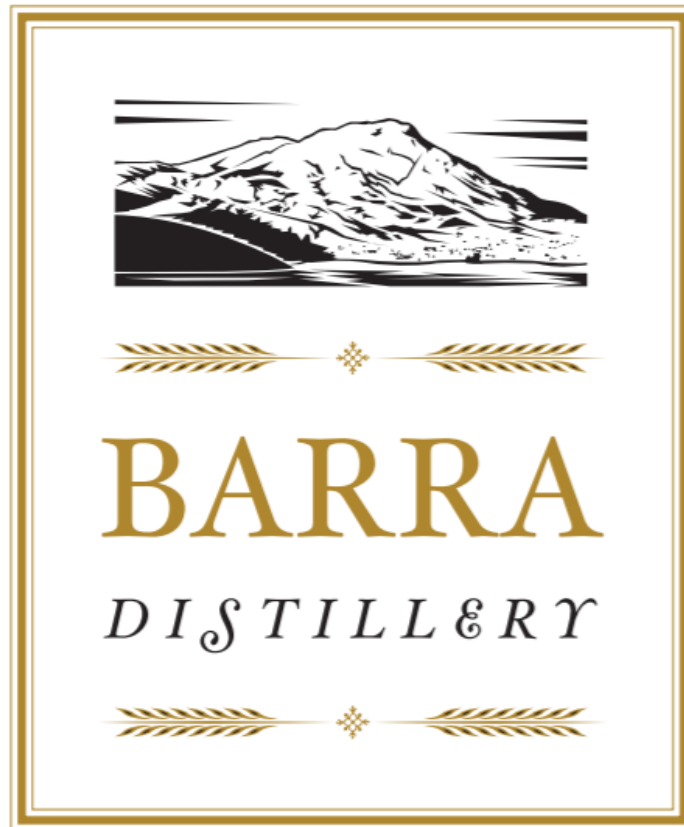


UISGE BEATHA NAN EILEAN LIMITED

Business Plan



Please read this notice before reviewing the Business Plan

This Business Plan has been prepared by the Directors of Uisge Beatha nan Eilean Limited to assist potential investors considering investing in the Barra Distillery. 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 plan. Projections are subject to market forces and to force majeure outwith the control of the Directors. Consequently, neither the Business, its Directors nor its 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.

Contents	Page
Executive Summary	3
Background	3
Progress to Date	3
Community Benefit Society	3
Financial Summary	4
Funding Requirement	4
Phase 1 Funding.....	4
Cash Flow Forecast	5
Phase 2 Funding.....	5
Enterprise Investment Scheme.....	5
Anticipated Strengths	5
The Opportunity	6
The Barra Distillery Project	6
Isle of Barra	6
The Team	6
Project Advisers	7
Location	8
Distillery Plan	8
Construction	9
Distilling Equipment and Capacity	9
Renewables Initiative	9
Staffing.....	10
The Business	10
The Experience	10
Whisky	10
Visitor Centre.....	11
The Market	11
Scotch Whisky Sales.....	11
Whisky Tourism	12
Customer Base.....	12
Competitors	12
Financial Information	12
Overview.....	12
Forecast Profit & Loss Accounts	13
Forecast Balance Sheets	13
Forecast Cash Flows.....	14
Funding Requirement	14
Conclusion	15

Executive Summary

Background

The Outer Hebrides is an island chain off the West Coast of mainland Scotland. The vast region currently features only 2 operating whisky 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.

Uisge Beatha nan Eilean Limited ("the Business"), Scottish Gaelic pronunciation: ush-ka beh-ha nan yell-uhn, has been set up as a Community Benefit Society and trades as Barra Distillery, which is the concept of Peter Brown. 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 and 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 community-owned distillery will enable further sustainable development in the islands. To date, the project has been largely funded by Peter Brown with additional support from Highlands & Islands Enterprise.

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. The distillery plans to transition to traditional bere barley in distillation, as flavour is enhanced, and modern malting barley does not thrive in the Islands.

Progress to Date

A suitable site has been identified at Upper Borge, a village on the West Coast of Barra. Ownership of the land and the water supply (in the form of a loch, dam, and water pipes) has been secured. Preliminary planning permission has been granted and initial building designs have been completed. Following final changes to the design, updated planning permission is expected to be granted. Additionally, four wind turbines are in place with plans for a future hydro scheme. The overall project enjoys strong support from the local authorities and residents alike. There was a community meeting in Borge before any development of the site and there continues to be regular contact with Coimhearsnachd Bharraidh agus Bhatarsaidh (Barra and Vatersay Community) Ltd, the Bùth Bharraigh and other island enterprises along with numerous informal contacts.

The distillery vision is to capitalise on the growing trend for niche, artisan, small scale Scotch Whisky 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 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.

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

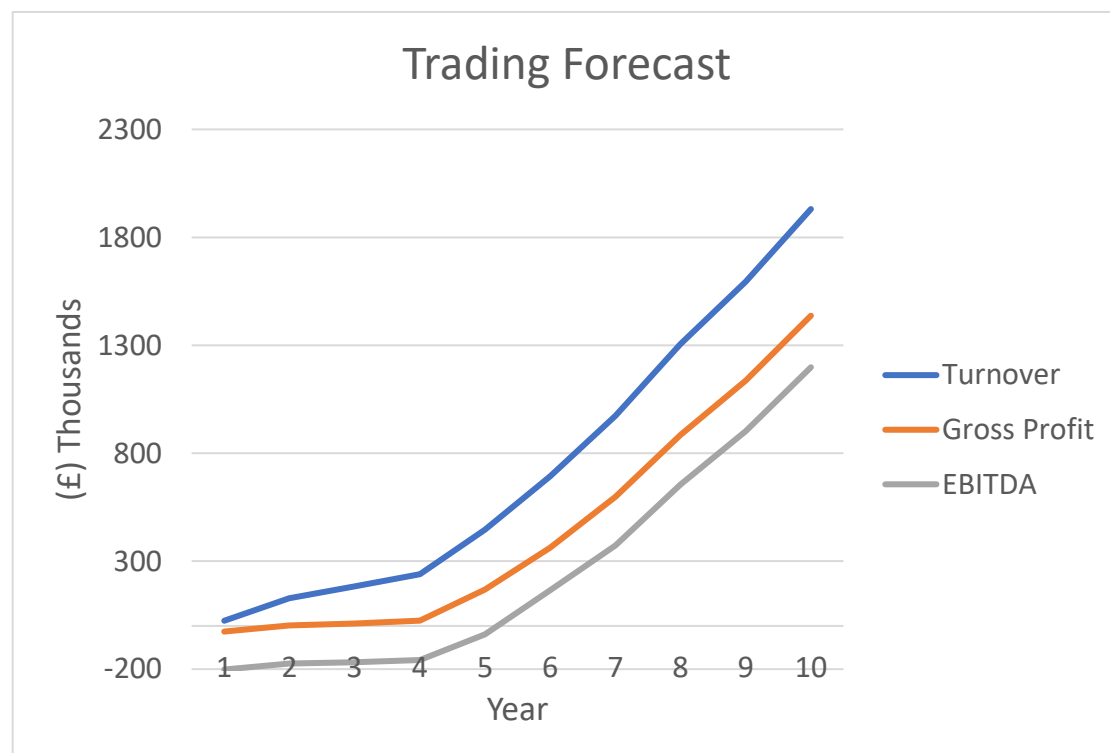
Community Benefit Society

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 local community. It has been set up to ensure community investment, community ownership and benefits are locked into the constitution, and profits are distributed to the mutual benefit of the wider community.

Profits from the distillery will be directed into a new charitable trust, The Angels' Share, which will be used for economic and social development of Barra and Vatersay. The distillery's contributions to this independent trust are expected to exceed £1m per annum once the distillery is fully operational. The Angels' Share will financially support investment in the island community, facilitating various development efforts, which may include fuel poverty alleviation measures, sustainable energy, affordable housing and other priorities as the trust may decide.

Financial Summary

As shown in the graph below, with whisky sales starting in year 4, the trading forecast shows the project becoming EBITDA positive in year 6, with profitability and cash generation growing in subsequent years due to the increasing availability of mature whisky.



Funding Requirement

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

Phase 1 Funding

The first stage is seeking to raise £4.7m to fund the initial requirements to establish the Barra Distillery. It is planned that this funding will come from a combination of:

- £1.5m share capital
- £1m public sector funding
- £2.2m from loan finance via Scottish Communities Finance Limited.

The initial £4.7m is broken down into the following –

- £2m required to build the distillery and £1.9m to install the plant and equipment. These are based on quotes from a quantity surveyor and the equipment provider.
- £0.8m for start-up costs, initial stock and working capital.

Cash Flow Forecast

The 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	4,700	-4,498	78	-248	0	0	612	644
2	644	0	-237	156	-407	0	0	187	344
3	344	0	-33	226	-477	0	0	-3	56
4	56	0	-34	294	-534	0	0	-14	-232
5	-232	0	-30	598	-615	0	0	-116	-395
6	-395	0	-25	976	-645	0	0	-245	-334
7	-334	0	-20	1,389	-724	-90	0	-399	-177
8	-177	0	-15	1,866	-761	-90	0	-545	278
9	278	0	-11	2,281	-794	-90	0	-667	998
10	998	0	-7	2,686	-825	-560	-2,200	-783	-692

Phase 2 Funding

The second phase of the funding will be required from Year 3 to finance working capital requirements, primarily to continue to build stocks of maturing Scotch Whisky. The amount of this funding is forecast at a maximum of £450,000.

Enterprise Investment Scheme

Uisge Beatha nan Eilean Limited successfully applied to HMRC for Advanced Assurance on eligibility for Enterprise Investment Scheme ("EIS"), a UK government-backed tax relief scheme. Eligible UK taxpayers can apply for the EIS relief at their own discretion.

Anticipated Strengths

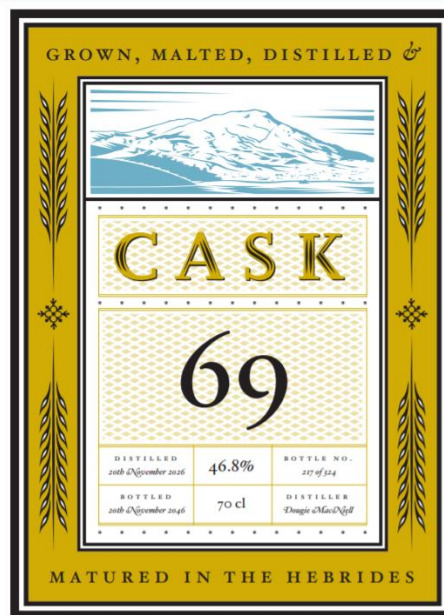
The project has several key strengths, including:

- A small niche single cask distiller with whisky bottled directly from each individual cask at cask strength.
- 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.
- Scotland's most westerly distillery and a new island on the Scotch Whisky map.
- Strong island identity: Hebridean grown barley, distilled on the island by islanders with island water and local ingredients. The water is from 'Loch Uisge' which is the owned by the distillery.
- Once operations are established, the distillery will utilise 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 bottle design and packaging will be such as to express the hand-crafted nature of the product, while retaining a quality feel. Each bottle label will show which cask the bottle came from and the characteristics and strength of that particular cask.
- 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.
- A significant addition to the Barra economy both as a direct employer and an added attraction bringing visitors to the island.
- Profits returned to the island community by the Angels' Share Trust.

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 venture. This Business Plan gives investors the opportunity to be part of a distillery business and invest directly in a community distillery.



The Barra Distillery Project

Isle of Barra

With much improved transport links, the number of annual visitors to the island has grown to over 25,000 based on the 2017 Outer Hebrides Visitor Survey. As the world recovers from COVID-19, many UK visitors who would normally travel abroad are booking holidays in Scotland. 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.

As an added attraction for the island, it is expected the Barra Distillery will augment visitor numbers and result in extended stays, especially in the quieter months.

The Team

Peter Brown

Peter has spent over thirty 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. 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 and business experience to help oversee the development of the distillery and the running of the commercial operations once the distillery opens.

Katherine Frangos

Originally from San Francisco, Katherine studied mechanical engineering before entering 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.

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. Malcolm's work also includes the redevelopment of Lews Castle and the Museum nan Eilean on Lewis along with the Orkney Council Library and Hub. Malcolm has completed designs of our distillery buildings and continues to provide key input into construction and execution plans.

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 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.

Project Advisers

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 nan Eilean business plan and financial projections.

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 advice and administrative support.

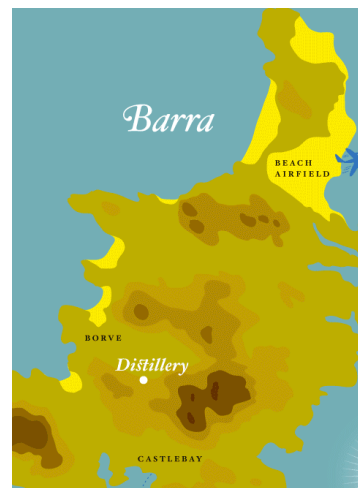
Shaun Duke

Shaun is a 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.

Location

The idea of establishing a distillery on the Isle of Barra is directly connected to the only non-chlorinated water on the island, appropriately named Loch Uisge. With its reservoir/water supply, wayleaves, land, and dam, it was acquired by Uisge Beatha nan Eilean Limited and is the basis for the Barra Distillery.

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 business. It is situated within a short distance of Castlebay, the main village on Barra.



Distillery Plan

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.

The initial facility will consist of the key distillery functions, incorporating a loading bay, production buildings, barrel filling room and bonded storage facility. The Directors 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.

Construction

The scope of the works 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.

The site sits into the hillside, with Loch Uisge up east and behind, supplying fresh Barra water – the uisge of beatha – and power from its wind turbines. The main distillery and visitor centre then sits at the edge of the site, with a big view westwards, down over Borve and its beach and out to America, and a yard sheltered against the hill, which is further enclosed by the maturation warehouse to the rear with space for a future malting floor building.

The buildings are simple, agricultural shed forms, pitched-roofed and black-coloured like Castlebay's former herring sheds but warm and lined, with big windows opening-out from the shop and café, to the west. Materials will be simple, natural and recyclable, with options being investigated for a pioneering use, in Scotland, of corrugated, compressed hemp. Energy will be conserved and renewed, with the power from the hill harvested and heat from the processes recycled.

Distilling Equipment and Capacity

Forsyths Ltd has been selected 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

Uisge Beatha nan Eilean Limited has already established the first phase of its renewables scheme, consisting of four wind turbines on site. The turbines are 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 first phase renewable scheme will significantly reduce the energy burden. 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	2
Chef	1
Seasonal assistant	4
Sales, marketing & packaging	1
Total	10

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 leveraging local and diaspora recruitment channels. 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. Ingredients will be sourced from the Outer Hebrides and the production processes, mashing, distilling, maturing, and bottling will be conducted on the Isle of Barra, giving a uniquely Barra whisky.

It is the Directors' aim to have the Barra Distillery operational by late 2022 pending COVID. 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 financial year 5, given a year of development of the distillery followed by 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, a small portion of each year's production will be sold as souvenir miniatures. The financial projections are based on between 10-15% of production capacity being set aside for this purpose. There will also be a new make 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 and tastings, a shop, café and visitor centre.

Whisky

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 in Scotland. The modest volume of Barra Distillery production will be mainly sold 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. To supplement the distillery facilities, preliminary discussions are underway to establish a distillery shop / café in Castlebay to promote further integration with the community after the distillery is operational.
- Web-based sales - it is anticipated that this will generate initially the smallest volume of sales (should grow in proportion to production) with repeat orders becoming an important channel.
- Single specialist whisky retailer(s) (Edinburgh based) - this will target the gift and specialist buyer market.

Uisge Beatha nan Eilean Limited 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 new make clear spirit will complement the distillery's offering as the whisky matures.

Ingredients at the 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 rarity, brought about by:

- The exclusive nature of the sales channels; and
- the whisky being non-chill filtered, meaning that each barrel will have a slightly different character. Each bottle will include the cask number, tasting notes, characteristics, colour, alcoholic strength, etc.). As an illustration, cask number 35 will be somewhat different in characteristics to cask number 36.

The Barra Distillery has already captured the imagination of whisky enthusiasts monitoring the progress of the project through its website (<http://www.uisgebeathananeilean.co.uk/>). Cask reservations have already been secured from around the world.

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., 8-year-old artisan whisky can command a significantly higher selling price than mainstream 12-year-old single malt).

Visitor Centre

While initially modest, the visitor facilities will eventually fully developed to allow sale of the following:

- whisky and whisky related products
- a range of quality distillery and Barra-related merchandise
- local artisan products (ex: glassware, clothing and more)
- books
- locally sourced food

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

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 value end of the quality and value spectrum. The recent market trend has been to focus on high value 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 Scotch Whisky Association estimates that more than 40 small new distilleries are setting up across Scotland, in a trend mirroring the rapid rise of craft brewing that has reinvigorated the beer industry, and also 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 struggle 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 very dependent on social and economic activities facilitated by tourism for their long-term sustainability. The Directors are confident that developing a community distillery in Barra will expand the island's current range of tourist activities and encourage repeat visits (including the shoulder and off-peak seasons). The Barra Distillery will complement other recent distillery developments in the Outer Hebrides, contributing to a future Outer Hebrides Whisky Trail.

Customer Base

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 Barra Distillery, and, given management's experience in both tourism and whisky, the Business will not be starting from a zero base.

Visitors to Barra and the distillery will be the main focus of sales in the early years. Online order routes will also be a target area, in addition to sales through specialist whisky retailer(s) in years to come.

Given the relatively small volumes in which the Barra Distillery's whisky will be sold, the management is confident that demand will significantly exceed supply when the mature whisky becomes available to market. Indeed, as highlighted below, it is the intention to sell 15% of the whisky 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 whisky stock to be sold, dependent on the demand for the product. In the longer term, response to demand increasing beyond supply will be to increase price, not production.

Competitors

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

The only other operating whisky distilleries 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. In contrast, Uisge Beatha nan Eilean's products will be unique in the market place due to the unique characteristics of each cask bottling and plans to use traditional bere barley, exclusive to the islands.

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, leading to sales growth. Emphasising this acceleration has been the recent development of the 'Scottish Distillers Association', which looks to champion the values of small batch produce spirits. With this context in mind, there are no true competitors for Uisge Beatha nan Eilean's products.

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 split into phases 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.

Forecast Profit & Loss Accounts

The 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	129	183	240	445	694	973	1,306	1,595	1,931
Cost of Sales	55	132	180	225	288	342	427	473	511	548
Gross Profit	-31	-4	4	16	158	352	546	832	1,084	1,383
Overheads	176	176	179	183	209	199	228	233	237	242
EBITDA	-207	-179	-175	-167	-51	153	318	600	846	1,140
Depreciation	0	98	101	103	105	106	107	107	108	108
EBIT	-207	-277	-276	-271	-156	47	212	492	739	1,032
Interest	-8	29	41	53	62	65	150	139	116	78
Profit / (Loss) before Tax	-199	-306	-317	-324	-218	-17	61	353	623	954

As demonstrated above, it is projected that the distillery will become EBITDA positive during year 6.

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	3,952	4,051	3,978	3,903	3,823	3,738	3,648	3,553	3,454	3,352
Stock	0	82	171	268	357	428	481	516	537	544
Debtors	0	4	4	4	30	60	94	134	167	201
Creditors	-29	-95	-147	-200	-253	-306	-358	-410	-462	-39
Taxes	150	4	2	1	-23	-49	-79	-109	-134	-158
Director's loan	-203	-203	-203	-203	-203	-203	-203	-203	-203	-203
Deferred Income	-50	-50	-50	-50	-50	-50	-50	-50	-50	0
Loan	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	0
Bank / (Funding) Public Sector Funding	681	402	123	-169	-345	-299	-153	303	1,046	-586
	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000	-1,000
	1,301	995	678	354	136	119	180	533	1,156	2,111
Share Capital	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Profit & Loss Account	-199	-505	-822	-1,146	-1,364	-1,381	-1,320	-967	-344	611
	1,301	995	678	354	136	119	180	533	1,156	2,111

Apart from the distillery land & buildings and equipment, the main asset is its stock of maturing whisky which is included in the accounts 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	78	156	226	294	598	976	1,389	1,866	2,281	2,686
Share Capital	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	2,200	0	0	0	0	0	0	0	0	0
	<u>4,778</u>	<u>156</u>	<u>226</u>	<u>294</u>	<u>598</u>	<u>976</u>	<u>1,389</u>	<u>1,866</u>	<u>2,281</u>	<u>2,686</u>
Cash Outflows:										
Suppliers	0	178	230	270	310	352	382	412	438	462
Payroll	36	37	52	65	79	87	131	134	137	139
Overheads	211	191	195	199	225	207	211	215	219	224
Interest	0	0	0	0	0	0	90	90	90	560
Loan Repayments	0	0	0	0	0	0	0	0	0	2,200
Capex	4,498	237	33	34	30	25	20	15	11	7
Taxes	-612	-187	3	14	116	245	399	545	667	783
	<u>4,134</u>	<u>456</u>	<u>513</u>	<u>582</u>	<u>761</u>	<u>915</u>	<u>1,233</u>	<u>1,411</u>	<u>1,562</u>	<u>4,375</u>
Net cash inflow / (outflow)	644	-300	-287	-288	-163	61	156	456	719	-1,689
Opening cash / (funding)	0	644	344	56	-232	-395	-334	-177	278	998
Closing cash / (funding)	<u>644</u>	<u>344</u>	<u>56</u>	<u>-232</u>	<u>-395</u>	<u>-334</u>	<u>-177</u>	<u>278</u>	<u>998</u>	<u>-692</u>

Funding Requirement

Uisge Beatha nan Eilean Limited is seeking £4.7m to fund the project expenditure and initial working capital requirements to establish the distillery and commence production of Scotch Whisky.

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

	£'000
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:	
Share capital	1,500
Public sector funding	1,000
Loan finance	2,200
	<u>4,700</u>

It is envisaged that the £2.2m of loan funding will be provided by Scottish Communities Finance Ltd and discussions regarding this are ongoing.

Public sector grant funding is being sought and discussions are ongoing with relevant Scottish Government agencies.

The £1.5m share capital assumed raised from investors will complete the Phase 1 Funding requirement.

The second phase of the funding will be to finance 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 debt, rather than equity, given the security available to lenders as shown below. Experience from other distilleries is that the whisky is laid down in its bonded warehouse, this stock is viewed as good security by lenders because of its future increase in value.

The forecast borrowing requirements and available asset cover are summarised below:

Year	1	2	3	4	5	6	7	8	9	10
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings:										
Loan	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	-2,200	0
Bank / (Funding)	681	402	123	-169	-345	-299	-153	303	1,046	-586
Net	-1,519	-1,798	-2,077	-2,369	-2,545	-2,499	-2,353	-1,897	-1,154	-586
Assets:										
Fixed Assets	3,952	4,051	3,978	3,903	3,823	3,738	3,648	3,553	3,454	3,352
Stock (at cost)	0	82	171	268	357	428	481	516	537	544
Debtors	0	4	4	4	30	60	94	134	167	201
	3,952	4,137	4,153	4,176	4,210	4,226	4,223	4,202	4,158	4,096
Asset cover	2.6	2.3	2.0	1.8	1.7	1.7	1.8	2.2	3.6	n/a

Conclusion

With a low entry cost for investors, this is a great opportunity for anyone fascinated by the world of whisky, to invest in small niche Scotch Whisky distilling. It is an expanding marketplace with increasing demand from buyers across the world.

Global market growth and mounting interest and popularity of the smaller, niche distilleries is helping to drive awareness of this premium bespoke whisky sector, leading to sales growth. Strengthening this acceleration has been the recent development of the 'Scottish Distillers Association', which looks to champion the values of small batch produce spirits. We know that 20% of visitors to Scotland visited a whisky distillery as part of their trip and we anticipate this will grow. In 2019, Scottish whisky distilleries attracted over 2 million visitors, as the distilleries become honeypot destinations in themselves.

The Business already has purchased the land, the water source, and renewable energy assets. There are a range of experts and experience in the team that has developed the project - including a master blender; architectural plans; financial advisors and experts on tourism and construction.

The Barra Distillery is a compelling opportunity to invest in the establishment of a distillery that honours the rich whisky heritage of the Outer Hebrides through the production of an exclusive, high value single malt while support the long-term sustainability of Barra and Vatersay.

The Directors of Uisge Beatha nan Eilean Limited are confident that the project is viable and look forward to your investment.