

LUSCOMBE DRINKS LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE PERIOD ENDED 30 JUNE 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30 June 2019 £	31 December 2018 £
Fixed assets			
Intangible assets	4	3,750	11,250
Tangible assets	5	1,276,252	594,214
		<u>1,280,002</u>	<u>605,464</u>
Current assets			
Stocks	6	1,744,911	1,728,506
Debtors: amounts falling due within one year	7	1,163,401	1,012,024
Cash at bank and in hand	8	22,294	37,849
		<u>2,930,606</u>	<u>2,778,379</u>
Creditors: amounts falling due within one year	9	(2,661,316)	(1,995,889)
Net current assets		<u>269,290</u>	<u>782,490</u>
Total assets less current liabilities		<u>1,549,292</u>	<u>1,387,954</u>
Creditors: amounts falling due after more than one year	10	(418,428)	(54,929)
Net assets		<u><u>1,130,864</u></u>	<u><u>1,333,025</u></u>
Capital and reserves			
Called up share capital		9	9
Profit and loss account		1,130,855	1,333,016
		<u><u>1,130,864</u></u>	<u><u>1,333,025</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

G L David

Director

Date: 30 June 2020

The notes on pages 2 to 11 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

1. General information

Luscombe Drinks Limited is a private company limited by shares, with the registered address Dean Court, Lower Dean, Buckfastleigh, England, TQ11 0LT. The company number is 02200398 and the principal activity is the production of soft drinks, mineral waters and other bottled waters. Luscombe Drinks Limited is incorporated in England and Wales.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The period is a 6 month period ending on 30 June 2019. The prior year is a 12 month period ending 31 December 2018.

The nature of the Company's activity means that activity is greater in the period from 1 January to 30 June. As such, the directors consider 30 June to represent a more appropriate date to report the Company's statement of financial position

The following principal accounting policies have been applied:

2.2 Going concern

The directors have considered the outbreak of COVID-19 in early 2020 and what impact it will have on the ongoing operations of the business.

Although the Company's sales channel includes a number of significant retail customers, the closure of the hospitality sector has had a material impact on revenue in the year ending 30 June 2020.

The directors have taken action to address this shortfall by reducing production and entering into the Government's job retention scheme. As detailed in note 19, following the year end the Company has also secured a coronavirus business loan to provide additional working capital.

The directors believe that these actions are sufficient to ensure the Company is able to continue to operate for the foreseeable future and as such that it is appropriate for the financial statements to be drawn up on a going concern basis.

The directors' assumptions and outlook assumes that COVID-19 causes no material unanticipated changes to the business model. The financial statements do not reflect the adjustments that would be necessary should the ability of the Company to trade be jeopardised due to an ongoing reduction in demand for its products. As such there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP and the financial statements are rounded to the nearest £1.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.6 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the period in which they are incurred.

2.9 Pensions

Defined Contribution Pension Plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.12 Intangible Assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Intellectual property	-	10% Straight line
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2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the following methods.

Depreciation is provided on the following basis:

Property Improvements	-	10% Straight line
Plant and machinery	-	15%-25% Reducing balance
Motor vehicles	-	25% Reducing balance
Office equipment	-	25% Reducing balance

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a standard cost basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

3. Employees

The average monthly number of employees, including directors, during the period was 48 (2018: 55).

4. Intangible assets

	Patents
	£
Cost	
At 1 January 2019	150,000
At 30 June 2019	150,000
Amortisation	
At 1 January 2019	138,750
Charge for the year	7,500
At 30 June 2019	146,250
Net book value	
At 30 June 2019	3,750
At 31 December 2018	11,250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

5. Tangible fixed assets

	L/H prop imps £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2019	741,731	2,117,061	77,703	31,415	2,967,910
Additions	-	773,499	-	6,067	779,566
At 30 June 2019	741,731	2,890,560	77,703	37,482	3,747,476
Depreciation					
At 1 January 2019	591,601	1,707,374	66,553	8,168	2,373,696
Charge for the period on owned assets	18,171	74,584	1,316	3,457	97,528
At 30 June 2019	609,772	1,781,958	67,869	11,625	2,471,224
Net book value					
At 30 June 2019	131,959	1,108,602	9,834	25,857	1,276,252
At 31 December 2018	150,130	409,687	11,150	23,247	594,214

Included within the net book value of tangible fixed assets is £691,984 (2018: £15,469) in respect of assets held under hire purchase agreements. Depreciation for the year on these assets was £24,926 (2018: £4,446).

6. Stocks

	30 June 2019 £	31 December 2018 £
Raw materials and consumables	982,718	860,763
Finished goods and goods for resale	762,193	867,743
	1,744,911	1,728,506

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

7. Debtors

	30 June 2019 £	31 December 2018 £
Trade debtors	965,648	666,459
Amounts owed by joint ventures and associated undertakings	876	52,548
Other debtors	479	1,101
Prepayments and accrued income	196,398	291,916
	<u>1,163,401</u>	<u>1,012,024</u>

8. Cash and cash equivalents

	30 June 2019 £	31 December 2018 £
Cash at bank and in hand	22,294	37,849
Less: bank overdrafts	(1,336)	-
	<u>20,958</u>	<u>37,849</u>

9. Creditors: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2019 £	31 December 2018 £
Bank overdrafts	1,336	-
Trade creditors	876,422	1,025,305
Amounts owed to other participating interests	2,685	-
Other taxation and social security	245,403	102,984
Obligations under finance lease and hire purchase contracts	245,894	81,498
Invoice discounting facility	864,174	417,720
Other creditors	340,178	236,261
Accruals and deferred income	85,224	132,121
	<u>2,661,316</u>	<u>1,995,889</u>

A fixed charge is in place over property, buildings, fixtures, plant and machinery, motor vehicles, computer equipment, non-vesting invoices, other invoices required to be paid into nominated accounts and cash, credit balances on any nominated accounts, goodwill, intellectual property, securities, group loans, insurance rights and uncalled capital. A floating charge exists over property, assets and rights not under a fixed charge.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

10. Creditors: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 June 2019 £	31 December 2018 £
Net obligations under finance leases and hire purchase contracts	418,428	54,929
	<u>418,428</u>	<u>54,929</u>

11. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	30 June 2019 £	31 December 2018 £
Within one year	143,800	81,498
Between 1-5 years	418,428	54,929
	<u>562,228</u>	<u>136,427</u>

Hire purchase liabilities are secured against the assets to which they relate.

12. Financial instruments

	30 June 2019 £	31 December 2018 £
Financial assets		
Cash at bank and in hand	<u>22,294</u>	<u>37,849</u>

13. Deferred taxation

	2018 £
At beginning of year	(29,938)
Utilised in year	29,938
At end of year	<u><u>-</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

14. Share capital

	30 June 2019	31 December 2018
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
45 (2018: 45) Class A shares of £0.10 each	5	5
33 (2018: 33) Class B shares of £0.10 each	3	3
12 (2018: 12) Class C shares of £0.10 each	1	1
	<hr/>	<hr/>
	9	9
	<hr/>	<hr/>

15. Pension commitments

Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £15,889 (2018: £16,035). Contributions totalling £6,149 (2018: £Nil) were payable to the fund at the reporting date and are included in creditors.

16. Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	30 June 2019	31 December 2018
	£	£
Not later than 1 year	36,087	27,155
Later than 1 year and not later than 5 years	111,201	29,388
Later than 5 years	35,807	-
	<hr/>	<hr/>
	183,095	56,543
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019**

17. Related party transactions

During the period the Company made the following related party transactions:

Kineta Drinks Limited

During the period, two of the directors, G L David and J M Spreadbury were also directors of Kineta Drinks Limited. They resigned their positions on 1 March 2019. During the period, Luscombe Drinks Limited received income from sales to Kineta Drinks Limited of £32,273 (2018: £9,207). During the period, the Company wrote off debts from Kineta Drinks Limited of £92,750 (2018: £Nil).

Lion and Unicorn Limited

Two of the directors, G L David and V David are also directors of Lion and Unicorn Limited. Luscombe Drinks Limited received income from sales to Lion and Unicorn Limited of £13 (2018: £Nil). At the period end, Lion and Unicorn Limited owed Luscombe Drinks Limited £876 (2018: £500).

SCOPS Drinks Limited

G L David is also a director of SCOPS Drinks Limited and was for the entire period. During the period, Luscombe Drinks received income from recharges to SCOPS Drinks Limited of £Nil (2018: £875). At the period end, SCOPS Drinks Limited owed Luscombe Drinks Limited £Nil (2018: £88).

Transactions with Directors

During the period a director maintained a loan account with the Company. The amount owed to the director at the period end by Luscombe Drinks Limited was £331,545 (2018: £186,260).

During the period Luscombe Drinks Limited received income from sales to a director of £183 (2018: £Nil).

18. Post balance sheet events

In May 2020, the Company successfully applied for a coronavirus business loan of £800,000.

19. Controlling party

The Company is controlled by G L David, a director of the Company, owning 50% of the share capital

20. Auditors' information

The auditors' report on the financial statements for the period ended 30 June 2019 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which refers to the significant challenges and uncertainties caused by the current Coronavirus (COVID-19) pandemic. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed on 30 June 2020 by Fleur Lewis FCA (Senior statutory auditor) on behalf of Bishop Fleming LLP.

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