

# HALEWOOD WINES AND SPIRITS PLC

Annual Report and Financial Statements  
For the 52 week period ended 30 June 2018

parent accounts

Flowershead Brewery Limited

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**HALEWOOD WINES AND SPIRITS PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2018**

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## **HALEWOOD WINES AND SPIRITS PLC**

### **COMPANY INFORMATION**

#### **DIRECTORS**

Mrs J M Halewood  
Mr P G Eaton  
Mr I A Douglas  
Mr S A Hainsworth  
Mr A W Robinson  
Mr J A Bradbury

#### **COMPANY SECRETARY**

Miss A P McCaffrey (*resigned 9<sup>th</sup> March 2018*)  
Miss Nikki Ferguson (*appointed 12<sup>th</sup> December 2018*)

#### **REGISTERED OFFICE**

The Sovereign Distillery  
Wilson Road  
Huyton Business Park  
Huyton  
Merseyside  
L36 6AD  
United Kingdom

#### **COMPANY REGISTRATION**

03699814

#### **BANKERS**

National Westminster Bank plc  
22 Castle Street  
Liverpool  
L2 0UP

#### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
Horton House  
Exchange Flags  
Liverpool  
L2 3PG  
United Kingdom

## HALEWOOD WINES AND SPIRITS PLC

### STRATEGIC REPORT

#### BUSINESS REVIEW

*Halewood Wines and Spirits PLC (Halewood) has continued to grow its revenues and deliver another period of profitable growth in the financial period to June 2018. The results reflect the impact of additional listings in key supermarkets in mid-priced and premium spirits throughout the globe. Exports expanded with an increased emphasis on EU and Global Duty Free markets.*

The Group strategy of developing a premium range of artisanal craft spirits and beers alongside continued investment in brand marketing, Route to Market distribution and vertical integration has delivered revenue and profit growth. The Group's investment in production capability in distilling and craft beer as well as acquisitions, has simulated development of higher quality liquids to create strong brand provenance and a point of difference. The Group has continued to delist low margin and non-profitable lines, rationalised brands and product ranges moving from a volume focus to a margin driven branded business. In addition we have disposed of our Romanian Wine operation, our investment in Irish Whiskey distilling, our property holding company and acquired the Dead Man's Fingers Rum brand.

H&A Prestige has performed well as the demand for specialised packaging and new artisanal spirits has increased. Our Welsh Whiskey distillery opened during the period and has already achieved listings for its gin range and is laying down whiskey. Plans are progressing well for our Crabbies Whisky Distillery.

South Africa results remain steady despite political difficulties and rand devaluation.

A key objective for the Group is to generate growth in earnings before interest, taxation, depreciation and amortisation (EBITDA) period on period. The following table summarises turnover and EBITDA for each of the last 2 periods:

|                  | 2018<br>£'000 | 2017<br>£'000 |
|------------------|---------------|---------------|
| Turnover         | 265,151       | 216,720       |
| Operating profit | 14,341        | 4,874         |
| Depreciation     | 6,846         | 5,316         |
| Amortisation     | 1,691         | 545           |
| EBITDA           | 22,878        | 10,735        |

#### ***Key performance indicators***

The directors consider the key performance indicators of the Group to be Gross Margin, EBITDA and operating cash flows which are documented on pages 10 to 15. The KPI targets were achieved during the period and future targets are based on further growth and continued implementation of strategy.

The Group monitors closely cash flow from operating activities. During the period, the cash outflow from operating activities amounted to £3,350K (2017: £9,577K) as the business invested in working capital.

## **HALEWOOD WINES AND SPIRITS PLC**

### **STRATEGIC REPORT**

#### **POST BALANCE SHEET EVENTS**

On 29 November 2018 the Group completed on a re-financing agreement with Investec Bank. The new facility has a minimum term of 60 months from commencement date.

#### **FUTURE OUTLOOK**

The Group will continue to focus on its successful strategy of new product development in artisanal spirits and craft beers, combined with key strategic acquisitions, tight cost control and production efficiency. *Acquisitions and investment into distilling, brewing and production capability over the last three periods in gin, whisky and craft beer in the British Isles and South Africa will provide future potential in these high growth categories.* Consumers globally have shown continued interest in craft brands with strong and local provenance.

The Group plans further vertical integration and internal investment in its distilling and brewing capability to enhance the artisanal spirits and beer portfolio with a new distillery in North Wales already operating and plans are well developed for a Scottish distillery planned for 2019. Geographical expansion in new and existing markets and the new products from the distilleries in North Wales and Scotland will further improve Halewood's ability to provide a full service and point of difference to the trade and consumers.

By maintaining a diverse portfolio of products at multiple price points and operating in several geographical regions, especially Asia and the USA, in addition to exporting to many others, the Group expects to minimise risk from competition, changes in consumers' tastes and the impact of Brexit.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to competition from other operators and industry developments.

##### ***Competitor risk***

Competitor risk manifests itself in the form of competing brands in the same category all competing for the consumers' spend. The Group ensures that there is a constant pipeline of new products to bring to market and that it is investing in current brands.

##### ***Credit risk***

The Group's credit risk is primarily attributable to its trade receivables and it has implemented policies that require appropriate credit checks on potential customers before services are provided and credit insurance.

##### ***Taxation risk***

As a producer and distributor of alcoholic beverages the Group is exposed to the taxation risk associated with these products. In order to mitigate the risk the Group maintains a diverse portfolio of products within different alcohol duty classifications. In addition the Group is represented on various trade bodies.

##### ***Interest rate risk***

The Group has interest bearing liabilities, which are linked to the Bank of England base rate or Libor base rate, and does not consider itself to be exposed to any significant interest cash flow risk given interest coverage from earnings. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

##### ***Currency risk***

As the Group sells and operates in multiple markets around the globe it is exposed to movements in key currencies, in particular the Euro, US Dollar and South African Rand. This risk is managed at a Group level with forward contracts taken out to manage the risk. The Group has a number of contracts open at 30 June 2018, as disclosed in note 29.

##### ***Liquidity risk***

The Group ensures availability of funding through an appropriate amount of committed facilities that are designed to ensure the Group has sufficient available funds for operations.

**HALEWOOD WINES AND SPIRITS PLC  
STRATEGIC REPORT**

Approved by the Board on 20 December 2018 and signed on its behalf by:

A handwritten signature in black ink that reads "Judi Halewood". The signature is written in a cursive style, with the first name "Judi" and the last name "Halewood" clearly legible. There is a small flourish or mark below the signature.

**J M Halewood**  
Director

## **HALEWOOD WINES AND SPIRITS PLC**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited consolidated financial statements of the company and the Group for the 52 weeks 30 June 2018. Future developments and principal risks and uncertainties are included in the Strategic Report in accordance with the Companies Act section s414c (11).

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group are the development, manufacture and distribution of wines, spirits, beers and speciality drinks. As a company, Halewood Wines and Spirits PLC is primarily an investment holding company.

#### **RESULTS AND DIVIDENDS**

The Group profit for the period is disclosed on page 10. No dividends were declared or paid during or after the period (2017: £Nil).

#### **DIRECTORS**

The directors of the company who served throughout the period and thereafter, unless otherwise stated, are set out on page 1.

#### **GOING CONCERN**

The directors have continued to adopt the going concern basis in preparing these financial statements, additional disclosures are presented in note 1 to the financial statements.

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the period the Group made charitable donations of £29K (2017: £34K). No political contributions were made by the company or its subsidiaries (2017: £Nil).

#### **EMPLOYEES**

During the period, the Group continued to provide employees with relevant information through line managers and the opportunity to attend regular employee business forum meetings held throughout the period. Priority is given to ensuring that employees are aware of all significant matters affecting the Group's trading position and of any significant organisational changes.

It is the policy of the Group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group, as well as generally through training and career development.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

**HALEWOOD WINES AND SPIRITS PLC**  
**DIRECTORS' REPORT**

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and Group will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the date of approval of this annual report confirms that:

- so far as the director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

**APPROVAL**

The Directors' Report was approved by the Board on 20 December 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Judi Halewood', with a large, sweeping flourish underneath.

J M Halewood  
Director



**HALEWOOD WINES AND SPIRITS PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD WINES AND SPIRITS PLC**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**OPINION**

In our opinion the financial statements of Halewood Wines and Spirits Plc (the 'parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30th June 2018 and of the group's profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **HALEWOOD WINES AND SPIRITS PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD WINES AND SPIRITS PLC**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in respect of these matters.

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**HALEWOOD WINES AND SPIRITS PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD WINES AND SPIRITS PLC**

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

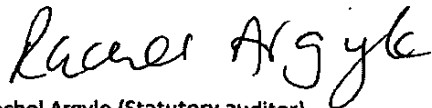
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**USE OF OUR REPORT**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rachel Argyle (Statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Manchester  
United Kingdom

20 December 2018

HALEWOOD WINES AND SPIRITS PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the 52 week period ended 30 June 2018

|                                         | Note | Continuing<br>operations<br>52 weeks<br>ended<br>30 June<br>2018<br>£ | Discontinued<br>operations<br>52 weeks<br>ended<br>30 June<br>2018<br>£ | Total<br>52 weeks<br>ended<br>30 June<br>2018<br>£ | Continuing<br>operations<br>53 weeks<br>ended<br>1 July<br>2017<br>£ | Discontinued<br>operations<br>53 weeks<br>ended<br>1 July<br>2017<br>£ | Total<br>53 weeks<br>ended<br>1 July<br>2017<br>£ |
|-----------------------------------------|------|-----------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------|
| Turnover                                | 4    | 239,171                                                               | 25,980                                                                  | 265,151                                            | 200,766                                                              | 15,955                                                                 | 216,720                                           |
| Cost of sales                           |      | (174,871)                                                             | (15,386)                                                                | (190,258)                                          | (148,901)                                                            | (9,580)                                                                | (158,480)                                         |
| Gross profit                            |      | 64,300                                                                | 10,593                                                                  | 74,893                                             | 51,865                                                               | 6,375                                                                  | 58,240                                            |
| Distribution costs                      |      | (24,568)                                                              | -                                                                       | (24,568)                                           | (22,585)                                                             | -                                                                      | (22,585)                                          |
| Administrative expenses                 |      | (26,287)                                                              | (9,697)                                                                 | (35,984)                                           | (25,184)                                                             | (5,597)                                                                | (30,781)                                          |
| Operating profit                        | 7    | 13,445                                                                | 896                                                                     | 14,341                                             | 4,214                                                                | 660                                                                    | 4,874                                             |
| Interest receivable and similar income  | 5    | 205                                                                   | -                                                                       | 205                                                | 72                                                                   | -                                                                      | 72                                                |
| Interest payable and similar charges    | 6    | (920)                                                                 | (331)                                                                   | (1,251)                                            | (451)                                                                | (436)                                                                  | (887)                                             |
| Profit on disposal of subsidiaries      |      | 1,941                                                                 |                                                                         | 1,941                                              |                                                                      |                                                                        |                                                   |
| Fair value of financial instruments     | 29   | (94)                                                                  | -                                                                       | (94)                                               | 570                                                                  | -                                                                      | 570                                               |
| Share of joint venture (loss)/profit    |      | (223)                                                                 | -                                                                       | (223)                                              | 233                                                                  | -                                                                      | 233                                               |
| Profit before taxation                  | 5    | 14,354                                                                | 565                                                                     | 14,919                                             | 4,357                                                                | 505                                                                    | 4,862                                             |
| Tax on profit                           | 8    | (2,082)                                                               | (690)                                                                   | (2,773)                                            | (986)                                                                | 58                                                                     | (928)                                             |
| Profit/ (loss) for the financial period | 9    | 12,272                                                                | (125)                                                                   | 12,147                                             | 3,371                                                                | 563                                                                    | 3,934                                             |
| Profit for the period attributable to:  |      |                                                                       |                                                                         |                                                    |                                                                      |                                                                        |                                                   |
| Non-controlling interest                |      |                                                                       |                                                                         | 2,660                                              |                                                                      |                                                                        | 1,374                                             |
| Equity shareholders of the company      |      |                                                                       |                                                                         | 9,487                                              |                                                                      |                                                                        | 2,560                                             |
|                                         |      |                                                                       |                                                                         | 12,147                                             |                                                                      |                                                                        | 3,934                                             |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the 52 weeks ended 30 June 2018

| Note                                                       | Total<br>52 weeks<br>ended<br>30 June<br>2018<br>£ | Total<br>53 weeks<br>ended<br>1 July<br>2017<br>£ |
|------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| Profit for the period                                      | 12,147                                             | 3,934                                             |
| Foreign exchange movement                                  | (95)                                               | 1,779                                             |
| Total comprehensive income for the period                  | 12,052                                             | 5,713                                             |
| Total comprehensive income for the period attributable to: |                                                    |                                                   |
| Non-controlling interest                                   | 2,660                                              | 1,374                                             |
| Equity shareholder of the company                          | 9,392                                              | 4,339                                             |
|                                                            | 12,052                                             | 5,713                                             |

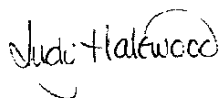
HALEWOOD WINES AND SPIRITS PLC

**CONSOLIDATED BALANCE SHEET**

**As at 30 June 2018**

|                                                                |             | <b>30 June<br/>2018<br/>£'000</b> | <b>1 July<br/>2017<br/>£'000</b> |
|----------------------------------------------------------------|-------------|-----------------------------------|----------------------------------|
|                                                                | <b>Note</b> |                                   |                                  |
| <b>Fixed assets</b>                                            |             |                                   |                                  |
| Brands and intellectual property rights                        | 11          | 3,376                             | 1,798                            |
| Goodwill                                                       | 11          | 7,834                             | 9,062                            |
| Negative goodwill                                              | 11          | -                                 | (28)                             |
|                                                                |             | <hr/>                             | <hr/>                            |
| Intangible assets                                              |             | 11,210                            | 10,832                           |
| Tangible assets                                                | 12          | 50,594                            | 48,482                           |
| Investments                                                    | 13          | 87                                | 262                              |
| Share of Joint Venture net assets                              | 13          | 293                               | 786                              |
|                                                                |             | <hr/>                             | <hr/>                            |
|                                                                |             | 50,974                            | 49,530                           |
| <b>Current assets</b>                                          |             |                                   |                                  |
| Stocks                                                         | 15          | 33,186                            | 36,557                           |
| Debtors                                                        | 16          | 56,419                            | 42,508                           |
| Investments                                                    | 17          | -                                 | 1,400                            |
| Cash at bank and in hand                                       |             | 10,045                            | 5,515                            |
|                                                                |             | <hr/>                             | <hr/>                            |
|                                                                |             | 99,650                            | 85,980                           |
| <b>Creditors: amounts falling due within one year</b>          | 18          | (81,718)                          | (68,900)                         |
|                                                                |             | <hr/>                             | <hr/>                            |
| <b>Net current assets</b>                                      |             | 17,932                            | 17,080                           |
|                                                                |             | <hr/>                             | <hr/>                            |
| <b>Total assets less current liabilities</b>                   |             | 80,116                            | 77,442                           |
| <b>Creditors: amounts falling due after more than one year</b> | 19          | (9,313)                           | (12,700)                         |
| <b>Provision for liabilities</b>                               | 23          | (926)                             | (471)                            |
|                                                                |             | <hr/>                             | <hr/>                            |
| <b>Net assets</b>                                              |             | 69,877                            | 64,271                           |
|                                                                |             | <hr/>                             | <hr/>                            |
| <b>Capital and reserves</b>                                    |             |                                   |                                  |
| Called up share capital                                        | 24          | 146                               | 146                              |
| Capital redemption reserve                                     |             | 5                                 | 5                                |
| Profit and loss account                                        |             | 69,012                            | 62,880                           |
|                                                                |             | <hr/>                             | <hr/>                            |
| <b>Shareholders' funds</b>                                     |             | 69,163                            | 63,031                           |
| <b>Non-controlling interests</b>                               | 25          | 714                               | 1,240                            |
|                                                                |             | <hr/>                             | <hr/>                            |
| <b>Total capital employed</b>                                  |             | 69,877                            | 64,271                           |
|                                                                |             | <hr/>                             | <hr/>                            |

The financial statements of Halewood Wines and Spirits PLC, registered number 03699814, were approved by the board of directors on 20 December 2018 and signed on their behalf by:



J M Halewood  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the 52 week period ended 30 June 2018**

|                                                  | Called-up<br>share capital<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Profit and loss<br>account<br>£'000 | Total<br>£'000 | Non-<br>controlling<br>Interest<br>£'000 | Total<br>£'000 |
|--------------------------------------------------|-------------------------------------|-------------------------------------------|-------------------------------------|----------------|------------------------------------------|----------------|
| <b>At 25 June 2016</b>                           | <b>95</b>                           | <b>5</b>                                  | <b>58,592</b>                       | <b>58,692</b>  | <b>68</b>                                | <b>58,760</b>  |
| On acquisition of subsidiaries                   | -                                   | -                                         | -                                   | -              | (202)                                    | (202)          |
| <i>Profit for the period</i>                     | -                                   | -                                         | 2,560                               | 2,560          | 1,374                                    | 3,934          |
| Exchange gain                                    | -                                   | -                                         | 1,779                               | 1,779          | -                                        | 1,779          |
| <b>Total comprehensive income for the period</b> | <b>-</b>                            | <b>-</b>                                  | <b>4,339</b>                        | <b>4,339</b>   | <b>1,374</b>                             | <b>5,713</b>   |
| <b>Balance as at 1 July 2017</b>                 | <b>95</b>                           | <b>5</b>                                  | <b>62,931</b>                       | <b>63,031</b>  | <b>1,240</b>                             | <b>64,271</b>  |
| On acquisition of subsidiaries (Note 14)         | -                                   | -                                         | -                                   | -              | 242                                      | 242            |
| On acquisition of non-controlling interest       | -                                   | -                                         | (3,260)                             | (3,260)        | (759)                                    | (4,019)        |
| On disposal of subsidiaries (Note 14)            | -                                   | -                                         | -                                   | -              | (2,669)                                  | (2,669)        |
| Issue of shares (Note 24)                        | 51                                  | -                                         | (51)                                | -              | -                                        | -              |
| Profit for the period                            | -                                   | -                                         | 9,487                               | 9,487          | 2,660                                    | 12,147         |
| Exchange loss                                    | -                                   | -                                         | (95)                                | (95)           | -                                        | (95)           |
| <b>Total comprehensive income for the period</b> | <b>51</b>                           | <b>-</b>                                  | <b>9,341</b>                        | <b>9,392</b>   | <b>2,660</b>                             | <b>12,052</b>  |
| <b>Balance as at 30 June 2018</b>                | <b>146</b>                          | <b>5</b>                                  | <b>69,012</b>                       | <b>69,163</b>  | <b>714</b>                               | <b>69,877</b>  |

**HALEWOOD WINES AND SPIRITS PLC**

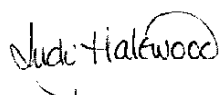
**COMPANY BALANCE SHEET**

**As at 30 June 2018**

|                                                         | Note | 30 June<br>2018<br>£'000 | 1 July<br>2017<br>£'000 |
|---------------------------------------------------------|------|--------------------------|-------------------------|
| <b>Fixed assets</b>                                     |      |                          |                         |
| Investments                                             | 13   | 10,614                   | 10,614                  |
| <b>Current assets</b>                                   |      |                          |                         |
| Debtors                                                 | 16   | 21,729                   | 22,603                  |
| Creditors: amounts falling due within one year          | 18   | (8,315)                  | (8,518)                 |
| <b>Net current assets</b>                               |      | 13,414                   | 14,085                  |
| <b>Total assets less current liabilities</b>            |      | 24,027                   | 24,699                  |
| Creditors: amounts falling due after more than one year | 19   | -                        | (244)                   |
| <b>Net assets</b>                                       |      | 24,027                   | 24,455                  |
| <b>Capital and reserves</b>                             |      |                          |                         |
| Called up share capital                                 | 24   | 146                      | 95                      |
| Profit and loss account                                 |      | 23,881                   | 24,360                  |
| <b>Shareholders' funds</b>                              |      | 24,027                   | 24,455                  |

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss after tax for the financial period amounted to £428K (2017: profit £1,241K).

The financial statements of Halewood Wines and Spirits PLC registered number 03699814, were approved by the Board of directors on 20 December 2018 and signed on their behalf by:



J M Halewood

Director

**HALEWOOD WINES AND SPIRITS PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the 52 week period ended 30 June 2018**

|                                                   | <b>Called-up<br/>share capital<br/>£'000</b> | <b>Profit and<br/>loss account<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------------------------------|----------------------------------------------|----------------------------------------------|------------------------|
| <b>Balance as at 25 June 2016</b>                 | 95                                           | 23,119                                       | 23,214                 |
| <b>Total comprehensive income for the period</b>  | -                                            | 1,241                                        | 1,241                  |
| <b>Balance as at 1 July 2017</b>                  | 95                                           | 24,360                                       | 24,455                 |
| <b>Issue of shares (Note 24)</b>                  | 51                                           | (51)                                         | -                      |
| <b>Total comprehensive expense for the period</b> | -                                            | (428)                                        | (428)                  |
| <b>Balance as at 30 June 2018</b>                 | 146                                          | 23,881                                       | 24,027                 |



**HALEWOOD WINES AND SPIRITS PLC**

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the 52 week period ended 30 June 2018**

|                                                      |             | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|------------------------------------------------------|-------------|----------------------------------------------------------|---------------------------------------------------------|
|                                                      | <b>Note</b> |                                                          |                                                         |
| <b>Cash flows from operating activities</b>          | <b>26</b>   | <b>(3,350)</b>                                           | <b>(9,577)</b>                                          |
| <b>Cash flow from investing activities</b>           |             |                                                          |                                                         |
| Interest received                                    |             | 205                                                      | 72                                                      |
| Purchase of tangible fixed assets                    |             | (24,564)                                                 | (10,345)                                                |
| Proceeds from sale of fixed assets                   |             | 5,466                                                    | 1,574                                                   |
| Purchase of joint venture                            |             | (350)                                                    | -                                                       |
| Purchase of investment                               |             | (21)                                                     | -                                                       |
| Acquisition of subsidiaries                          |             | (862)                                                    | (12,368)                                                |
| (Overdraft)/cash acquired with subsidiaries          |             | (218)                                                    | 705                                                     |
| Disposal of subsidiaries                             |             | 17,213                                                   | -                                                       |
| Overdraft disposed with subsidiaries                 |             | 2,020                                                    | -                                                       |
| Purchase of non-controlling interest in subsidiaries |             | (4,019)                                                  | -                                                       |
| Purchase of trademarks                               |             | (1,442)                                                  | (218)                                                   |
| <b>Net cash outflow from investing activities</b>    |             | <b>(6,572)</b>                                           | <b>(20,580)</b>                                         |
| <b>Cash outflow from financing activities</b>        |             |                                                          |                                                         |
| Drawdown of loans from related parties               |             | 5,504                                                    | -                                                       |
| Drawdown of loans                                    |             | 429                                                      | 10,939                                                  |
| Repayment of capital element of finance lease        |             | (19)                                                     | (10)                                                    |
| <b>Net cash inflow from financing activities</b>     |             | <b>5,914</b>                                             | <b>10,929</b>                                           |
| <b>Net decrease in cash</b>                          |             | <b>(4,008)</b>                                           | <b>(19,228)</b>                                         |
| <b>Cash at the beginning of the period</b>           |             | <b>(19,558)</b>                                          | <b>(256)</b>                                            |
| <b>Effect of foreign exchange rates</b>              |             | <b>(552)</b>                                             | <b>(74)</b>                                             |
| <b>Cash at the end of the period</b>                 |             | <b>(24,118)</b>                                          | <b>(19,558)</b>                                         |
| <b>Reconciliation to cash at bank and in hand</b>    |             |                                                          |                                                         |
| Cash at bank and in hand                             |             | 10,045                                                   | 5,515                                                   |
| Overdrafts                                           |             | (34,163)                                                 | (25,073)                                                |
|                                                      |             | <b>(24,118)</b>                                          | <b>(19,558)</b>                                         |

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

### 1. ACCOUNTING POLICIES

Halewood Wines and Spirits PLC, a privately owned company limited by shares, is incorporated in England and the address of the registered office is given on page 1. The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period. The functional currency of Halewood Wines and Spirits PLC is considered to be pound sterling as that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pound sterling. Foreign operations are included in accordance with the policies set out below.

#### **Audit Exemption**

A number of subsidiary undertakings consolidated as at 30 June 2018, are claiming exemption from audit under section 479A Companies Act 2006, please refer to note 13 for details.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to recognise financial instruments at fair value and in accordance with applicable law and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2018. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method unless the subsidiary is held exclusively with a view to subsequent resale and the subsidiary has not previously been consolidated. Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Halewood Wines and Spirits PLC meet the definition of a qualifying entity under FRS 102 and is therefore taking advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of the cash flow statement, financial instruments and remuneration of the key management personnel.

#### **Going concern**

The Group meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and stock and loans secured over mixed assets, (refer to note 20). The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group and company are expected to be able to operate within the level of funding available. On 29 November 2018 the Group completed on a re-financing agreement with Investec Bank. The new facility has a minimum term of 60 months from commencement date.

The directors manage liquidity risk by performing regular cash flow forecasting and consistently reviewing operations. The Group's cash position at 30 June 2018 was £10m (2017: £5.5m). Debt has increased from £39m at 1 July 2017 to debt of £45m at 30 June 2018. Overall net debt as at 30 June 2018 is £34.6m from £33m as at 1 July 2017.

In carrying out their duties in respect of going concern, the directors have carried out a review of the Group's financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the uncertainties brought about by the current economic environment. Having taken all of the above factors into consideration, the directors have reached a conclusion that the Group is able to manage its business risks.

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### 1. ACCOUNTING POLICIES (continued)

#### Capital grants

Capital government grants received are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets to which they relate.

#### Turnover

Turnover comprises sales to customers less discounts and allowances and is net of value added tax. Turnover is recognised upon despatch of goods.

#### Interest revenue

Interest income is recognised when it is highly probable that the economic benefits will flow to Group and the amount of the revenue can be measured reliably. Interest income is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill, where treated as an asset, is amortised on a straight line basis of ten years, which has been determined by the Directors as their best estimate of its useful economic life. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

#### Intangible assets

Brand and intellectual property rights (IPR), and customer databases are valued at cost on acquisition and are amortised on a straight line basis over their estimated useful economic lives of five years.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of comprehensive income. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

- |                         |                                       |
|-------------------------|---------------------------------------|
| • Freehold buildings    | 2% straight line on cost or valuation |
| • Leasehold buildings   | Over lease period                     |
| • Fixtures and fittings | 15% to 25% straight line on cost      |
| • Plant and machinery   | 10% to 25% straight line on cost      |

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

### 1. ACCOUNTING POLICIES (continued)

#### Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the Group financial statements investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes any expenses incurred in bringing each product to its present location and condition using a first in, first out (FIFO) basis. Net realisable value is based on estimated selling price less further costs of disposal.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where the recoverability against future taxable profits is considered to be more likely than not.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings are reported in the statement of comprehensive income. All other exchange differences are included in the profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**1. ACCOUNTING POLICIES (continued)**

**Leases**

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**Pensions**

The Group contributes to defined contribution pension arrangements (including stakeholder equivalent arrangements) on behalf of employees. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost for these schemes represents contribution payable in the period.

**Associates**

In the Group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

In the company financial statements investments in associates are accounted for at cost less impairment.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

*Financial assets*

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*Financial liabilities*

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one or less. If not, there are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company uses derivatives to hedge its exposure to changes in foreign currency exchange rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**1. ACCOUNTING POLICIES (continued)**

**Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same Group. It does not disclose transactions with members of the same Group that are wholly owned.

**2. STATEMENT OF COMPLIANCE**

The financial statements of Halewood Wines and Spirits PLC have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

*In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.*

- i. Critical judgements in applying the company's accounting policies - the directors do not consider there to be any critical accounting judgements that must be applied.
- ii. Key accounting estimates and assumptions – the directors do not consider there to be any key accounting estimates and assumptions that require further analysis.

**4. TURNOVER**

The analysis of turnover by distribution, split by geographical market, all of which relates to the principal activity, is as follows:

|                    | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|--------------------|----------------------------------------------------------|---------------------------------------------------------|
| United Kingdom     | 180,235                                                  | 152,060                                                 |
| Other EC countries | 20,079                                                   | 10,584                                                  |
| Rest of Europe     | 7,231                                                    | 7,489                                                   |
| Other              | 57,606                                                   | 46,587                                                  |
|                    | <b>265,151</b>                                           | <b>216,720</b>                                          |

Segmental reporting of the origins of turnover and profit by geographical area has not been provided. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group, and has therefore not been disclosed as permitted by FRS 102.

**HALEWOOD WINES AND SPIRITS PLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the 52 week period ended 30 June 2018**

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

|                                   | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|-----------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Corporation tax interest received | 2                                                        | -                                                       |
| Interest due from related parties | 203                                                      | 72                                                      |
|                                   | <u>205</u>                                               | <u>72</u>                                               |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|                        | <b>52 weeks<br/>ended<br/>30 July<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Bank overdraft         | 1,193                                                    | 826                                                     |
| Bank loan interest     | 38                                                       | 45                                                      |
| Finance lease interest | 20                                                       | 9                                                       |
| Related party interest | -                                                        | 7                                                       |
|                        | <u>1,251</u>                                             | <u>887</u>                                              |



## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

## 7. OPERATING PROFIT

Operating profit for the Group is arrived at after charging/(crediting):

|                                                                                  | 52 weeks<br>ended<br>30 June<br>2018<br>£'000 | 53 weeks<br>ended<br>1 July<br>2017<br>£'000 |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Depreciation of owned tangible fixed assets (Note 12)                            | 5,973                                         | 4,476                                        |
| Depreciation of fixed assets held under finance leases (Note 12)                 | 873                                           | 840                                          |
| Operating lease rentals - land and buildings                                     | 353                                           | 267                                          |
| - plant and machinery                                                            | 12                                            | 87                                           |
| - others                                                                         | -                                             | 13                                           |
| Government grants released (Note 22)                                             | (980)                                         | (288)                                        |
| Amortisation - goodwill (Note 11)                                                | 980                                           | 337                                          |
| - negative goodwill (Note 11)                                                    | 2                                             | (2)                                          |
| - brands & IPR (Note 11)                                                         | 709                                           | 210                                          |
| Impairment of investments                                                        | -                                             | 756                                          |
| Profit on disposal of tangible fixed assets                                      | (25)                                          | (61)                                         |
| Loss on disposal of investments                                                  | -                                             | 96                                           |
| Foreign exchange loss                                                            | 507                                           | 311                                          |
| Cost of stock recognised as an expense                                           | 169,399                                       | 148,552                                      |
| Write downs of inventories recognised as an expense                              | 980                                           | 795                                          |
| <b>Auditor's remuneration</b>                                                    |                                               |                                              |
| Fees payable for the audit of the company's annual financial statements          | 9                                             | 9                                            |
| Fees payable for the audit of the company's subsidiaries pursuant to legislation | 222                                           | 156                                          |
| <b>Total audit fees</b>                                                          | <b>231</b>                                    | <b>165</b>                                   |
| There were no non audit fees (2017: same)                                        |                                               |                                              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**8. EMPLOYEES**

*The remuneration of employees, including directors, was:*

|                                                   | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|---------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| <b>Group</b>                                      |                                                          |                                                         |
| Wages and salaries                                | 24,573                                                   | 21,548                                                  |
| Social security costs                             | 2,140                                                    | 1,912                                                   |
| Pensions - defined contribution schemes (Note 31) | 1,599                                                    | 1,434                                                   |
|                                                   | <u>28,312</u>                                            | <u>24,894</u>                                           |

The average monthly number of employees during the period, including directors, was made up as follows:

|                                        | <b>2018<br/>No.</b> | <b>2017<br/>No.</b> |
|----------------------------------------|---------------------|---------------------|
| Administration and selling             | 400                 | 352                 |
| Warehouse, production and distribution | 641                 | 613                 |
|                                        | <u>1,041</u>        | <u>965</u>          |

**Company**

No staff costs or directors' remuneration were paid by the company during the period (2017: £nil). They are paid by Halewood International Limited. There were no staff employed by the company during the period (2017: nil).

**9. DIRECTORS' EMOLUMENTS**

|                                                         | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|---------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| <b>Group</b>                                            |                                                          |                                                         |
| Emoluments                                              | 2,080                                                    | 1,610                                                   |
| Company contributions to money purchase pension schemes | 38                                                       | 30                                                      |
|                                                         | <u>2,118</u>                                             | <u>1,640</u>                                            |
| <br>The emoluments of the highest paid director were:   | <br><b>£'000</b>                                         | <br><b>£'000</b>                                        |
| Emoluments                                              | <u>776</u>                                               | <u>519</u>                                              |

Pension contributions have been made on behalf of 4 directors (2017: 5). The highest paid director received pension contributions totalling £Nil (2017: £Nil).

The directors are considered to be the key management personnel.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**10. TAXATION ON PROFIT**

|                                                | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| <b>Current tax on profit</b>                   |                                                          |                                                         |
| UK corporation tax                             | 973                                                      | 797                                                     |
| Foreign Tax                                    | 1,170                                                    | (186)                                                   |
|                                                | <u>2,143</u>                                             | <u>611</u>                                              |
| <b>Adjustments in respect of prior period</b>  |                                                          |                                                         |
| UK corporation tax                             | (355)                                                    | (59)                                                    |
| Foreign tax                                    | 406                                                      | 43                                                      |
|                                                | <u>2,194</u>                                             | <u>595</u>                                              |
| <b>Deferred taxation</b>                       |                                                          |                                                         |
| Origination and reversal of timing differences | 470                                                      | 333                                                     |
| Adjustments in respect of prior periods        | 147                                                      | -                                                       |
| Effect of a change in the tax rates            | (38)                                                     | -                                                       |
|                                                | <u>579</u>                                               | <u>333</u>                                              |
| <b>Total deferred taxation</b>                 | <u>579</u>                                               | <u>333</u>                                              |
| <b>Total taxation on profit</b>                | <u><u>2,773</u></u>                                      | <u><u>928</u></u>                                       |

The standard rate of tax applied to reported profit is 19% (2017: 19.75%).

The applicable tax rate has changed following the substantive enactment of the Finance Act 2018. During the period beginning 1 July 2018, the net increase of the deferred tax assets and liabilities is expected to increase the corporation tax charge for the period by £267k. This is mainly due to fixed asset timing differences.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is shown on the following page.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**10. TAXATION ON PROFIT (continued)**

|                                                                                           | <b>52 weeks<br/>ended<br/>30 June<br/>2018<br/>£'000</b> | <b>53 weeks<br/>ended<br/>1 July<br/>2017<br/>£'000</b> |
|-------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|
| Group profit before taxation                                                              | 14,919                                                   | 4,862                                                   |
| Tax on Group profit at standard United Kingdom corporation tax rate of 19% (2017: 19.75%) | 2,835                                                    | 960                                                     |
| Effects of:                                                                               |                                                          |                                                         |
| Expenditure not tax deductible for tax purposes                                           | 2,000                                                    | 783                                                     |
| Income not taxable in determining taxable profit                                          | (1,420)                                                  | (245)                                                   |
| Utilisation of tax losses not previously recognised                                       | -                                                        | (451)                                                   |
| Effects of consortium relief                                                              | (27)                                                     | -                                                       |
| Change in unrecognised deferred tax assets                                                | 32                                                       | 54                                                      |
| Effect of tax rates on overseas earnings                                                  | (1,064)                                                  | (154)                                                   |
| Tax rate changes                                                                          | (38)                                                     | -                                                       |
| Other                                                                                     | 258                                                      | -                                                       |
| Adjustment to tax charge in respect of prior periods                                      | 197                                                      | (19)                                                    |
| Total tax charge                                                                          | 2,773                                                    | 928                                                     |

A deferred tax liability of £636k (2017: £440k) in relation to unremitted earnings of Halewood International South Africa Pty Ltd has not been recognised as there are no plans to remit this entity's earnings to the UK.

**11. INTANGIBLE FIXED ASSETS AND GOODWILL**

|                           | <b>Brands<br/>and IPR<br/>£'000</b> | <b>Positive<br/>Goodwill<br/>£'000</b> | <b>Negative<br/>Goodwill<br/>£'000</b> | <b>Total<br/>£'000</b> |
|---------------------------|-------------------------------------|----------------------------------------|----------------------------------------|------------------------|
| <b>Cost</b>               |                                     |                                        |                                        |                        |
| At 1 July 2017            | 4,739                               | 9,829                                  | (304)                                  | 14,264                 |
| Additions                 | 1,442                               | -                                      | -                                      | 1,442                  |
| Acquisition of subsidiary | 882                                 | 1,822                                  | -                                      | 2,704                  |
| Disposals                 | (321)                               | (2,427)                                | 304                                    | (2,444)                |
| At 30 June 2018           | 6,742                               | 9,224                                  | -                                      | 15,966                 |
| <b>Amortisation</b>       |                                     |                                        |                                        |                        |
| At 1 July 2017            | 2,941                               | 767                                    | (276)                                  | 3,432                  |
| Charge for the period     | 709                                 | 980                                    | 2                                      | 1,691                  |
| Disposals                 | (284)                               | (357)                                  | 274                                    | (367)                  |
| At 30 June 2018           | 3,366                               | 1,390                                  | -                                      | 4,756                  |
| <b>Net book value</b>     |                                     |                                        |                                        |                        |
| At 30 June 2018           | 3,376                               | 7,834                                  | -                                      | 11,210                 |
| At 1 July 2017            | 1,798                               | 9,062                                  | (28)                                   | 10,832                 |

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

Negative goodwill was being written back on a straight line basis over a period of 20 years which is equal to the period over which the related non-monetary assets of the acquired business were being depreciated. The negative goodwill has been eliminated on disposal of the Romanian Group companies.

The Group acquired Dead Man's Fingers brand as part of the acquisition of Charlie Ricahrds & Co Ltd and chose to recognise the assets separately from goodwill.

## 12. TANGIBLE FIXED ASSETS

| Group                                   | Freehold<br>Property<br>£'000 | Plant &<br>Machinery,<br>Fixtures &<br>Fittings<br>£'000 | Total<br>£'000 |
|-----------------------------------------|-------------------------------|----------------------------------------------------------|----------------|
| <b>Cost</b>                             |                               |                                                          |                |
| At 1 July 2017                          | 21,163                        | 70,837                                                   | 92,000         |
| Additions                               | 909                           | 23,655                                                   | 24,564         |
| Acquired upon acquisition of subsidiary | -                             | 204                                                      | 204            |
| Disposals                               | (1,168)                       | (5,532)                                                  | (6,700)        |
| Disposed upon disposal of subsidiary    | (5,411)                       | (13,050)                                                 | (18,461)       |
| Exchange adjustment                     | (12)                          | (627)                                                    | (638)          |
| At 30 June 2018                         | 15,481                        | 75,487                                                   | 90,968         |
| <b>Accumulated depreciation</b>         |                               |                                                          |                |
| At 1 July 2017                          | 3,942                         | 39,576                                                   | 43,518         |
| Charge for the period                   | 401                           | 6,445                                                    | 6,846          |
| Disposals                               | (283)                         | (976)                                                    | (1,259)        |
| Disposed upon disposal of subsidiary    | (2,312)                       | (5,218)                                                  | (7,530)        |
| Exchange adjustment                     | (468)                         | (733)                                                    | (1,201)        |
| At 30 June 2018                         | 1,280                         | 39,094                                                   | 40,374         |
| <b>Net book value</b>                   |                               |                                                          |                |
| At 30 June 2018                         | 14,201                        | 36,393                                                   | 50,594         |
| At 1 July 2017                          | 17,221                        | 31,261                                                   | 48,482         |

The net book value of plant & machinery includes an amount of £2,379k (2017: £2,787K) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the period was £873K (2017: £840K). The net book value of assets under construction was £7,519K (2017: £3,613k); these assets are not being depreciated.

The company does not hold any tangible fixed assets (2017: same).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**13. FIXED ASSET INVESTMENTS**

| <b>Group</b>                     | <b>Unquoted<br/>Investments<br/>£'000</b> | <b>Racehorses<br/>£'000</b> | <b>Total<br/>£'000</b> |
|----------------------------------|-------------------------------------------|-----------------------------|------------------------|
| <b>Cost</b>                      |                                           |                             |                        |
| At 1 July 2017                   | 162                                       | 210                         | 372                    |
| Additions                        | 51                                        | -                           | 51                     |
| Disposal                         | (126)                                     | (210)                       | (336)                  |
| At 30 June 2018                  | 87                                        | -                           | 87                     |
| <b>Provisions for impairment</b> |                                           |                             |                        |
| At 1 July 2017                   | -                                         | 110                         | 110                    |
| Charge for the period            | -                                         | 35                          | 35                     |
| Disposal                         | -                                         | (145)                       | (145)                  |
| At 30 June 2018                  | -                                         | -                           | -                      |
| <b>Net Book Value</b>            |                                           |                             |                        |
| At 30 June 2018                  | 87                                        | -                           | 87                     |
| At 1 July 2017                   | 162                                       | 100                         | 262                    |

The racehorses were held by the Group at cost and amortised over 5 years, all horses had been sold prior to 30<sup>th</sup> June 2018.

| <b>Group</b>                                  | <b>Interests in<br/>joint ventures<br/>£'000</b> |
|-----------------------------------------------|--------------------------------------------------|
| <b>Cost and Net Book Value at 1 July 2017</b> | 441                                              |
| Acquisition of joint venture (Note 14)        | 314                                              |
| Disposal on increased investment (Note 14)    | (685)                                            |
| Share of joint venture profit                 | 223                                              |
| <b>Net Book Value at 30 June 2018</b>         | 293                                              |

On 12<sup>th</sup> September 2017, Halewood International Limited acquired 50% of the ordinary share capital of Pinchos Bar Limited, a company limited by shares and incorporated in the UK, whose principle activity is the operation of a public house.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**13. FIXED ASSET INVESTMENTS (CONTINUED)**

| <b>Company</b>                 | <b>Investments<br/>in subsidiary<br/>undertakings<br/>£'000</b> |
|--------------------------------|-----------------------------------------------------------------|
| <b>Cost and Net Book Value</b> |                                                                 |
| At 1 July 2017 & 30 June 2018  | <u>10,614</u>                                                   |

The company's principal subsidiaries (excluding dormant entities) and joint venture undertakings are set out below. A full list of subsidiary companies is set out in note 33. All subsidiaries are 100% owned and registered in England and Wales unless otherwise stated. The registered office address of all entities is as follows unless otherwise stated: The Sovereign Distillery, Wilson Road, Huyton, L36 6AD.

| <b>Principal subsidiary<br/>undertakings</b>              | <b>Principal activity</b>                                                           | <b>Registered office</b>                                                        | <b>Company number</b> | <b>Country of<br/>incorporation</b> | <b>Class of share</b> |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|-----------------------|-------------------------------------|-----------------------|
| Willow Water Limited *                                    | Production & sale of<br>bottled water                                               |                                                                                 | 05539318              | UK                                  | Ordinary              |
| Halewood International<br>Holdings (UK) Limited*          | Investment Holding<br>company                                                       |                                                                                 | 03374741              | UK                                  | Ordinary              |
| Halewood International<br>Holdings (Overseas)<br>Limited* | Investment Holding<br>company                                                       |                                                                                 | 03731605              | UK                                  | Ordinary              |
| H&A Prestige Bottling<br>Limited *                        | Wine & spirits<br>bottler                                                           | The Winery,<br>Ackhurst Road,<br>Ackhurst Business<br>Park, Chorley, PR7<br>1NH | 01762466              | UK                                  | Ordinary              |
| Halewood International<br>Marketing Limited*              | Marketing services                                                                  |                                                                                 | 03861237              | UK                                  | Ordinary              |
| Challe Richards &<br>Company Limited **                   | Wholesale of wine,<br>beer, spirits and<br>other alcoholic<br>beverages             |                                                                                 | 02606824              | UK                                  | Ordinary              |
| Charlie Richards Craft<br>Wines & Spirits Limited         | Retail sale via stalls<br>and markets of food,<br>beverages and<br>tobacco products |                                                                                 | 10496851              | UK                                  | Ordinary              |
| Barwell & Jones Limited                                   | Wholesale of wine,<br>beer, spirits and<br>other alcoholic<br>beverages             |                                                                                 | 06781279              | UK                                  | Ordinary              |
| Hall and Bramley Ltd                                      | Manufacture of<br>other non-distilled<br>fermented<br>beverages                     | The Winery,<br>Ackhurst Road,<br>Ackhurst Business<br>Park, Chorley, PR7<br>1NH | 11424678              | UK                                  | Ordinary              |

# HALEWOOD WINES AND SPIRITS PLC

## NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 30 June 2018

### 13. FIXED ASSET INVESTMENTS (CONTINUED)

|                                                       |                                                                |                                                                                                |          |         |          |
|-------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------|---------|----------|
| Halewood International Limited                        | Distribution of wines and spirits                              |                                                                                                | 03920410 | UK      | Ordinary |
| Halewood International Brands Limited                 | Brand ownership                                                |                                                                                                | 03896214 | UK      | Ordinary |
| Lambrini Limited                                      | Brand ownership                                                |                                                                                                | 03920385 | UK      | Ordinary |
| Red Square Beverages Limited                          | Brand ownership                                                |                                                                                                | 03920408 | UK      | Ordinary |
| Hawkshead Brewery Limited                             | Brewery and public house                                       | Staveley Mill Yard, Staveley, Cumbria, LA8 9LR                                                 | 01488467 | UK      | Ordinary |
| City of London Distillery Limited (100%) #            | Distillery and public house                                    | 22-24 Bride Lane, London, EC4Y 8DT                                                             | 07963963 | UK      | Ordinary |
| Windsor Castle Brewery Limited (80%) #                | Brewery                                                        | Unit 2 Conyers Trading Estate Station Drive, Lye, Stourbridge, West Midlands, England, DY9 3EH | 05063381 | UK      | Ordinary |
| Sadler's Brewhouse Limited (99.9%) #                  | Public house                                                   | Unit 2 Conyers Trading Estate Station Drive, Lye, Stourbridge, West Midlands, England, DY9 3EH | 09416020 | UK      | Ordinary |
| H J Neill Limited (85%) #                             | Brand Owner                                                    |                                                                                                | 09927950 | UK      | Ordinary |
| The Bajan Trading company Limited (75%)               | Manufacturer of spirits                                        |                                                                                                | 06377231 | UK      | Ordinary |
| Aber Falls Distillery Limited                         | Distilling, rectifying and blending of spirits                 |                                                                                                | 10842166 | UK      | Ordinary |
| John Crabbie & company Limited                        | Distillery                                                     | Mitchell House, 5 Mitchell Street, Leith, Edinburgh, EH6 7BD                                   | SC30284  | UK      | Ordinary |
| Halewood International Streams of Whiskey Ltd (80%) # | Brand Owner                                                    |                                                                                                | 06791279 | UK      | Ordinary |
| Redrosesforme Limited (60%) #                         | Distilling, rectifying and blending of spirits                 |                                                                                                | 09970509 | UK      | Ordinary |
| Liverpool Gin Distillery Ltd                          | Distilling, rectifying and blending of spirits                 |                                                                                                | 10647576 | UK      | Ordinary |
| The Cornish Rum Company Ltd                           | Wholesale of wine, beer, spirits and other alcoholic beverages |                                                                                                | 10847544 | UK      | Ordinary |
|                                                       | Holding company                                                |                                                                                                | 11346532 | UK      | Ordinary |
| Kania Craft Drinks Limited (60%) #                    | Public houses and bars                                         |                                                                                                | 07810100 | UK      | Ordinary |
| Rocksteady Bars t/s                                   | Retail sale of beverages in specialised stores                 |                                                                                                | 07255560 | UK      | Ordinary |
| Ladies & Gents (70%)                                  |                                                                |                                                                                                | 10258850 | UK      | Ordinary |
| Vestal Vodka Ltd (70%)                                |                                                                |                                                                                                |          |         |          |
| The Pleasure Gardens Distilling Company Limited       | Dormant                                                        |                                                                                                |          |         |          |
| Dyflin Distilleries Limited                           | Distilling, rectifying and blending of spirits                 | 39/40 Mount Street Upper Dublin 2 DO2 PR89                                                     | 627479   | Ireland | Ordinary |



## HALEWOOD WINES AND SPIRITS PLC

### NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 30 June 2018

#### 13. FIXED ASSET INVESTMENTS (CONTINUED)

|                                                       |                                   |                                                                      |                    |                          |                |
|-------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------|--------------------|--------------------------|----------------|
| Eldorado Drinks Ltd                                   | Dormant                           |                                                                      | 11390004           | UK                       | Ordinary       |
| Lamb & Watt Vintners Ltd                              | Dormant                           |                                                                      | 02841848           | UK                       | Ordinary       |
| Halewood International Trademarks Limited             | Brand Ownership                   |                                                                      | 01360434           | UK                       | Ordinary       |
| Halewood International SA Pty Limited                 | Wines and spirits bottler         | 61 Toronto Road, Apex Ext 1 Benoni, 1501                             | 1998/001887/07     | South Africa             | Ordinary       |
| Halewood Properties South Africa (Pty) Limited        | Property company                  | 61 Toronto Road, Apex Ext 1 Benoni, 1501                             | 2000/008398/07     | South Africa             | Ordinary       |
| Snowbliss (Pty) Limited (51%)                         | Manufacturer of cocktails         |                                                                      |                    | South Africa             | Ordinary       |
| 7 Stars Beverages (Pty) Limited (51%) #               | Alcoholic drinks manufacturer     | 61 Toronto Road, Apex Ext 1 Benoni, 1501                             | 09997019           | South Africa             | Ordinary       |
| Beijing Shunxing Halewood Alcoholic Beverages Limited | Distribution of wines and spirits | Room C506, Building 3, Di Sheng Nan Street No.1, BDA, Beijing, China | 91110115717749457U | China                    | Ordinary       |
| Joint ventures                                        | Principal activity                | Registered office                                                    | Company number     | Country of Incorporation | Class of share |
| Pinchos Bar Limited (50%) #                           | Public house                      | Cholmondeley House, Dee Hills Park, Chester, CH3 SAR                 | 09038614           | UK                       | Ordinary       |

# Part or full acquisition during the period, see Note 14 for details.

\*Directly owned by Halewood Wines & Spirits plc

# HALEWOOD WINES AND SPIRITS PLC

## NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 30 June 2018

### 13. FIXED ASSET INVESTMENTS (CONTINUED)

#### AUDIT EXEMPTION

The subsidiary undertakings consolidated as at 30 June 2018, who claimed exemption from audit under section 479A Companies Act 2006, were as follows:

| Principal subsidiary undertakings                  | Principal activity                                                         | Company number | Country of incorporation | Class of share |
|----------------------------------------------------|----------------------------------------------------------------------------|----------------|--------------------------|----------------|
| Willow Water Limited                               | Production & sale of water                                                 | 05539318       | UK                       | Ordinary       |
| Halewood International Holdings (UK) Limited       | Investment Holding company                                                 | 03374741       | UK                       | Ordinary       |
| Halewood International Holdings (Overseas) Limited | Investment Holding company                                                 | 03731605       | UK                       | Ordinary       |
| Halewood International Marketing Limited           | Marketing services                                                         | 03861237       | UK                       | Ordinary       |
| Chalie Richards & Company Limited                  | Wholesale of wine, beer, spirits and other alcoholic beverages             | 02606824       | UK                       | Ordinary       |
| Halewood International Brands Limited              | Brand ownership                                                            | 03896214       | UK                       | Ordinary       |
| Lambrini Limited                                   | Brand ownership                                                            | 03920385       | UK                       | Ordinary       |
| Red Square Beverages Limited                       | Brand ownership                                                            | 03920408       | UK                       | Ordinary       |
| Kania Craft Drinks Limited                         | Holding company                                                            | 11346532       | UK                       | Ordinary       |
| Rocksteady Bars t/s Ladies & Gents                 | Public houses and bars                                                     | 07810100       | UK                       | Ordinary       |
| Vestal Vodka Ltd                                   | Retail sale of beverages in specialised stores                             | 07255560       |                          |                |
| Halewood International Trademarks Limited          | Brand Ownership                                                            | 01360434       | UK                       | Ordinary       |
| Hawkshead Brewery Limited                          | Production & sale of craft beers                                           | 01488467       | UK                       | Ordinary       |
| City of London Distillery Limited                  | Production & sale of spirits                                               | 07963963       | UK                       | Ordinary       |
| Windsor Castle Brewery Limited                     | Production & sale of craft beers                                           | 05063381       | UK                       | Ordinary       |
| Sadler's Brewhouse Limited                         | Public house                                                               | 09416020       | UK                       | Ordinary       |
| Redrosesforme Limited                              | Distilling, rectifying and blending of spirits                             | 09970509       | UK                       | Ordinary       |
| H J Neill Limited                                  | Brand Owner                                                                | 09927950       | UK                       | Ordinary       |
| The Bajan Trading Company Limited                  | Supply of wholesale alcoholic drinks                                       | 06377231       | UK                       | Ordinary       |
| Aber Falls Distillery Limited                      | Distilling, rectifying and blending of spirits                             | 10842166       | UK                       | Ordinary       |
| Halewood International Trademarks Limited          | Brand Ownership                                                            | 01360434       | UK                       | Ordinary       |
| Chalie Richards & Company Limited #                | Retail sale via stalls and markets of food, beverages and tobacco products | 03920410       | UK                       | Ordinary       |
| Chalie Richards Craft Wines & Spirits Limited      | Retail sale via stalls and markets of food, beverages and tobacco products | 10496851       | UK                       | Ordinary       |
| Barwell & Jones Limited                            | Wholesale of wine, beer, spirits and other alcoholic beverages             | 06781279       | UK                       | Ordinary       |

### 14. BUSINESS COMBINATIONS

#### ACQUISITIONS OF SUBSIDIARIES

The Group made the following acquisitions during the period. All acquisitions have been accounted for under the acquisition method.

On 31<sup>st</sup> October 2017 Halewood International SA (Pty) Ltd acquired a further 11% of the ordinary share capital of in 7 Stars Beverages (Pty) Ltd such that it now owns 51% of the ordinary share capital.

On 15<sup>th</sup> June 2018, Halewood International Limited acquired 60% of the ordinary share capital of Kania Craft Drinks Ltd, a company limited by shares and incorporated in the UK, whose principle activity is a Holding company. On 15<sup>th</sup> June 2018 Kania Craft Drinks Ltd acquired 70% of Rocksteady Bars Ltd and Vestal Vodka Ltd, whose principal activities are public houses.

# HALEWOOD WINES AND SPIRITS PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

### 14. BUSINESS COMBINATIONS (CONTINUED)

On 22<sup>nd</sup> June 2018, Halewood International Limited acquired 60% of the ordinary share capital of Redrosesforme Limited, a company limited by shares and incorporated in the UK, whose principle activity is Distilling, rectifying and blending of spirits. On consolidation, this resulted in Halewood International Limited holding an effective holding of 80% of the ordinary share capital of Halewood International Streams of Whiskey Ltd.

The following table sets out the total fair value to the Group of the net assets at acquisition, which the directors have concluded equals the book value at that date.

In accordance with Section 615 of the Companies Act 2006, the Group has taken no account of any premium on the shares issued and has recorded the cost of the investment at the nominal value of the shares issued. The resulting difference arising on consolidation has been credited to other reserves.

|                                                | Book Value<br>£'000 | Fair Value<br>£'000 |
|------------------------------------------------|---------------------|---------------------|
| <b>Tangible fixed Assets</b>                   | 203                 | 203                 |
| <b>Intangible assets</b>                       | 727                 | 882                 |
| <b>Investments</b>                             | 706                 | 706                 |
| <b>Current Assets</b>                          |                     |                     |
| Stock                                          | 635                 | 635                 |
| Debtors                                        | 838                 | 838                 |
| Cash                                           | -                   | -                   |
| <b>Total assets</b>                            | <b>3,109</b>        | <b>3,264</b>        |
| <b>Current Liabilities</b>                     |                     |                     |
| Bank overdraft                                 | (218)               | (218)               |
| Trade creditors                                | (1,115)             | (1,115)             |
| Accruals                                       | (32)                | (32)                |
| Other creditors                                | (1,825)             | (1,825)             |
| Deferred tax                                   | (35)                | (35)                |
| <b>Total liabilities</b>                       | <b>(3,225)</b>      | <b>(3,225)</b>      |
| <b>Net (liabilities)/assets</b>                | <b>(116)</b>        | <b>39</b>           |
|                                                |                     | (242)               |
| Non-controlling interest (Note 25)             |                     | 1,822               |
| Related Goodwill (Note 11)                     |                     | 1,547               |
| <b>Total purchase consideration</b>            |                     |                     |
| <i>Satisfied by:</i>                           |                     | 862                 |
| Cash and cash equivalents                      |                     | 685                 |
| Fair value of previously held equity interest* |                     |                     |

\*No gain or loss was recognised on re-measurement.

**Net cash outflows in respect of the purchase:**

Cash and cash equivalents

Plus: overdraft acquired

862

218

**1,080**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**14. BUSINESS COMBINATIONS (CONTINUED)**

**ACQUISITION OF NON-CONTROLLING INTEREST**

The Group made the following acquisitions of non-controlling interest during the period. All acquisitions have been accounted for under the acquisition method.

On 14<sup>th</sup> July 2017, Halewood International Limited acquired a further 24.5% of the ordinary share capital of Sadler's Brewhouse Limited.

On 31<sup>st</sup> July 2017, Halewood International Limited acquired a further 20% of the ordinary share capital of The City of London Distillery Limited. On 26<sup>th</sup> April 2018, Halewood International acquired a further 20% of the ordinary share capital such that it now owns 100% of the ordinary share capital.

On 22<sup>nd</sup> June 2018, Halewood International Limited acquired a further 10% of the ordinary share capital of HJ Neil Limited such that it now owns 85% of the ordinary share capital.

On 22<sup>nd</sup> June 2018, Halewood International Limited acquired a further 20% of the ordinary share capital of Windsor Castle Brewery Limited such that it now owns 80% of the ordinary share capital.

The following table shows the effects of changes in the Group's ownership interests in subsidiaries that did not result in a change of control, on the equity attributable to the owners of the parent:

|                                                          | <b>2018</b>  |
|----------------------------------------------------------|--------------|
|                                                          | <b>£'000</b> |
| Amounts paid on changes in ownership interest            | 4,019        |
| Non-controlling interest acquired (Note 25)              | (759)        |
| Difference recognised in equity reserves                 | <u>3,260</u> |
| <br><b>Net cash outflows in respect of the purchase:</b> |              |
| Cash and cash equivalents                                | <u>4,019</u> |

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

## 14. BUSINESS COMBINATIONS (CONTINUED)

## DISPOSALS

On 8<sup>th</sup> November 2017, Halewood Wines & Spirits PLC disposed of its 100% investment in Halewood International Properties Limited. The profit up to the date of disposal was £557k, and for its last financial period, the loss amounted to £70k.

On 22<sup>nd</sup> June 2018, Halewood International Trademarks Limited sold its 100% interest in the ordinary share capital of Halewood Romania SRL and its subsidiary undertakings. The loss up to the date of disposal for the Romanian Group was £2,509k, and for its last financial period, the loss amounted to £1,605k. Financial performance is reported in the current period as a discontinued operation.

On 22<sup>nd</sup> June 2018, Halewood International Holdings (Overseas) Limited sold its 100% interest in the ordinary share capital of Halewood International Beverages (Ireland) Limited and its subsidiary undertakings. The profit up to the date of disposal for the Irish Group was £2,385k, and for its last financial period, the profit amounted to £2,165k. Financial performance is reported in the current period as a discontinued operation.

Net assets disposed of and the related sale proceeds were as follows:

|                                                                   | £'000s          |
|-------------------------------------------------------------------|-----------------|
| <b>Tangible fixed assets</b>                                      | 10,931          |
| <b>Intangible assets</b>                                          | 43              |
| <b>Current Assets</b>                                             |                 |
| Stock                                                             | 8,525           |
| Debtors                                                           | 6,306           |
| Cash                                                              | 1,403           |
| <b>Total Assets</b>                                               | <b>28,611</b>   |
| <b>Current Liabilities</b>                                        |                 |
| Bank overdraft                                                    | (3,423)         |
| Trade creditors                                                   | (3,346)         |
| Accruals                                                          | (1,253)         |
| Other creditors                                                   | (1,139)         |
| Creditors > 1 year                                                | (3,579)         |
| <b>Total Liabilities</b>                                          | <b>(12,740)</b> |
| <b>Net assets</b>                                                 | <b>15,871</b>   |
| Non-controlling interest on date of disposal (Note 25)            | 2,669           |
| Related goodwill on date of disposal (Note 11)                    | 2,070           |
| Profit on sale (note 14)                                          | 1,941           |
| <b>Total sale proceeds satisfied by cash and cash equivalents</b> | <b>17,213</b>   |
| Net cash inflows in respect of the sale comprised:                |                 |
| Cash and cash equivalents                                         | 17,213          |
| Plus: net overdraft disposed of                                   | 2,020           |
|                                                                   | <b>19,233</b>   |

**HALEWOOD WINES AND SPIRITS PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**15. STOCKS**

|                  | <b>Group<br/>30 June<br/>2018<br/>£'000</b> | <b>Group<br/>1 July<br/>2017<br/>£'000</b> |
|------------------|---------------------------------------------|--------------------------------------------|
| Goods for resale | 20,397                                      | 25,327                                     |
| Raw materials    | 12,788                                      | 9,870                                      |
| Consumables      | 1                                           | 1,360                                      |
|                  | <u>33,186</u>                               | <u>36,557</u>                              |

There is no material difference between the balance sheet value of stocks and their replacement cost.

The company holds no stocks (2017: same).

**16. DEBTORS**

|                                          | <b>Group<br/>30 June<br/>2018<br/>£'000</b> | <b>Group<br/>1 July<br/>2017<br/>£'000</b> | <b>Company<br/>30 June<br/>2018<br/>£'000</b> | <b>Company<br/>1 July<br/>2017<br/>£'000</b> |
|------------------------------------------|---------------------------------------------|--------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Trade debtors                            | 44,739                                      | 36,684                                     | -                                             | -                                            |
| Corporation tax                          | -                                           | -                                          | 365                                           | 262                                          |
| Other debtors                            | 2,459                                       | 1,410                                      | 61                                            | -                                            |
| Prepayments                              | 1,915                                       | 2,167                                      | -                                             | -                                            |
| Amounts due from subsidiary undertakings | -                                           | -                                          | 21,302                                        | 22,341                                       |
| Amounts due from related parties         | 7,306                                       | 2,247                                      | -                                             | -                                            |
|                                          | <u>56,419</u>                               | <u>42,508</u>                              | <u>21,728</u>                                 | <u>22,603</u>                                |

All amounts are due within one year. Amounts due from subsidiaries and related parties are repayable on demand, with interest charged at 2.5%.

**17. CURRENT ASSET INVESTMENTS**

| <b>Group</b>    | <b>Shares<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-----------------|-------------------------|------------------------|
| At 1 July 2017  | 1,400                   | 1,400                  |
| Disposals       | (1,400)                 | (1,400)                |
| At 30 June 2018 | <u>-</u>                | <u>-</u>               |

On 8<sup>th</sup> November 2017, Halewood Wines and Spirits PLC disposed of its 100% investment in Halewood International Properties Limited and subsidiary undertakings, including its investment in JEH Investments Ltd (BVI), a company incorporated in Barbados. Refer to Note 14.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|                                        | Group<br>30 June<br>2018<br>£'000 | Group<br>1 July<br>2017<br>£'000 | Company<br>30 June<br>2018<br>£'000 | Company<br>1 July<br>2017<br>£'000 |
|----------------------------------------|-----------------------------------|----------------------------------|-------------------------------------|------------------------------------|
| Bank overdrafts (Note 20)              | 34,163                            | 25,073                           | -                                   | -                                  |
| Bank loans (Note 20)                   | 1,647                             | 1,960                            | -                                   | -                                  |
| Finance leases (Note 20)               | 190                               | 465                              | -                                   | -                                  |
| Trade creditors                        | 23,057                            | 19,962                           | -                                   | -                                  |
| Corporation tax                        | 22                                | 188                              | -                                   | -                                  |
| Other taxation and social security     | 8,680                             | 7,163                            | -                                   | -                                  |
| Accruals and deferred income           | 12,040                            | 10,729                           | 681                                 | 767                                |
| Other creditors                        | 1,556                             | 3,145                            | 244                                 | 118                                |
| Deferred income – grants (Note 22)     | 363                               | 215                              | -                                   | 9                                  |
| Amounts due to subsidiary undertakings | -                                 | -                                | 7,390                               | 7,624                              |
|                                        | <u>81,718</u>                     | <u>68,900</u>                    | <u>8,315</u>                        | <u>8,518</u>                       |

The finance leases are secured on the assets to which they relate. Amounts due to subsidiaries and related parties are repayable on demand. Interest is charged on inter-company and related party loans based on Bank of England base rate + 1.5%.

**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                                  | Group<br>30 June<br>2018<br>£'000 | Group<br>1 July<br>2017<br>£'000 | Company<br>30 June<br>2018<br>£'000 | Company<br>1 July<br>2017<br>£'000 |
|----------------------------------|-----------------------------------|----------------------------------|-------------------------------------|------------------------------------|
| Bank loans (Note 20)             | 8,416                             | 11,253                           | -                                   | -                                  |
| Finance leases (Note 20)         | 263                               | 128                              | -                                   | -                                  |
| Other creditors                  | 473                               | 30                               | -                                   | -                                  |
| Deferred income grants (Note 22) | 161                               | 1,289                            | -                                   | 244                                |
|                                  | <u>9,313</u>                      | <u>12,700</u>                    | <u>-</u>                            | <u>244</u>                         |

The finance leases are secured on the assets to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**20. BORROWINGS**

|                                                       | Group<br>30 June<br>2018<br>£'000 | Group<br>1 July<br>2017<br>£'000 |
|-------------------------------------------------------|-----------------------------------|----------------------------------|
| <b>Bank overdrafts:</b>                               |                                   |                                  |
| Within one year                                       | 34,163                            | 25,073                           |
|                                                       | <u>34,163</u>                     | <u>25,073</u>                    |
| <b>Bank loans and other loans due:</b>                |                                   |                                  |
| Within one year                                       | 1,647                             | 1,960                            |
| Between one and two years                             | 1,467                             | 3,157                            |
| Between two and five years                            | 6,949                             | 8,096                            |
|                                                       | <u>10,063</u>                     | <u>13,213</u>                    |
| <b>Finance leases due:</b>                            |                                   |                                  |
| Within one year                                       | 190                               | 465                              |
| Between one and two years                             | 263                               | 128                              |
| Between two and five years                            | -                                 | -                                |
|                                                       | <u>453</u>                        | <u>593</u>                       |
| <b>Total borrowings including finance leases due:</b> |                                   |                                  |
| Within one year                                       | 36,000                            | 27,498                           |
| Between one and two years                             | 1,910                             | 3,285                            |
| Between two and five years                            | 6,949                             | 8,096                            |
|                                                       | <u>44,859</u>                     | <u>38,879</u>                    |

The company has no borrowings (2017: same).

Bank loans consist of the following:

- 1) In the prior period Halewood International Limited secured a loan for £8,100k as part of a refinancing agreement with Natwest RBS. The bank loan is secured on property and plant & machinery and is repayable on the third anniversary following completion date of the new banking facility which completed on 24 February 2017. Interest is charged at LIBOR + 1.75%.
- 2) During the 2015 period Halewood Romania entered into a long-term loan from Raiffeisen Bank, payable in full by 2020. Interest is payable on the loan at a rate 3.4% above EURibor. Romania was disposed of during the period therefore the amount outstanding as at 30 June 2018 was £Nil (2017:£155k).
- 3) Borrowing facilities in South Africa are secured against property, debtors, inventory and plant and equipment. The facility accrues interest on the three month Johannesburg Interbank Average Rate of a period of five years commencing 1 August 2016, and is secured by mortgage bonds over the property owned by Halewood Properties Sa (Pty) Limited as well as the cessions on the debtors and insurance policies relating to inventory.
- 4) The bank overdraft is secured over trade debts and finished product stock. Interest is charged at 1.5% above the Bank of England base rate. The overdraft is repayable when trade debt is repaid. The balance outstanding at 30 June 2018 was £34,163K (2017: £25,073k).

On 29<sup>th</sup> November 2018 the outstanding borrowings were repaid on a refinancing deal with Investec bank, see note 35.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**21. FINANCIAL INSTRUMENTS***Disclosures in respect of the Group*

|                                                                              | <b>Group</b>  |               |
|------------------------------------------------------------------------------|---------------|---------------|
|                                                                              | <b>2018</b>   | <b>2017</b>   |
|                                                                              | <b>£'000</b>  | <b>£'000</b>  |
| Financial assets that are debt instruments measured at amortised cost        |               |               |
| - Trade debtors                                                              | 44,739        | 36,684        |
| - Other debtors                                                              | 2,459         | 1,410         |
| - Amounts owed by related parties                                            | 7,306         | 2,247         |
| - Current asset unlisted investment                                          | -             | 1,400         |
|                                                                              | <b>54,504</b> | <b>41,741</b> |
| Financial (liabilities)/assets measured at fair value through profit or loss |               |               |
| - Derivative financial instruments                                           | (48)          | 46            |
| Financial liabilities that are measured at amortised cost                    |               |               |
| - Loans and other borrowings                                                 | 44,859        | 38,879        |
| - Trade creditors                                                            | 23,057        | 19,962        |
| - Accruals (excluding deferred income)                                       | 12,040        | 10,729        |
| - Other creditors                                                            | 1,556         | 3,145         |
|                                                                              | <b>81,512</b> | <b>72,715</b> |

*Derivative financial instruments*

The Group enters into derivative financial instruments to hedge against certain risks, such as exchange rate volatility, through forward contracts. Although the instruments represent hedge arrangements, the Group does not apply hedge accounting and, therefore, movements in the fair value of such instruments are recognised in the profit and loss account. During the period ended 30 June 2018 the Group entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 30 June 2018, the outstanding contracts all mature within 13 months of the period end. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates. The fair value of the forward-foreign currency contracts is a liability of £48K (2017: asset £46K).

**22. DEFERRED INCOME**

|                             | <b>Group</b>   | <b>Group</b>  | <b>Company</b> | <b>Company</b> |
|-----------------------------|----------------|---------------|----------------|----------------|
|                             | <b>30 June</b> | <b>1 July</b> | <b>30 June</b> | <b>1 July</b>  |
|                             | <b>2018</b>    | <b>2017</b>   | <b>2018</b>    | <b>2017</b>    |
|                             | <b>£'000</b>   | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Grants</b>               |                |               |                |                |
| Opening balance             | 1,504          | 1,792         | 252            | 261            |
| On disposal of subsidiaries | (524)          | -             | -              | -              |
| Profit and loss account     | (456)          | (288)         | (8)            | (9)            |
| Closing balance             | <b>524</b>     | <b>1,504</b>  | <b>244</b>     | <b>252</b>     |

Of the closing grant balance £524k (2017: £365k) relates to UK grants for capital business investment and profit improvements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**23. PROVISIONS FOR LIABILITIES****Deferred taxation**

|                                                  | <b>Group</b>   | <b>Group</b>  | <b>Company</b> | <b>Company</b> |
|--------------------------------------------------|----------------|---------------|----------------|----------------|
|                                                  | <b>30 June</b> | <b>1 July</b> | <b>30 June</b> | <b>1 July</b>  |
|                                                  | <b>2018</b>    | <b>2017</b>   | <b>2018</b>    | <b>2017</b>    |
|                                                  | <b>£'000</b>   | <b>£'000</b>  | <b>£'000</b>   | <b>£'000</b>   |
| Opening provision                                | 471            | -             | -              | -              |
| Prior period movement                            | 147            | (46)          | -              | -              |
| Current period credit to profit and loss account | 421            | 379           | -              | -              |
| Acquired with subsidiary                         | (35)           | 138           | -              | -              |
| Disposed of with subsidiary                      | (78)           | -             | -              | -              |
| Closing provision                                | <u>926</u>     | <u>471</u>    | <u>-</u>       | <u>-</u>       |

Deferred tax is analysed as follows:

|                                              | <b>Group</b>   | <b>Group</b>  |
|----------------------------------------------|----------------|---------------|
|                                              | <b>30 June</b> | <b>1 July</b> |
|                                              | <b>2018</b>    | <b>2017</b>   |
|                                              | <b>£'000</b>   | <b>£'000</b>  |
| Capital allowances in excess of depreciation | 1,116          | 991           |
| Short term timing differences                | (233)          | (456)         |
| Revaluation of fixed assets                  | 46             | (64)          |
| Losses                                       | (3)            | -             |
|                                              | <u>926</u>     | <u>471</u>    |

**24. SHARE CAPITAL**

|                                                        | <b>30 June</b> | <b>1 July</b> |
|--------------------------------------------------------|----------------|---------------|
|                                                        | <b>2018</b>    | <b>2017</b>   |
|                                                        | <b>£'000</b>   | <b>£'000</b>  |
| Issued and fully paid at the beginning of the period   |                |               |
| Ordinary A shares of £1 each                           | 95             | 95            |
| Issued during the period ordinary B shares of £1 each* | 7              | -             |
| Issued during the period ordinary C shares of £1 each* | 37             |               |
| Issued during the period ordinary B shares of £1 each* | 7              |               |
| Issued and fully paid at the end of the period         | <u>146</u>     | <u>95</u>     |

\* On 23 August 2016, 7,308 B shares, 36,540 C shares and 7,308 D shares, all of £1 each were issued by the company. These have been issued to certain employees as part of a Long Term Management Incentive scheme. Of these shares, 7,307 B shares, 14,614 C shares and 7,307 D shares have been issued to directors of the company as follows; S A Hainsworth, A W Robinson and P G Eaton.

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

## 25. NON-CONTROLLING INTERESTS

|                                                      | 52 weeks<br>ended<br>30 June<br>2018<br>£'000 | 53 weeks<br>ended<br>1 July<br>2017<br>£'000 |
|------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Opening balance                                      | 1,240                                         | 68                                           |
| On acquisition of subsidiaries (Note 14)             | 242                                           | (202)                                        |
| On acquisition of non-controlling interest (Note 14) | (759)                                         | -                                            |
| On disposal of subsidiaries (Note 14)                | (2,669)                                       | -                                            |
| Profit for the financial period                      | 2,660                                         | 1,374                                        |
| Closing balance                                      | 714                                           | 1,240                                        |

## 26. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

|                                                   | 52 weeks<br>ended<br>30 June<br>2018<br>£'000 | 53 weeks<br>ended<br>1 July<br>2017<br>£'000 |
|---------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Operating profit                                  | 14,341                                        | 4,874                                        |
| Depreciation of tangible fixed assets (Note 12)   | 6,846                                         | 5,316                                        |
| Depreciation of fixed asset investments (Note 13) | 35                                            | -                                            |
| Profit on sale of tangible fixed assets           | (25)                                          | (61)                                         |
| Loss on disposal of investments                   | -                                             | 96                                           |
| Release of deferred income (Note 22)              | (456)                                         | (288)                                        |
| Amortisation - positive goodwill (Note 11)        | 980                                           | 337                                          |
| - brands and IPR (Note 11)                        | 709                                           | 210                                          |
| - negative goodwill (Note 11)                     | (2)                                           | (2)                                          |
| - JV goodwill amortisation (Note 13)              | 44                                            | 44                                           |
| Impairment of investments                         | -                                             | 745                                          |
| Movements in working capital:                     |                                               |                                              |
| Increase in stocks                                | (3,519)                                       | (6,347)                                      |
| Increase in debtors                               | (13,464)                                      | (1,357)                                      |
| Increase in creditors                             | (5,598)                                       | (11,932)                                     |
|                                                   | (108)                                         | (8,365)                                      |
| Interest paid                                     | (1,251)                                       | (887)                                        |
| UK corporation tax paid                           | (878)                                         | (326)                                        |
| Foreign tax paid                                  | (1,113)                                       | -                                            |
| Net cash (outflow) from operating activities      | (3,350)                                       | (9,577)                                      |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 30 June 2018**

**27. ANALYSIS OF NET (DEBT)**

|                          | At<br>1 July<br>2017<br>£'000 | Acquired<br>with<br>subsidiar<br>ies<br>£'000 | Disposed<br>with<br>subsidiar<br>ies<br>£'000 | Cash<br>moveme<br>nt<br>£'000 | Foreign<br>exchang<br>e<br>£'000 | At<br>30 June<br>2018<br>£'000 |
|--------------------------|-------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------|----------------------------------|--------------------------------|
| Cash at bank and in hand | 5,515                         | -                                             | -                                             | 4,692                         | (162)                            | 10,045                         |
| Bank overdrafts          | (25,073)                      | (218)                                         | 2,020                                         | (10,502)                      | (390)                            | (34,163)                       |
| <b>Cash</b>              | <b>(19,558)</b>               | <b>(218)</b>                                  | <b>2,020</b>                                  | <b>(5,810)</b>                | <b>(552)</b>                     | <b>(24,118)</b>                |
| Bank loans               | (13,213)                      | -                                             | 3,579                                         | (429)                         | -                                | (10,063)                       |
| Finance leases           | (593)                         | -                                             | 121                                           | 19                            | -                                | (453)                          |
| <b>Borrowings</b>        | <b>(13,806)</b>               | <b>-</b>                                      | <b>3,700</b>                                  | <b>(410)</b>                  | <b>-</b>                         | <b>(10,516)</b>                |
| <b>Net (debt)</b>        | <b>(33,364)</b>               | <b>(218)</b>                                  | <b>5,720</b>                                  | <b>(6,220)</b>                | <b>(552)</b>                     | <b>(34,634)</b>                |

**28. FINANCIAL COMMITMENTS**

The Group and the company had no contracted capital commitments (2017: same).

**Leases**

The Group has commitments under non-cancellable operating leases as set out below:

|                                                          | 30 June<br>2018<br>£'000          | 1 July<br>2017<br>£'000          |
|----------------------------------------------------------|-----------------------------------|----------------------------------|
| <b>Land and buildings operating leases which expire:</b> |                                   |                                  |
| Within one year                                          | 181                               | 150                              |
| Between two and five years                               | -                                 | -                                |
| After five years                                         | 664                               | 648                              |
|                                                          | <b>845</b>                        | <b>798</b>                       |
|                                                          | <b>30 June<br/>2018<br/>£'000</b> | <b>1 July<br/>2017<br/>£'000</b> |
| <b>Other operating leases which expire:</b>              |                                   |                                  |
| Within one year                                          | -                                 | 3                                |
| Between one and two years                                | -                                 | -                                |
|                                                          | <b>-</b>                          | <b>3</b>                         |

The company had no non-cancellable operating lease commitments at 30 June 2018 (2017: same).

## NOTES TO THE FINANCIAL STATEMENTS

### For the 52 week period ended 30 June 2018

#### 29. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 30 June 2018 the outstanding contracts all mature within 18 months (2017: same) of the period end.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:ZAR. The fair value of the forward-foreign currency contracts is a liability of £48k (2017: asset of £46k). This is included within other creditors (2017: other debtors). An amount of £94k was charged to the Statement of Comprehensive Income for the period (2017: £570K credit)

|                                    | Principal | Fair value | Principal | Fair value |
|------------------------------------|-----------|------------|-----------|------------|
|                                    | 30 June   | liability  | 1 July    | asset      |
|                                    | 2018      | 2018       | 2017      | 2017       |
|                                    | £'000     | £'000      | £'000     | £'000      |
| Forward foreign exchange contracts | 3,309     | 48         | 7,603     | 46         |

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The financial instruments that are measured subsequent to initial recognition at fair value are all Grouped into Level 2. There were no transfers between Level 1 and Level 2 during the period.

The company holds no derivatives (2017: same).

#### 30. CONTINGENT LIABILITIES

Halewood Wines and Spirits PLC, Halewood International Limited, Halewood International Trademarks Limited, Halewood International Marketing Limited, Halewood International Brands Limited, Red Square Beverages Limited, H&A Prestige Bottling Limited, Willow Water Limited, Halewood International Holdings UK Ltd, Halewood International Holdings Overseas Limited and Lambrini Limited have given unlimited cross guarantees in respect of the others' bank borrowings. At 30 June 2018 these borrowings amounted to £13,558K (2017: £8,428K).

#### 31. PENSION ARRANGEMENTS

The Group operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £1,599k (2017: £1,434K), which represented contributions to these schemes. The assets of this scheme are held separately for those of the Group in independently administered funds. At 30 June 2018 the amount outstanding to the pension scheme was £116K (2017: £97K).

#### 32. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with subsidiaries. Under the provisions of Financial Reporting Standard 102 section 33, the company is exempt from disclosing the detail of these transactions.

During the period, the Group entered into the following transactions with companies over which the Estate of Mr J E Halewood, the principal shareholder, exercises significant influence:

- 1) The Group has a balance owed from the Estate of Mr J E Halewood at 30 June 2018 of £6,200K. (2017: £1K).
- 2) The Group has amounts owed by directors amounting to £62k (2017: £Nil) due for repayment in less than one year. No interest accrued on this balance and the amount has subsequently repaid in full post period end.
- 3) The Group has an amount owed from an associated company amounting to £920k (2017: £Nil).

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 30 June 2018

### 32. RELATED PARTY TRANSACTIONS (CONTINUED)

- 4) The Group entered into transactions with directors and certain family members arising on the sale of stock and fixed asset investments amounting to £25k. The balance outstanding at the period is £Nil. (2017: £Nil).

### 33. SUBSIDIARY COMPANIES

The complete list of subsidiary companies is set out below:

|                                                    |                                                       |
|----------------------------------------------------|-------------------------------------------------------|
| Hawkshead Brewery Limited                          | Sadler's Brewhouse Limited                            |
| City of London Distillery Limited                  | Windsor Castle Brewery Limited                        |
| The Bajan Trading Company Limited                  | Willow Water Ltd                                      |
| Aber Falls Distillery Limited                      | H J Neill Ltd                                         |
| Charlie Richards and Co Limited                    | Snowbliss (Pty) Limited                               |
| Charlie Richards Craft Wines & Spirits Limited*    | Halewood International SA (Pty) Limited               |
| Barwell & Jones Limited*                           | Halewood Properties SA (Pty) Limited                  |
| Eldorado Drinks Limited*                           | Halewood International Caribbean Limited*             |
| The Cornish Rum Company Limited*                   | Beijing Shunxing Halewood Alcoholic Beverages Limited |
| Liverpool Gin Distillery Limited*                  | The Pleasure Gardens Distilling Company*              |
| Redrosesforme Limited                              | John Crabbie & Company Limited*                       |
| Halewood International Brands Limited              | Lamb & Watt Vintners Limited*                         |
| Halewood International Holdings (UK) Limited       | Lambrini Limited                                      |
| Halewood International Holdings (Overseas) Limited | Red Square Beverages Limited                          |
| Halewood International Limited                     | Halewood International Trademarks Limited             |
| Halewood International Marketing Limited           | Kania Craft Drinks Company Limited                    |
| H & A Prestige Bottling Limited                    | Rocksteady Bars Ltd t/s Ladies & Gents                |
| Dyflin Distilleries Limited                        | Vestal Vodka Ltd                                      |
| Hall & Bramley                                     | 7 Stars Beverages (Pty) Limited                       |

\* Dormant company exempt from the requirements to prepare individual financial statements in accordance with s394A of the Companies Act 2006,

### 34. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Estate of Mr J E Halewood, and members of his close family control the company as a result of controlling directly or indirectly, 100% of the issued share capital of the company.

The largest and smallest Group which is Halewood Wines and Spirits PLC is a member for which consolidated accounts are prepared is Halewood Wines and Spirits PLC, whose registered office is The Sovereign Distillery, Huyton Business Park, Wilson Road, Huyton, L36 6AD.

### 35. SUBSEQUENT EVENTS

On 29 November 2018 the Group completed on a re-financing agreement with Investec Bank. The new facility has a minimum term of 60 months from commencement date.