilapidation costs is in relation to costs to reinstate the properties at the end of each individual lease term. There were no additional dilapidations recognised in the year.

22 Financial instruments – accounting classifications and fair value

Financial assets

Trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost (see note 16 and note 17).

Derivative assets are classified as financial assets measured at fair value (level 2 – i.e. those that do not have regular market pricing) through the Consolidated Statement of Comprehensive Income.

Financial liabilities

Trade and other payables (excluding deferred income) are classified as financial liabilities are measured at amortised cost (see note 19).

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

Derivative liabilities are classified as financial liabilities measured at fair value (level 2) through the Consolidated Statement of Comprehensive Income.

23 Financial risk management

The Group has exposure to the following financial risks:

- Stock valuation;
- Credit risk;
- Liquidity risk;
- Market risk; and
- Capital management.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group on an ongoing basis.

Stock valuation

The Group invests significantly in stock which, due to its nature, takes a considerable period of time to mature. As a result, there is a risk that the realisable value of stock falls below the carrying value of stock held by the Group. This risk is mitigated by:

- Diversification of whisky stock (across distillers and locations);
- Regular stock tastings to gain assurance over the quality and taste of the whisky stock; and
- Ongoing review of whisky market developments and trends, across the globe.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group does not require collateral in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

Carrying amount	**2021 £'000**	2020 £'000
UK and Europe	**76**	41
North America	**2,013**	1,381
Rest of World	**392**	289
	2,481	1,711

Impairment

The ageing of trade receivables that were not impaired was as follows:

Carrying amount	**2021 £'000**	2020 £'000
Neither past due nor impaired	**2,389**	1,272
Past due 1–30 days	**37**	27
Past due 31–90 days	**–**	389
Past due 91–120 days	**30**	23
	2,456	1,711

Management believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour, ongoing commercial relationships and extensive analysis of customer credit risk.

23 Financial risk management continued

Cash and cash equivalents

The Group held cash and cash equivalents of £2,012k at 31 December 2021 (2020: £2,176k) and an revolving credit facility of £6,200k (2020: £14,823k asset-backed lending facility). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted.

		Contractual cash flows		
31 December 2020	Carrying amounts £'000	Total £'000	2 months or less £'000	2–12 months £'000
Non-derivative financial liabilities				
Trade payables	1,379	1,379	1,263	116
Other payables	1,462	1,462	24	1,438
	2,841	2,841	1,287	1,554

		Contractual cash flows		
31 December 2021	**Carrying amounts £'000**	**Total £'000**	**2 months or less £'000**	**2–12 months £'000**
Non-derivative financial liabilities				
Trade payables	**992**	**992**	**966**	**26**
Other payables	**2,524**	**2,524**	**571**	**1,953**
	3,516	**3,516**	**1,537**	**1,979**

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Forward currency transactions are entered into as part of the foreign exchange hedging procedures. All such transactions are carried out within the guidelines set by the Board of Directors.

The Group is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction, and the date when amounts are paid. The functional currencies of the Group's trading subsidiaries are Sterling (GBP), Yen, Renminbi, Hong Kong Dollar (HKD) and Australian Dollar (AUD). The subsidiaries also make sales and purchases in Euros and US Dollars (USD). At each financial period end the percentages of trade receivables and payables in foreign currencies were as follows:

2020	Trade receivables	Trade payables
USD	80.7%	25.8%
Yen	5.6%	3.9%
Renminbi	9.5%	0.02%
Euro	–	2.1%
HKD	–	0.8%
AUD	–	2.8%

2021	**Trade receivables**	**Trade payables**
USD	**82.0%**	**7.0%**
Yen	**4.8%**	**–**
Renminbi	**6.9%**	**–**
Euro	**1.2%**	**17.7%**
HKD	**0.2%**	**2.8%**
AUD	**1.1%**	**3.2%**

23 Financial risk management continued

Interest rate risk

At 31 December 2021, if market interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been £25.4k (2020: £37.1k) lower/higher.

Foreign exchange risk

At 31 December 2021, if GBP had strengthened/weakened by 10% against USD with all other variables held constant, post-tax loss for the year would have been £39k (2020: £19k) lower/higher, mainly as a result of foreign exchange gains on translation of USD trade receivables and trade payables. During the year to 31 December 2021, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2020: 75%) of their USD aged receivables.

The summary quantitative data about the Group's exposure to currency risk (excluding the impact of USD forward contracts noted above) as reported to the management of the Group is as follows:

2020	Trade receivables £'000	Trade payables £'000	Net exposure £'000
USD	1,381	(356)	1,025
Yen	96	(54)	42
Renminbi	162	(3)	159
Euro	–	(29)	(29)
HKD	–	(11)	(11)
AUD	1	(39)	(38)

2021	**Trade receivables £'000**	**Trade payables £'000**	**Net exposure £'000**
USD	**2,013**	**(69)**	**1,944**
Yen	**109**	**–**	**109**
Renminbi	**156**	**–**	**156**
Euro	**26**	**(176)**	**(150)**
HKD	**4**	**(28)**	**(24)**
AUD	**7**	**(31)**	**(24)**

The following significant exchange rates have been applied during the year:

GBP	**Average rate 2021**	**Year end spot rate 2021**	Average rate 2020	Year end spot rate 2020
Euro	**0.8553**	**0.8403**	0.8775	0.9045
USD	**0.7268**	**0.7390**	0.7474	0.7364
Yen	**0.0066**	**0.0064**	0.0071	0.0071
Renminbi	**0.1126**	**0.1163**	0.1108	0.1128
AUD	**0.5457**	**0.5371**	0.5316	0.5642

The foreign exchange risk of USD trade receivables is partly mitigated by the use of forward contracts.

Capital management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the Group may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The Group's policy is to maintain sufficient capital to allow for future investment in growth of the business.

24 Issued capital and reserves

	2021 No.	**2021 £'000**	2020 No.	2020 £'000
Allotted, called up and fully paid				
Ordinary 'A' Shares (historically at 1p each, then post split at 0.25p each)	**–**	**–**	33,216,664	83
Ordinary 'B' Shares (historically at 1p each, then post split at 0.25p each)	**–**	**–**	20,855,156	52
Ordinary shares at 0.25p each	**69,605,774**	**174**		
	69,605,774	**174**	54,071,820	135

Following the IPO and successful listing on the AIM stock exchange in June 2021 the A Shares and the B Shares were sub-divided and re-designated as Ordinary Shares on the basis of four Ordinary Shares per A Share or B Share then in issue. The 2020 share position has been restated as if the four for one share split had already occurred.

Immediately prior to Admission to AIM, the a total of 535,274 share options (pre share split) were exercised, equivalent to 2,141,096 share options post share split (see note 26 for details). On 4 June 2021, the Company issued 13,392,858 New Ordinary Shares, with a nominal value of 0.25p per share, and an issue price of 112p per share. The combination of these two sets of transactions generated a total of 15,533,954 new shares being sold, increasing the number of shares in issue from 54,071,820 to 69,605,774.

25 Share premium

	Share premium £'000	Share issue expenses £'000	Total £'000
As at 1 January 2020	16,003	(23)	15,980
Issuance of shares	996	(9)	987
Cancellation of share premium	(16,900)	32	(16,868)
As at 31 December 2020	**99**	**–**	**99**
Issuance of shares	15,579	–	15,579
Share issue expenses	–	(740)	(740)
As at 31 December 2021	**15,678**	**(740)**	**14,938**

During the year to 31 December 2020, the Company received £999,999 in total cash consideration for 350,877 Ordinary "B" Shares issues resulting in £996,491 share premium for the "B" shares. The legal expenses incurred in relation to the share issue of £9,089 were offset against the share premium.

On 17 December 2020, £16,900,000 of the amount standing to the credit of the share premium account was cancelled and transferred to retained earnings.

Immediately prior to Admission to AIM, the a total of 535,274 share options (pre share split) were exercised, equivalent to 2,141,096 share options post share split (see note 26 for details). On 4 June 2021, the Company issued 13,392,858 New Ordinary Shares, with a nominal value of 0.25p per share, and an issue price of 112p per share. The combination of these two sets of transactions generated a total of £15,579,000 new share premium. The year end share premium is then shown net of the relevant direct share issue expenses incurred.

26 Share-based payments

2021	Brought forward '000	Issued in the year '000	Exercised in the year '000	Carried forward '000	Exercisable at year end '000
Exercise price					
£0.25	**856**	**–**	**(640)**	**216**	**–**
£0.30	**2,668**	**–**	**(1,426)**	**1,242**	**–**
£0.3975	**2,004**	**–**	**(75)**	**1,929**	**–**
£0.0025	**–**	**1,580**	**–**	**1,580**	**–**
	5,528	**1,580**	**(2,141)**	**4,967**	**–**

2020	Brought forward '000	Issued in the year '000	Forfeited in the year '000	Carried forward '000	Exercisable at year end '000
Exercise price (restated to reflect 4:1 share split during 2021)					
£0.25	856	–	–	856	856
£0.30	2,668	–	–	2,668	2,668
£0.3975	1,504	500	–	2,004	1,404
	5,028	500	–	5,528	4,928

All share options are equity settled and may be exercised upon satisfaction of certain performance conditions including remaining as an employee. The expenses recognised for share based payments in respect of employee services rendered during the year to 31 December 2021 is £216k (2020: £51k).

There are now options outstanding under two share option schemes. Options issued prior to June 2021 ("Legacy Options") and Options issued since the start of June 2021 under the new Long Term Incentive Plan ("New LTIP Options").

For Legacy Options

The estimated fair value of the Legacy Options issued in the year was calculated by applying the Black Scholes Model. The weighted average fair value of the options at the measurement date was £0.57 (2020: £0.27) – both restated.

The model inputs for Legacy Options issued in the current year were as follows:

	2021	2020
Weighted average share price (restated to reflect share split)	**£0.7125**	£0.7125
Option Exercise Price	**£0.0025**	£0.3975
Expected volatility	**40%**	40%
Risk free interest rate	**0.29%**	0.05%
Option life	**2 years**	2 years
Dividend yield	**0%**	0%

Options vest over a two-year period, with one-third vesting on grant date, one-third on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date. However the option holder does not have the right to exercise the option until a minimum of five years from the option grant date (or earlier with Board approval).

The expected volatility assumption represents management's estimate of this measure of the rate of fluctuations in the share price over time. It is used in the underlying Black Scholes option valuation model and indicates the level of risk associated with the price changes of a security.

For New LTIP Options

The estimated fair value of the New LTIP Options issued in the year was calculated by applying the Black Scholes Model and applying a discount factor for performance conditions. The weighted average fair value of the options at the measurement date was £0.28 (2020: n/a).

The model inputs for New LTIP Options issued in the current year were as follows:

	2021	2020
Weighted average share price (restated to reflect share split)	**£1.12**	–
Expected volatility	**20%**	–
Risk free interest rate	**0.15%/0.22%***	–
Option life	**3-4 years**	–
Dividend yield	**0%**	–
Performance condition discount	**75%**	–

* 0.15% for 3 year options, 0.22% for 4 year options.

Of the total of 1,366,900 New LTIP Options issued, 853,450 had performance conditions covering a three year period, and 513,450 had performance conditions covering a four year period.

27 Cash flow hedge reserve

This reserve records fair value movements on cash flow hedging instrument and represents the movement in fair value of the cash flow hedge contracts outstanding at each period end, net of deferred tax.

28 Translation reserve

This reserve records foreign exchange movements on Group balances and represents the retranslation of amounts held in foreign subsidiaries on consolidation.

29 Retained earnings

Retained earnings represents all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

30 Control

In the opinion of the Directors there is no ultimate controlling party.

31 Related party transactions

Intercompany balances are set out in notes 16 & 19. In addition to these, the below sets out details of other related party transactions.

Remuneration of key management personnel

The remuneration of the Directors, who are the only key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2021 £'000	2020 £'000
Short-term employee benefits	**644**	670
Post-employment pension and medical benefits	**25**	46
Total compensation paid to key management personnel	**669**	716
Employers national insurance contributions	**127**	86
Total	**796**	802

In 2021, three Directors (2020: five) have pension benefits which are accruing under defined contribution schemes. The employer national insurance contributions of the key management personnel is £127k (2020: £86k)

Included in the above, during 2021, a total of 212,700 Legacy Options (2020: 236,000) and 838,100 New LTIP Options (2020: Nil) were awarded to the two Executive Directors. In addition, during the year, 473,000 options were exercised by the Managing Director.

During 2021 the parent company paid £56k (2020: £155k) of Directors' fees and legal costs to entities with common directors.

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2021 £'000	2020 £'000
Remuneration for qualifying services	**202**	198
Company pension contributions to defined contribution schemes	**18**	13
	220	211

Other related party transactions

During 2021, the following transactions were made with related parties in relation to the increased interests in the joint ventures (as set out in note 14):

- £25k paid to Mark Bedingham (NED) to acquire 30% shareholding in SMWS Japan
- Y4.35m (£20k) from Janelle Ong (SMWS Japan MD) for 20% shareholding in SMWS Japan
- £0.5m to Christina Leung (SMWS China MD) for additional 10% shareholding in SMWS China

Glossary

The following terms apply throughout this document, unless the context otherwise requires:

ABV	Alcohol by volume, a standard measure of how much pure alcohol is contained in an alcoholic beverage by volume.
ASC	The Artisanal Spirits Company.
CAGR	Compound annual growth rate.
Cask wood	A cask, being the wooden barrel that whisky and other spirits are stored in during the maturation process. The type of wood and the previous contents of the cask (for example a cask previously used to store sherry) play an important part in the maturation process and influence the finish or flavour of the whisky or other spirit.
Churn	Calculated as 1 minus Retention %.
Contribution	Gross Profit less Sales Commission paid.
CRM	Customer relationship management.
D2C	Direct to consumer.
Distillery	A primary production facility where whisky and other spirits are produced through the process of distilling.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBITDAE	Earnings before interest, tax, depreciation, amortisation and exceptionals. See note 6.
ERP	Enterprise Resource Planning system.
Expected Years	Number of years a new member is expected to remain a member, calculated as 1 divided by Churn.
FY	Full year period ended 31 December.
H1	Six month period ended 30 June.
H2	Six month period ended 31 December.
IPO	Initial Public Offering.
IWSR	The International Wines and Spirits Record, a private organisation which is a widely used source of market segmentation data and data on global alcoholic beverage trends.
LTV	Lifetime Value, calculated as annual contribution per member multiplied by Expected Years.
Premium, Super-Premium and Ultra-Premium	The use of these terms in this document is in line with the IWSR price bands on spirit categories as set out below:

Price band	Amount in pounds sterling for a 70cl bottle
Prestige-Plus	Over 225.00
Prestige	75.00 to 224.99
Ultra-Premium	35.00 to 74.99
Super-Premium	28.75 to 34.99
Premium	22.50 to 28.74
Standard	13.50 to 22.49
Value	13.49 and under

In this document references to market sizes or market shares are taken to include the IWSR price band referenced and all bands above the band referenced. For example, references to the Premium market includes products falling within each of the Premium, Super-Premium, Ultra-Premium, Prestige and Prestige-Plus price bands.

Put and call options	An option to buy shares from another party at an agreed price (the call option) or to sell shares to another party at an agreed price (the put option).
Retention	Calculated as closing members, minus new members in the year, divided by opening members.
SECR	The streamlined energy and carbon reporting guidance published by the UK Government.
Single cask Scotch malt whisky	As used in this document means (as distinct from the formal Scotch Whisky Association's (SWA) definition of the term 'single cask') a premium class of whisky in which each bottle comes from the contents of a single individual cask (which may have been re-racked) rather than the more common process for bottled single malt Scotch whiskies of blending together the contents of various casks from the same distillery to provide uniformity of colour and taste. Decisions on the appropriate route for these SMWS whiskies are based on providing the best possible quality and flavour to members of SMWS. As at the date of this document, the significant majority of casks curated by the Group fall within the SWA definition of 'single cask' with the balance being single casks of whisky which have then had a final period of additional maturation in another cask to develop their flavour or provide greater variety.
SMWS	The Scotch Malt Whisky Society.
SWA	Scotch Whisky Association.

Shareholder Information

Annual General Meeting
At the forthcoming AGM all of the current Directors of the Company shall retire, and being eligible, shall offer themselves for re-election.

The AGM will be held at 9.00 a.m. on 24 May 2022. The Notice of Meeting will be separately distributed to shareholders.

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