

UISGE BEATHA NAN EILEAN LIMITED

Business Plan



**Please read this notice before reviewing the Business Plan**

This Business Plan has been prepared from information provided by the Directors of Uisge Beatha nan Eilean Limited ("the Society") to assist potential community investors considering buying community shares in the Society. This document is not a prospectus nor an investment advertisement, financial promotion or offer under the Financial Services and Markets Act 2000, nor is it intended for use by members of the public.

While the content of this Business Plan is believed to be accurate in all material respects, it has been verified to external evidence only to the extent stated in the body of this report. Projections are subject to market forces and to force majeure outside the control of the Directors. Consequently, neither the Directors nor the Society's advisors can accept responsibility for any losses arising to persons acting or refraining from action on the material contained in this Business Plan.

Persons considering a financial commitment of any kind should conduct such investigations as they consider necessary to satisfy themselves as to the appropriateness of the financial commitment and the risk of loss of some or all of any financial commitment.

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The vast majority of Scotch Whisky distilling capacity and case sales comes from six distilling companies, with the two largest global suppliers, Diageo and Pernod Ricard, accounting for c.60% of the market. Diageo and Pernod Ricard volume whisky brands such as Bell's, Johnnie Walker and Chivas typically cover the lower end of the quality and value spectrum. The recent trend among consumers has been to focus on top-end, single malts, resulting in growth in this higher margin category. Within malts, the most sought-after types are seen to be micro and artisan products. ..	17
The SWA estimates that more than 40 new small distilleries are setting up across Scotland, in a trend mirroring the rapid rise of craft brewing that has reinvigorated the beer industry, and in handcrafted, flavoured gins. It is important to note that, as with craft brewing, the craft distilleries are not in competition with each other for market. In an international whisky mass market and one that is growing, there is plenty of space for distinctive, local, product. Large scale distilleries by their	

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## **Executive Summary**

### **Background**

The Isle of Barra Distillery (“Barra Distillery”) is the concept of Peter Brown, the founder of Uisge Beatha nan Eilean Limited (“the Society”), an Edinburgh-born resident of the Isle of Barra for 20 years. With vast experience in the tourism industry, and several successful business ventures completed both on the mainland and on Barra, Peter looks to capitalise on his extensive knowledge of running businesses when proceeding towards his distillery vision. He has identified a unique opportunity to develop a craft, small scale Scotch Whisky distillery on the island to establish production of a quality boutique Scottish brand and create an attractive destination for tourists and locals.

The Outer Hebrides is an island chain off the West Coast of mainland Scotland. The vast region currently features only 2 distilleries, despite the array of local ingredients available to the whisky process and a history of artisan whisky production. The Isle of Barra is fortunate in that it has earned its place in history through the filming of ‘Whisky Galore’, based on the book by Compton Mackenzie.

The traditional bere barley will be used in distillation, as flavour is enhanced, and modern malting barley does not thrive in the Islands. All ingredients used at the Barra Distillery will eventually be sourced from the Islands and mashing, distilling, maturing, and bottling will all be conducted on the Isle of Barra, giving a unique Barra whisky.

### **Progress to Date**

A suitable site has been identified and acquired at Upper Borve, a village on the West Coast of Barra. The Society has ownership of the land and the water supply (in the form of a loch, dam, and water pipes), and full planning permission has been granted and is current for the project. Additionally, phase one of the Society’s renewable energy initiative has been completed, consisting of four wind turbines, and plans for a second hydro phase in the future. The overall project enjoys strong support from the local authorities and residents alike. There was a community meeting in Borve before any development of the site, regular contact with Barra and Vatersay Community Company and, on a small island, numerous informal contacts.

Peter Brown has developed the project over several years whilst working in his various positions. His current non-executive roles at Barra and Vatersay Wind Energy Limited, alongside his tourism roots, complement the distillery vision. The Society aims to capitalise on the growing trend for niche, artisan, small scale distilling and become a tourist destination with a visitor centre, retail outlet and café alongside the distillery, thereby providing additional sources of income to support development in the early years whilst the whisky stock matures. An experienced team has been recruited to work alongside Peter to lend further strengths to the project as it moves forward.

The Barra Distillery will be a new build, high quality craft distillery, selling its modest volume of production, with annual whisky capacity of 25,400 bulk litres, direct to customers at full retail price, rather than high volume, lower margin exports.

Having now contracted a project manager, the distillery project is moving forward with pace and vigour.

### **Community Benefit Society**

Uisge Beatha Nan Eilean Limited has been established as a Community Benefit Society for the specific purpose of owning and operating a community-owned whisky distillery and associated visitor centre to benefit the community of Barra and Vatersay. The Community Benefit Society has been set up to ensure

community investment, community ownership and benefits are locked into the constitution, and profits are distributed to the benefit of the wider community.

### Trading Forecast

The Society's forecast Profit & Loss account is shown below:

Year	1	2	3	4	5	6	7	8	9	10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	24	130	185	242	429	657	913	1,219	1,486	1,790
Cost of Sales	50	104	156	209	278	330	372	416	451	488
Gross Profit	-26	26	29	33	151	327	540	803	1,035	1,302
Overheads	142	176	164	167	171	190	219	224	228	233
EBITDA	-168	-150	-135	-134	-19	137	321	579	806	1,070
Depreciation	11	98	101	103	105	106	107	108	108	109
EBIT	-179	-248	-236	-237	-124	31	214	471	698	961
Interest	14	87	100	114	125	129	125	170	146	110
Profit before tax	-193	-335	-336	-351	-249	-98	89	301	552	851

As can be seen from the table above, the Society is forecast to become EBITDA positive during year 5, with profitability growing in subsequent years due to the increasing availability of mature whisky for sale.

### Funding Requirement

The Society is seeking to raise £4.7m to fund the initial requirements of establishing the Isle of Barra Distillery and the subsequent production of Single Malt Scotch Whisky for sale. It is assumed that this funding will come from a combination of £1.5m equity via a community share offer, £1m public sector funding and £2.2m from a combination of loans, asset finance and grants.

Quotations and costings show a funding need of £3.7m required to build the distillery (£2m) and install the plant and equipment (£1.7m), and a further c.£0.8m for start-up costs, initial stock, and working capital. Quotes have been obtained from an independent architect and the equipment provider to support these assumptions.

Public sector funding is currently being discussed.

The Directors are currently in discussion with several funders to ensure that the Society has access to the most appropriate and affordable funding streams. Updates will be provided once funding is accessed.

The purpose of this Business Plan is to illustrate the opportunity to interested potential equity investors, demonstrating the affordability of the funding required and the potential cash generation for future returns on investment.

The Society's forecast cash flows are summarised as follows:

Year	Opening £'000	Funding £'000	Capex £'000	Sales £'000	Costs £'000	Interest £'000	Loan		Closing £'000
							Repayments £'000	Taxes £'000	
1	0	3,750	-4,500	28	-205	-18	0	559	-386
2	-386	400	-238	157	-391	-80	0	190	-348
3	-348	0	-35	227	-444	-80	0	0	-680
4	-680	0	-35	295	-500	-80	0	-10	-1010
5	-1010	0	-30	582	-559	-80	0	-112	-1209
6	-1209	0	-26	939	-617	-80	0	-240	-1233
7	-1233	0	-21	1,327	-671	-73	-320	-378	-1369
8	-1369	0	-15	1,775	-708	-117	-320	-521	-1275
9	-1275	0	-11	2,165	-739	-101	-320	-641	-922
10	-922	0	-7	2,589	-772	-85	-320	-759	-276

As shown in the above table, in addition to the initial funding requirement, the forecast demonstrates that by year 7 there will be a need for an additional £1.4m, primarily to fund inventory growth. The Directors have assumed that this second funding round will be in the form of debt, rather than equity, given the security available to lenders at that time.

### Enterprise Investment Scheme

The Society's Directors believe that the shares in Barra Distillery will be eligible for tax relief under Enterprise Investment Scheme ("EIS"), a government-backed scheme designed to encourage investment in smaller companies. We expect to receive this tax relief as distilling whisky is a qualifying trade and other new distilleries such as the Barra Distillery have qualified for EIS.

The rules for EIS tax relief require the investment to be held for at least 3 years from the start of trading (not the date of the investment). As Uisge Beatha nan Eilean Ltd. has been accepted by HMRC, you can apply for tax relief.

### Anticipated Strengths

The project has several key strengths, including:

- A future-proof state-of-the-art distillery facility, which will be only the second completely new build distillery in the Outer Hebrides since the Stornoway distillery built by Stewart Mackenzie of Seaforth in the 1820s.
- High use of renewable energy sources and a building designed to re-use heat from the stills to heat the visitor centre, with expectations of becoming 100% renewable over time. This means that the Society's energy requirement is very low, which is a major strength in a time of rising energy costs from fossil fuels.
- A small niche distiller, not competing with other distillers in the market.
- Scotland's most westerly distillery and a new island on the Scotch whisky map.

- All the ingredients derived from the Islands (many distilleries source barley from abroad).
- Once operations are established, the distillery will transition from commercial barley to bere barley - an ancient strain of barley which, being short stemmed and having six row ears, is low yielding, has a distinctive flavour and is fast growing and perfectly adapted to the Hebridean environment.
- The water is from 'Loch Uisge' which is the Society's own loch.
- The whisky will not be vatted but bottled directly from each individual cask at cask strength.
- Each bottle label will show which cask the bottle came from and the characteristics and strength of that particular cask (as each will be different).
- The bottle design and packaging will be such as to express the hand-crafted nature of the product, while retaining a quality feel.
- Strong island identity: Hebridean grown barley, distilled on the island by islanders with island water.
- Unique product from identifiable single casks of precise vintage and strength—not vatted.
- Small scale, ease of selling at full margin which reduces the overhead and borrowing requirements while maintaining rarity value of the brand.
- A significant addition to the Barra economy both as a direct employer and an added attraction bringing visitors to the island.
- Distribution of the Society's profits back into the community.

### Key Risks

The project has several specific risks, which are seen to be mitigated as follows (the list should not be regarded as exhaustive):

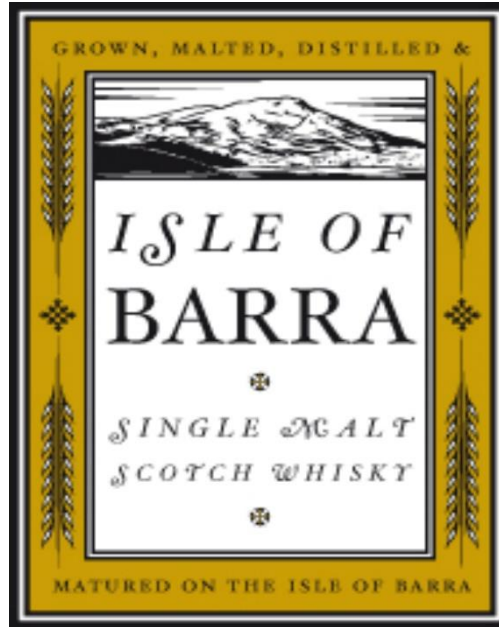
<b>Risk</b>	<b>Mitigation</b>
Insufficient funds for start-up or funds not available at an affordable price.	Significant marketing and planning resources to ensure plan is robust and attractive to investors and lenders.
Construction overspends resulting in insufficient funds.	Reliable third-party quotes for building works and distillery equipment.
Sales volumes are not achieved at levels or are as quickly as forecast.	Developing the web-based marketing and sales platform to increase on-line sales.
Overspend on production costs.	Highly experienced team in place to ensure production is managed efficiently.

### The Opportunity

This is a rare opportunity to invest in a quality distillery project in an evocative island location with unique characteristics for Scotch whisky production, given its own water, barley, and connections with *Whisky Galore*. All the necessary research, planning permission and design work has been completed and funded, and now £4.7m is required to bring the Barra Distillery to fruition.



Scotch whisky is a long term but rewarding interest. This Business Plan gives investors the opportunity to be part of a distillery business and a community and have their investment directly in a community distillery.



## **The Barra Distillery Project**

### **Background**

Uisge Beatha Nan Eilean Limited has been set up as a Community Benefit Society. Peter Brown, the founder of the Society who has largely funded the project to date, is based on the Isle of Barra near the proposed distillery site.

### **Isle of Barra**

With much improved transport links, the number of visitors to the island has increased rapidly from 7,000 to its current level of 18,000. As a very small island, there are a limited number of tourist attractions available to visitors. These include Kisimul Castle, which is situated on a rocky islet in the bay. There is also the airstrip (unique in that it is operated from the beach), and a local heritage centre.

Given the limited number of attractions on the island, the Barra Distillery expects to attract a high percentage of these visitors, and to attract an increasing number of repeat visits of both tourists and local islanders by provision of good service in excellent surroundings.

In addition to attracting a good portion of existing visitor numbers as an added attraction for the island, it is expected the Distillery will augment visitor numbers and result in extended stays, especially in the quieter months.

### **The Team**

The current Directors are:

#### *Peter Brown*

Peter has spent over twenty years in the tourism industry in Scotland, both in domestic and international fields. He has a history of pioneering new markets and creating effective businesses, having successfully formed QED Couriers, a leading Edinburgh motorcycle courier service. He has also been a prominent figure on the Isle of Barra, having built a successful car hire business and established a café at the airport and ferry terminal.

Due to his prominent position in the island's tourism industry, Peter was the Barra representative on the Outer Hebrides Tourist Industry Association for many years. He is a founding non-executive director of Barra and Vatersay Wind Energy Limited which has built and commissioned a £2m wind turbine to benefit the Barra Community Society. Peter will be the ambassador for the Barra Distillery brand, applying his whisky knowledge to help oversee the development of the distillery and the running of the commercial operations once the distillery opens.

#### *Neil Mackinnon*

Neil MacKinnon gained extensive experience in the construction industry on projects throughout the U.K. before returning to his native Barra in 2008. Since then he has been involved in several major construction projects, including Barra roads and infrastructure, Bayhead Primary School, Gàradh a' Bhàgh a' Tuath, installing and managing the civil engineering for a wind turbine and a Ministry of Defence project in Uist. He is therefore highly experienced in managing the logistical problems of construction on Barra. Neil has also served as the administrator of the Barra and Vatersay Community Company.

#### *Malcom Fraser*

Malcolm Fraser is an Edinburgh architect whose work spans from award-winning homes, placemaking and cultural renewal and the care and renewal of historic buildings and towns, to advising Government and advising and empowering communities. His work in Edinburgh, such as the Scottish Poetry Library, Scottish Storytelling Centre, Dance Base and Dovecot Studios, redefined the townscape and urban realm of its Old Town, encompassing conservation and new build, based on respect for the historic built context and the need to build within it in a rooted, confident, contemporary way. Later the practice's Edinburgh Centre for Carbon Innovation, for the University of Edinburgh, became the first ever listed building to achieve the UK's top sustainability "Outstanding" award, setting-out a new approach that valued embodied energy and make-do-and-mend over the wasteful cycle of demolition and rebuild.

The Scottish Ballet Headquarters in Glasgow and Dance City in Newcastle upon Tyne are among many exemplary projects in other UK cities, alongside significant Council and cultural infrastructure on the Islands such as the Council Library and Hub in Orkney's Stromness, and the redevelopment of Lews Castle and the Museum nan Eilean on Lewis. Malcolm has completed designs of our distillery buildings and continues to provide key input into construction and execution plans.

### **Non-director team members**

#### *Iain Brown*

Brought up on the Isle of Barra, Iain has a MEng. in Mechanical Engineering. He has an innovative approach and up-to-date knowledge of renewable energy and advises on that aspect of the project.

#### *Gavin Brown*

Also brought up on the Isle of Barra, Gavin is working in statistics and has a degree in economics. He has accounting experience, and he provides compliance and other financial advise.

#### *Shaun Duke*

Shaun is a director and business accountant at Altrieve Accountancy who has supported Uisge Beatha nan Eilean for many years. His attention to detail has proven invaluable through the distillery's transition to a community benefit society.

#### *Ian Durie*

Ian is a Corporate Finance Partner at Armstrong Watson and a Chartered Accountant. His vast experience in advising growing businesses, finance raising, and strategy has been invaluable to the development of the Uisge Beatha an Eilean business plan and financial projections.

#### *Katherine Frangos*

Originally from San Francisco, Katherine studied mechanical engineering before into the U.S. oil and gas industry as a project manager and engineer, focused on facility optimisation and strategy. Acknowledging a personal mandate to prioritise sustainability and low-carbon transitions, Katherine made her way to Scotland for a MSc. in Sustainable Energy Systems with a focus on island energy in the Outer Hebrides. Katherine has now joined the Barra Distillery team as a project manager, combining cross-functional professional experience with a personal interest in community development, energy advocacy and single malt. Her coordination is helping to move this exciting project forward.

#### *Ian MacMillan*

Ian is one of the most respected professionals in the whisky industry. He brings 45 years of experience and knowledge to the Barra Distillery team having previously worked with Bladnoch Distillery, Burn Stewart Distillers (Deanston, Tobermory and Bunnahabhain) and the Glenturret Distillery. Ian has

streamlined the Barra Distillery's operational strategy and overall design, facilitating efforts to progress this project.

### Location

Peter Brown had the idea of establishing a distillery on the Isle of Barra when the application of EC water regulations led the local water authority to equip only one of the lochs supplying the local community with a treatment plant to remove peat from the water and to chlorinate the water. The other loch, appropriately named Loch Uisge, with its reservoir/water supply, wayleaves, land, and dam was acquired by Uisge Beatha nan Eilean Ltd and is the basis for the Barra Distillery project.

The site purchased for the Distillery is located at Borve, a village on the West Coast of Barra. Resources in the area make it a fitting location, with a loch, dam, and water pipes all under the ownership of the Society. It is situated within a short distance of Castlebay, the main village on Barra.



### Distillery Plan

The initial property will consist of the key distillery functions, incorporating a loading bay, production buildings, barrel filling room and bonded storage facility. The Society will look to incorporate further commercial activities into the project, including:

- A shop and visitor centre selling whisky, whisky related products and stocking a range of Barra-related merchandise.
- Operation of a café, restaurant, member lounge and outdoor multipurpose area.
- Management of the Isle of Barra Cask Whisky Society.
- The provision of guided tours of the distillery facility.
- Whisky tasting courses.
- On-site bottling facilities.

The size and layout of the site lend themselves to an artisan, craft distillery with attached café, visitor centre and retail unit. These additional streams of revenue will generate important cash flow and profile while stocks of whisky are maturing.

### Construction

The scope of the works will provide a comprehensive construction and development programme for the site, ensuring it is fit for purpose as a working Scotch whisky distillery, including sufficient storage for the whisky casks.

### Distilling Equipment and Capacity

The Society has selected Forsyths Ltd as the supplier of distillery equipment for the project. Forsyths is an internationally famous company whose work in the alcoholic beverage industry includes providing turnkey plant to distilleries throughout the world. Forsyths have been chosen due to their reputation, reliability and after sales support.



The proposed system will allow production of 16,100 litres of pure alcohol (“LPA”) per annum - equating to 25,400 bulk litres of whisky. The Forsyths system will provide a full distilling process for the desired artisan, small batch quantities and provide the stunning visuals which are vital to the visitor centre experience at the heart of the Barra Distillery project.

### Renewables Initiative

The Society has established the first phase of its renewables scheme, consisting of four wind turbines on site. The turbines are fully operational, with the energy generated being sold on to the National Grid in return for Feed-In-Tariff payments. Although a second hydro phase is envisaged, it is forecast that the Society’s first phase renewable scheme will significantly reduce the energy burden and highlights their forward-thinking approach to the project. Further decarbonisation of the distillery’s power and fuel consumption will be incorporated after the distillery is fully operational.

### Staffing

In addition to the Directors, once fully operational the Distillery’s staffing will comprise:

Operations	2
Cafe	1
Chef	1
Seasonal assistant	2
Sales, marketing & packaging	1
<b>Total</b>	<u>7</u>

Staff with the relevant skills will be phased in throughout the early years of the project into designated departments, based on current needs. Recruitment is expected to be straightforward, and some staff have already been identified. The skills needed are available through locals on the island or can be recognised through further training.



## The Business

### The Experience

The core business will be a modest scale distillery producing single cask Scotch Malt Whisky. All ingredients will be sourced from the Outer Hebrides and all the production processes, malting, mashing, distilling, maturing, and bottling will be conducted on the Isle of Barra, giving a uniquely Barra whisky.

It is the Society's aim to have the Isle of Barra Distillery operational by early 2022. Although the distillery will begin distilling immediately the equipment is installed and commissioned, the first batches of whisky produced on site will not be available for sale until year 5, given the minimum three-year maturation period required for the whisky to be classified as Scotch Whisky. To ease the working capital requirement in the early years, the Society will look to set aside a small portion of each year's production to be sold as souvenir miniatures. The financial projections are based on between 10-15% of production capacity being set aside. There will also be a clear spirit distilled during the distillery's first few years to generate additional cash flow, supporting the business while whisky is maturing.

In the intervening three years, the distillery will operate a small visitor centre, retail outlet and tourist attraction, illustrating the history and tradition of Barra. It will provide its visitors with a full range of activities onsite, including:

- distillery tours
- tasting of new spirit
- a shop and visitor centre
- cafe

### Whisky

Sales of Barra Distillery whisky will be mainly to visitors to the distillery, a specialist whisky retailer and by mail order, thereby selling its modest volume of production direct to customers rather than in high volumes through the export market. The main sales channels will be:

- On-site visitor centre - it is assumed that this will generate the largest volume of whisky sales. Discussions are underway to establish a distillery shop / café in Castlebay to promote further integration with the community.
- Single specialist whisky retailer (Edinburgh based) - this will target the gift and specialist buyer market.
- Web-based sales - expected to be for repeat buyers, with initial purchases assumed to be through the methods above. It is assumed that this will generate the smallest volume of sales which can be handled by existing staff during regular scheduled mail out days.

In this way, the Society will benefit from the full retail price of its product, avoiding the need to pay for distribution or offer discounts to wholesalers and retailers. Moving forward, there may be the option to include a few additional specialist whisky retailers into the sales method.

The Society will offer single cask, single malt whisky exclusively, hand labelled and hand bottled. The distinct characteristics of each individually numbered bottle will be presented (i.e., colour, batch etc.), with no two casks being identical. Some sales of white spirits will complement the distillery's offering as the whisky matures.

All ingredients at the Isle of Barra Distillery will be sourced from the Islands, supporting local businesses, and giving a unique Barra taste, with the production processes used in whisky-making also being conducted solely on the island. The key selling points for the whisky will therefore be its exclusivity, brought about by:

- the limited number of outlets through which the whisky can be purchased; and
- the whisky being non-chill filtered, meaning that each barrel will have a slightly different character. Bottles will include cask numbers, and so as an illustration, cask number 35 will be somewhat different in taste to number 36.

The Barra Distillery has already captured the imagination of whisky enthusiasts monitoring the progress of the project through the Society's website ( <http://www.uisgebeathananeilean.co.uk/> ). Orders and deposits have been taken from all over Europe, the USA and Japan to reserve some casks from the early years of production.

At the premium end of the Scotch whisky market, small batch, limited edition, first releases are extremely sought after and can command high prices (e.g., 3-year-old artisan whisky can command a significantly higher selling price than mainstream 12-year-old single malt). The Barra Distillery brand will be an Outer Hebrides spirit, introducing a new distillery to the Hebridean and West Coast Malt Whisky Trail, and one of only two community owned distilleries present in Scotland.

#### **Visitor Centre**

While visitor facilities will initially be modest, namely a meet and greet area for tours and a stall, eventually these will be fully developed to allow the sale of the following:

- whisky and whisky related products
- a range of quality distillery or Barra-related merchandise
- glassware
- clothing
- books
- CDs
- locally sourced food

In addition, revenue will be generated from the sale of food and drink in the café (and other spin-off ventures).

#### **Community Benefits**

Barra and Vatersay's population is around 1,300. The traditional economic base of the island is fishing and fish processing, and whilst that is still important, it is not growing, and the growth area of the island's economy is tourism and renewables. There is only one other significant manufacturing business on the island - the Hebridean Toffee Factory in Castlebay.

The community benefits of the Barra Distillery scheme will be fivefold:

- A new craft whisky distillery which is community-owned on Barra building on the links of the island to the film *Whisky Galore*.



- A new craft whisky distillery which will provide four sustainable, all year round manufacturing and administrative jobs in a remote island community.
- All ingredients to be sourced, where possible, from the Outer Hebrides, directly supporting local businesses.
- A new visitor centre to stimulate tourism on the Isle of Barra, which, in turn will support the local tourism infrastructure of hotels, guest houses, holiday lets, ferry services and the direct air connection to Glasgow. This will provide three sustainable retail and service jobs in a remote island community.
- An independent development trust, The Angel's Share, established to distribute distillery profits to community and charitable projects on the island.

Without sustainable all year-round employment, Barra and Vatersay (like many Highland and island communities) faces depopulation, especially among the 16-35 demographic. Seven new sustainable jobs on the island will have a disproportionate impact given the size of the community.

The new charitable fund will create a conduit for the profits from the distillery to be used for economic and social development of Barra and Vatersay. The distillery's contributions to this trust are expected to exceed £800,000 per annum (before tax) once the distillery is fully operational. The Angel's Share will create a long-term sustainable fund to support investment in this island community, facilitating various development efforts, which may include fuel poverty, sustainable energy, affordable housing, and other priorities as the trust may decide.

### Members' Rewards

Clearly, an investment in Barra Distillery is not an opportunity to make a quick financial return, and instead this is a long-term investment for individuals who value craft distilled Scottish whisky, ethically provided.

Investors will become individual members of the Society – this includes anyone to whom membership is gifted. Members will have access to all future promotions and discounts and will receive a monthly newsletter detailing offers and the latest Society news.

The Society hopes to begin paying interest on members' shares from year seven once sufficient levels of aged single malt whisky are being sold and appropriate profits and cash are being generated. However, on investing, distillery members will receive individual reward packages, tailored to the size of investment, as follows:

Level of Investment	Founder Only	General (Available to Founders following the Crowdfunder)
<b>Islander</b>		
£50 – 249	Access to Special Releases and Limited Editions Bottlings (once distilling is in progress)	<ul style="list-style-type: none"> <li>• Communications (newsletter/updates)</li> <li>• &lt;6% Return on Investment (start in Year 7)</li> </ul>
<b>Shareholder</b>		
£250 – £749	All the above plus - <ul style="list-style-type: none"> <li>• One founders' new spirit miniature collection</li> <li>• Invitations to Exclusive Founders' Events               <ul style="list-style-type: none"> <li>○ Distillery Opening Weekend</li> </ul> </li> </ul>	One unique members' miniature collection

	○ First Cask Filling & Bottling	
£750 – £2,499	All the above plus – <ul style="list-style-type: none"> <li>• 1 bottle from Founders’ Reserve cask at Year 8</li> <li>• 10% Discount for Distillery Sales (in-person and online)</li> </ul>	All the above plus – <ul style="list-style-type: none"> <li>• Shared distillery tour for two</li> <li>• One inaugural bottle of whisky in Year 5</li> <li>• 10% Discount for Distillery Sales (in-person and online)</li> </ul>
<b>Stockholder &amp; One-Year Membership to Exclusive Isle of Barra Cask Whisky Society (IoB CWS)</b>		
£2,500 – £4,499**	All the above plus – <ul style="list-style-type: none"> <li>• 2 bottles from Founders’ Reserve casks at Year 10</li> <li>• Small brick on Founders’ Wall*</li> </ul>	All the above plus – <ul style="list-style-type: none"> <li>• Two bottles of whisky in Year 6</li> <li>• A day in the distillery including filling a cask</li> </ul>
£4,500 – £7,499**	All the above plus – <ul style="list-style-type: none"> <li>• 3 bottles from Founders’ Reserve cask at Year 12</li> <li>• Large brick on Founders’ Wall*</li> </ul>	All the above plus two return flights: Glasgow to Barra.
<b>Quaich Holder &amp; Lifetime Membership to Exclusive Isle of Barra Cask Whisky Society (IoB CWS)</b>		
£7,500 – £14,999**	All the above plus – <ul style="list-style-type: none"> <li>• 4 bottles from Founders’ Reserve cask at Year 16</li> <li>• Plaque on Founders’ Wall*</li> <li>• Invites to IoB CWS Events</li> <li>• Access to Directors’ Lounge</li> </ul>	All the above plus – <ul style="list-style-type: none"> <li>• Private distillery tour for you and your friends (up to eight)</li> <li>• One case of 10-year-old whisky</li> <li>• Access to Directors’ Lounge</li> </ul>
£15,000 – £49,999**	All the above plus – <ul style="list-style-type: none"> <li>• 1 case from Founders’ Reserve cask at Year 18</li> <li>• Named Fermenter (2-3)</li> <li>• Named Mashtun (1)</li> </ul>	All the above plus inscription of your name on distillery wall/roof.
£50,000 – £100,000**	All the above plus – <ul style="list-style-type: none"> <li>• 5 cases from Founders’ Reserve cask at Year 21</li> <li>• Named Still (2)</li> </ul>	Investments will be considered by application only and bespoke packages similar to above can be arranged.

\* Your choice of inscription on bricks and plaques

\*\* EIS tax relief for UK taxpayers is expected to be available on this type of investment but should be claimed directly from HMRC.

### Members Engagement

The opportunity to become a member of the Society is more than a simple investment. The aim is to involve members in ways beyond the legal minimums of most conventional investments:

- A vote - all members will have one vote each, regardless of how many shares they hold (providing they have the minimum number of shares).
- The right to participate in the Annual General Meeting, elect the Board of Directors and decide on the future of the business.
- Opportunity to become one of the volunteer directors of the Society.
- Members will have, between them, skills and talents which can improve the business. There is the opportunity to look at ways in which members can make use of those skills and talents, to the benefit of the distillery and the community as a whole.

## **Target Communities**

The three main target communities, and the methods of targeting are set out below:

### *People living on Barra and neighbouring islands*

- Local media (including informal newsletters), public meetings, displays at events on Barra and other nearby islands.
- Publicity at ferry points, on ferries and at Barra airport.
- Presence within Castlebay.
- Social media.

### *People with a connection to Barra (tourists, regular visitors, diaspora)*

- Publicity at ferry points, on ferries and at Barra airport and feature within in-flight magazines to/from Barra.
- Leaflets in hotel rooms, holiday lets, etc.
- Barra memorabilia.
- Social media.
- Scottish media (radio, TV, papers, magazines).
- Website.

### *Scotch whisky enthusiasts from around the world*

- Social media.
- Scottish media (radio, TV, papers, magazines).
- Specialist whisky media (magazines).
- Website.

## **Community Benefit Society and Community Shares**

There is a legal obligation to be very clear on how the community share process works, and a moral obligation to be true to the twin aims of safeguarding Barra Distillery for the community, and safeguarding investors' money. To achieve this:

- Shares are priced nominally at £50. The minimum investment is £50 with a maximum investment of £100,000 for a single investor.
- Members must be at least 18 and must pay for their shares in full at the time of application.
- All members have one vote irrespective of their shareholding.
- Shares are non-transferable and may be withdrawn from the Society after a minimum of three years, subject to terms listed below.
- Nominal share value cannot increase, however, the value may fall if, for example, liabilities exceed assets or if the business fails. Your investment is fully at risk and before investing you should read the risk factors section of this Business Plan above (this is not an exhaustive list).

- Your personal liability in all circumstances is restricted to the value of your shares. You could potentially lose what you invest, but nothing more.
- The Society is allowed to pay interest on shares, provided the business performance allows it. Our aim is not to pay any interest until year 7, as our first priority is to build the distillery and produce Scotch whisky. However, a rewards package for members in the first few years (see reward section above) has been established. Our target interest rate once whisky sales start is 6%. Any payment of interest on shares is dependent on the Society making a profit and is subject to the approval of the shareholders.
- After the minimum three years, share capital may be withdrawn from the Society, provided notice of three months is given (in writing) and the board does not block the request for any reason. (This could be the case, for example, if there was a sudden rush of people wanting to withdraw share capital.)
- The Society will not pay interest on any money it returns to you.
- Once issued with shares, investors will become members of the Society and will be entitled to full voting rights at general meetings, and to stand as a director of the Society. If shareholdings drop below the minimum amount, this right will be lost.
- In the event of the death or bankruptcy of a member, shares will go to their estate. Membership is not otherwise transferable.
- The Society has a statutory asset lock designed to safeguard Uisge Beatha nan Eilean Limited for the future, meaning that if the Society is dissolved, then once shares and other liabilities are paid, residual assets cannot be distributed amongst the shareholders, but must be used to benefit the Isle of Barra.
- Uisge Beatha nan Eilean Limited is registered with the Financial Conduct Authority. However, special rules apply to Co-operative and Community Benefit Societies and there is no right of complaint to an ombudsman. See [www.fsa.gov.uk/doing/small\\_firms/msr/societies](http://www.fsa.gov.uk/doing/small_firms/msr/societies) for full details. As with any share offer, investors are advised to seek independent financial advice before investing.

### **Exit Strategies for Investors**

Uisge Beatha nan Eilean Limited, as a Community Benefit Society, is set up for the long-term benefit of the community of the Isle of Barra. There is no intention for the Society or its assets to be sold on, and therefore there is no expectation of an exit through by this route.

As the shares are not freely traded, the only anticipated exit routes are for the shares to be sold back to the Society, at nominal value.

Given that the Society will not be generating cash for a number of years, any buy-back would require to be matched by a purchase of shares by another investor. In the first 10 years, withdrawals will be at the discretion of the Directors and only in exceptional circumstances.

Once the Society starts generating cash, applications for withdrawal will be at the discretion of the Board of Directors.

In the event of the Society becoming insolvent, shareholders will receive any surpluses after everyone else has been paid, including:

- the administrator;
- the bank and other secured creditors;
- preferential creditors, including employees; and
- unsecured creditors, including HMRC and suppliers.

As Barra Distillery is a Community Benefit Society, a shareholder can only receive the face value of the share and any assets left above the total face value would have to be transferred to another body approved by the FCA Regulator which would use those assets for the benefit of the community.

## **The Market**

### **Scotch Whisky Sales**

The vast majority of Scotch Whisky distilling capacity and case sales comes from six distilling companies, with the two largest global suppliers, Diageo and Pernod Ricard, accounting for c.60% of the market. Diageo and Pernod Ricard volume whisky brands such as Bell's, Johnnie Walker and Chivas typically cover the lower end of the quality and value spectrum. The recent trend among consumers has been to focus on top-end, single malts, resulting in growth in this higher margin category. Within malts, the most sought-after types are seen to be micro and artisan products.

The SWA estimates that more than 40 new small distilleries are setting up across Scotland, in a trend mirroring the rapid rise of craft brewing that has reinvigorated the beer industry, and in handcrafted, flavoured gins. It is important to note that, as with craft brewing, the craft distilleries are not in competition with each other for market. In an international whisky mass market and one that is growing, there is plenty of space for distinctive, local, product. Large scale distilleries by their nature are unable to satisfy consumer desire for known provenance and traceability, which a small artisan distillery is uniquely able to provide.

### **Whisky Tourism**

Whisky tourism has also been buoyant and growing over the past number of years. According to the BBC, in 2019, whisky distilleries attracted in excess of 2 million visitors, acting as a major catalyst for tourism in Scotland. Total visitor spending at these distilleries totalled £68m, an average spend of £34 per person and higher than ever before at distilleries.

Additionally, 20% of research participants of a Scotland Visitor Survey stated they visited a whisky distillery on their holiday, making it one of the top activities for overnight tourists on their trip to Scotland, and ranking among many well-known UK attractions for visitation.

The communities of the Outer Hebrides are dependent on social and economic activities facilitated by tourism. Developing a community distillery in Barra will bring visitors during shoulder and off-peak seasons who would otherwise be less interested in visiting the island during those times. The Barra Distillery will complement other recent distillery developments in the Outer Hebrides, contributing to a future Outer Hebrides Whisky Trail.

### **Customer Opportunities**

Due to the size and global scale of the Scotch Whisky market, there are a variety of potential customers for the whisky distilled at the Isle of Barra Distillery, and, given management's experience in both tourism and whisky, the Society will not be starting from a zero base.

However, visitors to Barra and the distillery will be the main focus of sales in the early years. Mail order routes will also be a target area, in addition to customers such as specialist whisky retailers in years to come.

Given the relatively small volumes in which the Barra Distillery's whisky will be sold, management are confident that demand will significantly exceed supply when the mature whisky becomes available to market. Indeed, as highlighted below, it is the Society's intention to sell 15% of the 3-year-old stock when it becomes available each year and allow further maturation to create several products. There will, however, be opportunities for higher volumes of the 3-year-old stock to be sold, dependent on the demand for the product. In the longer term, the Society response to demand increasing beyond supply will be to increase price, not production.

### **Competitors**

The only distilleries operating in the Outer Hebrides are the Isle of Harris Distillery and Abhainn Dearg Distillery on the Isle of Lewis, neither of which operate as community ventures. However, direct substitutes for the Isle of Barra's products are not present due to the unique characteristics of each bottle and the use of traditional bere barley, exclusive to the island.

The Society's products will complement those of other small independent distilleries, along with premium whisky brands from the global distillers. Importantly, the Society will be able to tap into the considerable level of brand equity and brand loyalty to the Isle of Barra and its rich heritage.

Overall, the growth in the global market and the increased interest and popularity of the smaller, niche distilleries will help drive the interest in the super premium sector, rather than limiting sales. Emphasising this acceleration has been the recent development of the 'Scottish Craft Distillers Association', which looks to champion the values of small batch produce spirits.

The Directors are confident that the experience at the Isle of Barra Distillery will be particularly attractive to visiting tourists, expanding the island's current range of tourist activities, and encouraging repeat visits.

## Financial Information

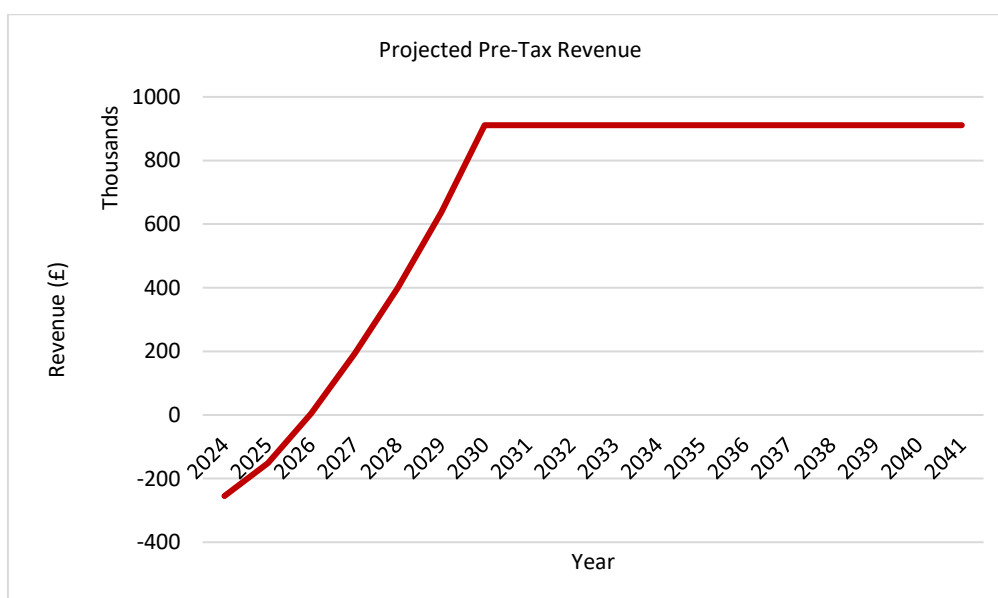
### Overview

Construction of the Barra Distillery is estimated to take 12 months from funding being secured to the distillery being complete and ready to commence whisky production.

The construction work will be phased to ensure the shop and café are open for business as soon as possible, with the projected date for the final installation of the distilling equipment being in month 12 of the project, which will ensure the lead time to sales of mature Scotch Whisky is minimised, and sales of such are projected to commence in year 5 of the project.

Detailed financial projections have been included at Appendix I and the key assumptions underpinning these are shown at Appendix II.

The distillery's expected pre-tax revenue is shown below –



### Forecast Profit & Loss Accounts

The Society's trading forecast is shown below:

Year	1	2	3	4	5	6	7	8	9	10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	24	130	185	242	429	657	913	1,219	1,486	1,790
Cost of Sales	50	104	156	209	278	330	372	416	451	488
Gross Profit	-26	26	29	33	151	327	540	803	1,035	1,302
Overheads	142	176	164	167	171	190	219	224	228	233
EBITDA	-168	-150	-135	-134	-19	137	321	579	806	1,070
Depreciation	11	98	101	103	105	106	107	108	108	109
EBIT	-179	-248	-236	-237	-124	31	214	471	698	961
Interest	14	87	100	114	125	129	125	170	146	110



Profit before tax	-193	-335	-336	-351	-249	-98	89	301	552	851
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As the above summary demonstrates, the Society is projecting that the Distillery will become EBITDA positive during year 5.

An analysis of the Society's sales and gross profit between its core whisky sales and other activities is as follows:

Year	Whisky		Visitor centre		Café		Renewables		Total	
	Sales £'000	Gross profit £'000	Sales £'000	Gross profit £'000	Sales £'000	Gross profit £'000	Sales £'000	Gross profit £'000	Sales £'000	Gross profit £'000
1	0	-50	0	0	0	0	24	24	24	-26
2	40	-25	30	9	36	18	24	24	130	26
3	41	-46	46	14	73	37	25	25	185	29
4	42	-67	62	19	112	56	25	25	242	33
5	209	44	80	24	115	57	26	26	429	151
6	417	213	97	29	117	58	26	26	657	327
7	668	424	99	30	119	60	27	27	913	540
8	969	685	101	30	122	61	27	27	1,219	803
9	1,231	914	103	31	124	62	28	28	1,486	1,035
10	1,530	1,179	105	32	127	63	28	28	1,790	1,302

### Forecast Balance Sheets

The forecast balance sheets are shown below:

Year	1	2	3	4	5	6	7	8	9	10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	3,942	4,042	3,970	3,896	3,816	3,732	3,642	3,547	3,448	3,345
Stock	0	92	184	276	353	414	460	489	507	512
Debtors	0	4	5	5	29	57	89	126	158	193
Creditors	0	-15	-18	-21	-25	-28	-31	-33	-35	-38
Taxes	150	4	2	0	-23	-49	-76	-106	-130	-155
Director's loan	-203	-203	-203	-203	-203	-203	-203	-203	-203	-203
Loan	-1,200	-1,600	-1,600	-1,600	-1,600	-1,600	-1,280	-960	-640	-320
Bank/(funding)	-386	-348	-680	-1,010	-1,209	-1,233	-1,369	-1,275	-922	-276
Cumulative funding costs	4	-3	-23	-57	-101	-151	-203	-257	-302	-327
Public sector funding	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000
	1,307	973	637	285	36	-62	27	328	881	1,732
Community shares	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Profit & loss account	-193	-527	-863	-1,215	-1,464	-1,562	-1,473	-1,172	-619	232
	1,307	973	637	285	36	-62	27	328	881	1,732

Apart from the distillery land & buildings and equipment, the Society's main asset is its stock of maturing whisky which is included at its production cost. If the stock was included at its net realisable value, the Directors believe that the overall value would be significantly higher.

## Forecast Cash Flows

The forecast cash flows are summarised as follows:

Year	1	2	3	4	5	6	7	8	9	10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash inflows:										
Sales income	28	157	227	295	582	939	1,327	1,775	2,165	2,589
Community shares	1,500	0	0	0	0	0	0	0	0	0
Public sector funding	1,000	0	0	0	0	0	0	0	0	0
Loan	1,200	400	0	0	0	0	0	0	0	0
	<u>3,728</u>	<u>557</u>	<u>227</u>	<u>295</u>	<u>582</u>	<u>939</u>	<u>1,327</u>	<u>1,775</u>	<u>2,165</u>	<u>2,589</u>
Cash outflows:										
Suppliers	0	164	214	254	294	336	367	397	423	449
Payroll	35	36	50	64	78	90	110	112	114	116
Overheads	170	191	180	183	187	191	194	198	202	206
Interest	17	80	80	80	80	80	73	117	101	85
Loan repayments	0	0	0	0	0	0	320	320	320	320
Capex	4,500	238	34	35	30	26	21	15	11	7
Taxes	-608	-189	1	11	112	240	379	521	641	760
	<u>4,114</u>	<u>520</u>	<u>559</u>	<u>626</u>	<u>781</u>	<u>963</u>	<u>1,464</u>	<u>1,681</u>	<u>1,812</u>	<u>1,943</u>
Net cash inflow/(outflow)	-386	38	-331	-331	-199	-24	-136	95	353	646
Opening cash/(funding)	0	-386	-348	-680	-1,010	-1,209	-1,233	-1,369	-1,275	-922
Closing cash/(funding)	<u>-386</u>	<u>-348</u>	<u>-680</u>	<u>-1,010</u>	<u>-1,209</u>	<u>-1,233</u>	<u>-1,369</u>	<u>-1,275</u>	<u>-922</u>	<u>-276</u>

## Funding Requirement

The Society is seeking £4.7m to fund the project expenditure and working capital requirements, to establish the distillery and commence production of Scotch Whisky.

The Directors have identified two funding phases to meet the Society's forecast cash requirements. The first phase is to provide the necessary start-up funding as follows:

	<b>£'000</b>
Distillery land & buildings	2,012
Distillery equipment	1,700
Renewables	180
Start-up costs, initial stock and working capital	808
	<u>4,700</u>
Funded by:	
Community shares	1,500
Public sector funding	1,000
Loan / asset finance / grants	2,200
	<u>4,700</u>

Public sector grant funding is currently being discussed.

The Directors are currently in discussion with several funders to ensure that the Society has access to the most appropriate and affordable funding streams. Updates will be provided once funding is accessed but based on discussions held it is assumed the finance will be at around 4%.

The second phase of the funding will be to finance the Society's working capital requirements, primarily to continue to build stocks of maturing Scotch Whisky. The Directors have assumed that this second funding round will be in the form of bank debt, rather than equity, given the security available to lenders as shown below. Experience from other distilleries is that once the Society has laid down whisky in its bonded warehouse, this stock is viewed as good security by lenders because of its future increase in value:

Year	1	2	3	4	5	6	7	8	9	10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings:										
Loan	-1,200	-1,600	-1,600	-1,600	-1,600	-1,600	-1,280	-960	-640	-320
Bank / (Funding)	-386	-348	-680	-1,010	-1,209	-1,233	-1,369	-1,275	-922	-276
Net	-1,586	-1,948	-2,280	-2,610	-2,809	-2,833	-2,649	-2,235	-1,562	-596
Assets:										
Tangible Assets	3,942	4,042	3,970	3,896	3,816	3,732	3,642	3,547	3,448	3,345
Stock (at cost)	0	92	184	276	353	414	460	489	507	512
Trade debtors	0	4	5	5	29	57	89	126	158	193
	3,942	4,139	4,159	4,176	4,198	4,202	4,190	4,162	4,112	4,050
Asset cover	2.5	2.1	1.8	1.6	1.5	1.5	1.6	1.9	2.6	6.8