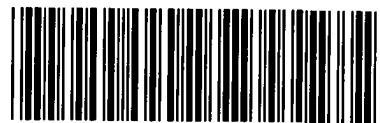

COMPANY REGISTRATION NO: 03920410

HALEWOOD INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

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Annual report and financial statements 2019

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Company information

Directors	J M Halewood P G Eaton (resigned 31 August 2019) S A Hainsworth A W Robinson J Bradbury L Tayburn T R Goff (resigned 30 December 2019) T R Hines (resigned 30 December 2019) R A Campbell (appointed 10 January 2020) (Resigned 17 August 2020) G C Bairstow (appointed 18 August 2020)
Registered office	The Sovereign Distillery Wilson Road Huyton Business Park Huyton Liverpool L36 6AD
Registered number	03920410
Auditor	Deloitte LLP Statutory Auditor Horton House Exchange Flags Liverpool L2 3PG United Kingdom
Bankers	National Westminster Bank plc 22 Castle Street Liverpool L2 0UP Investec Bank PLC 30 Gresham Street London EC2V 7QP

Strategic report

BUSINESS REVIEW

Halewood International Limited (Halewood) has grown its revenues by 23% in the financial period to 29 June 2019. The results are driven by a strong performance of Whitley Neill Gin in the core UK market.

The Company strategy remains focused on premium artisanal spirits with strong provenance and brand marketing. We continue to invest in Route to Market distribution and vertical integration in core markets with “boots on the ground”. Whitley Neill Gin has become the UK’s number one premium gin and continues to dominate the growing flavoured gin category. In the UK, Halewood has delisted non-profitable lines particularly in the low margin ‘Ready to Drink’ category resulting in artisanal spirits becoming the leading category.

The company’s core brands are licensed from other group undertakings to which the company pays royalties. Halewood International Limited is a wholly owned subsidiary of Halewood International Holdings (UK) Limited, a company incorporated in England. The ultimate parent undertaking is Halewood Wines and Spirits PLC.

The directors consider the key performance indicators of the Company to be Gross Margin, adjusted EBITDA and operating cash flows. Deal fees and contractual management incentive payments are added to EBITDA as they are considered non-recurring expenses and therefore do not reflect underlying trading performance. The KPI targets were achieved during the period and future targets are based on further growth and continued implementation of strategy. The following table summarises turnover and adjusted EBITDA for each of the last 2 periods:

	2019 £’000	2018 £’000
Turnover	224,096	181,680
Operating profit/(loss)	1,448	(926)
Depreciation	2,690	3,123
Amortisation	8	5
One off deal fees and contractual management incentive payments	7,491	-
Adjusted EBITDA	11,637	2,202

PRINCIPAL RISKS AND UNCERTAINTIES

Competition risk manifests itself in the form of competing brands in the same category competing for the consumers spend. To help mitigate this risk the company ensures there is a constant pipeline of new products to bring to market. The company also benefits from close commercial relationships with a number of key customers and suppliers. Damage to, or loss of any of these relationships could have a direct impact on the company’s results. To ensure relationships are maintained, the company assigns key personnel to manage the relationships with these suppliers and customers with regular feedback being given to the board.


The company’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. In addition the company has credit insurance in place. COVID-19 has increased potential risk from on trade customer payments. The company is managing this by continual monitoring and discussions with customers.

As the company 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 with forward contracts. The company has a number of forward contracts open at 29 June 2019, as disclosed in note 21. The company has interest bearing liabilities but the directors do not consider the company to be exposed to significant interest cash flow risk due to the prevailing UK base rate and the management of financing arrangements entered into.

FUTURE OUTLOOK

The Company will continue to focus on its successful strategy of new product development in artisanal spirits and craft beers combined with key strategic brand acquisition, tight cost control and production efficiency. By maintaining a diverse portfolio of products at multiple price points and exporting to several geographical regions, the Company expects to minimise risk from to competition, changes in consumers’ tastes and the impact of Brexit and COVID-19.

Approved by the Board on 17 September 2020 and signed on its behalf by:



A Robinson - Director

Directors' report

The directors present their report and audited financial statements for the 52 week period ended 29 June 2019. Future development of the business and principal risks and uncertainties are included in the Strategic report in accordance with the Companies Act section s414c (11).

PRINCIPAL ACTIVITIES

The company trades as an importer, bottler, manufacturer, distiller and distributor of wines and spirits.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £1,292K (2018: £2,459K). No dividends were declared or paid during or after the period (2018: £nil).

CHARITABLE AND POLITICAL DONATIONS

During the period the company made charitable donations of £47K (2018: £29K) principally to local charities serving the communities in which the company operates.

No political donations were made during the period (2018: £nil).

DIRECTORS

The present 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 considered the going concern assumption and continue to adopt the going concern basis in preparing the annual report and financial statements, as documented in note 1 to the financial statements.

EMPLOYEES

During the period the company continued to provide employees with relevant information through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's trading position and of any significant organisational changes.

It is the policy of the company 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 company, as well as generally through training and career development.

POST BALANCE SHEET EVENTS

On 12th August 2019, Halewood International Limited acquired 80% of the ordinary share capital of LoCa Beverages Ltd, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

On 2nd September 2019 Halewood International Limited acquired 100% of the ordinary share capital of Formby Spirits Limited, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

The outbreak of the COVID-19 was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020 and only after that date did major governments, such as the UK, start taking significant mitigating steps. As such the Company considers this to be a non-adjusting post balance sheet event. The full impact of the COVID-19 pandemic on medium- and long-term economic activity is not yet known, although is likely to be significant.

The Company has been monitoring, assessing and reacting to the issues that COVID-19 has created for the employees, business operations and financial performance. Procedures have been put in place to ensure the safety of employees including implementation of extensive cleaning regimes, mandatory mask wearing in operations, temperature check stations, availability of hand sanitise and signs reminding employees and visitors of the need to wash hands regularly and maintain social distancing. Visitors to sites have been reduced to a minimum as has travel by employees. Where practical during lockdown employees worked from home.

As a result of the employee safety matters implemented, there has been no loss of production during the COVID-19 outbreak. During lockdown, the Company saw reduced sales to on trade (bars and restaurants), Duty Free and some export markets. This was however offset by increased sales to grocers, impulse and on line customers. This focus of sales and marketing activities on grocers and on line has delivered a growth of 56% in our top 3 spirits brands compared to same period last year.

Directors' report (continued)

The Company has curtailed non essential capital expenditure projects, reduced marketing expenditure and reduced employee numbers.

The Company continues to monitor the impact on its business, however while the uncertainty continues, the Company is not able to quantify the possible financial effect of the pandemic. Some asset and liability carrying values may be impacted, particularly where they are reliant on management's use of estimates and judgements when applying accounting policies.

On 24 August 2020, the company announced consultation with the unions that will complete by October 14th 2020 about the potential closure of the Huyton site. The aim is to close the site by the end of the 2020 calendar year. Spirit production has been relocated to the company's site at Chorley with the plan that Crabbies production will move in November 2020 and Lambrini production will be outsourced.

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 year. 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 in 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 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

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

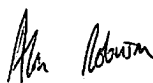
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

APPROVAL

The Directors' Report was approved by the Board on 17 September 2020 and signed on its behalf by:



A Robinson
Director

Independent auditor's report to the members of Halewood International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Halewood International Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its loss for the year 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

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 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 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.

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.

Independent auditor's report to the members of Halewood International Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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. 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 year 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

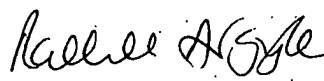
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
17 September 2020

Profit and loss account

For the 52 weeks ended 29 June 2019

	Note	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Turnover	4	224,096	181,680
Cost of sales		(174,288)	(143,441)
Gross profit		49,808	38,239
Selling and marketing costs		(20,662)	(16,114)
Distribution costs		(5,189)	(5,182)
Administrative expenses before exceptional items		(22,509)	(14,243)
Exceptional administrative expenses	5	-	(3,627)
Operating profit/(loss)	5	1,448	(926)
Interest receivable and similar income	8	1,064	236
Interest payable and similar charges	9	(3,554)	(1,354)
Fair value of financial instruments	21	173	(94)
Loss before taxation		(869)	(2,138)
Tax charge	10	(423)	(321)
Loss after taxation		(1,292)	(2,459)

The company's results derive from continuing operations.

The company has no recognised gains and losses other than those included in the results above. As such, no separate statement of comprehensive income has been presented.

The notes on page 10 to 27 form an integral part of these financial statements.

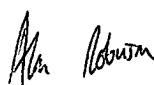
Balance sheet

As at 29 June 2019

	Note	29 June 2019 £'000	30 June 2018 £'000
Fixed assets			
Intangible Assets	11	22	15
Tangible Assets	12	36,587	30,974
Investments	13	14,674	13,893
		<u>51,283</u>	<u>44,882</u>
Current assets			
Stocks	14	30,773	20,592
Debtors	15	98,319	60,025
Cash at bank and in hand		2,166	6,131
		<u>131,258</u>	<u>86,748</u>
Creditors: amounts falling due within one year	16	(160,015)	(114,599)
Net current liabilities		<u>(28,757)</u>	<u>(27,851)</u>
Total assets less current liabilities		<u>22,526</u>	<u>17,031</u>
Creditors: amounts falling due after more than one year	17	(13,058)	(6,691)
Provision for liabilities	18	(498)	(78)
Net assets		<u>8,970</u>	<u>10,262</u>
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account		8,969	10,261
Shareholder's funds		<u>8,970</u>	<u>10,262</u>

The notes on page 10 to 27 form an integral part of these financial statements.

The financial statements of Halewood International Limited, registered number 03920410, were approved by the board of directors on 17 September 2020 and signed on its behalf by:



A Robinson
Director

Statement of changes in equity

For the 52 week period ended 29 June 2019

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 July 2017	1	12,720	12,721
Loss for the period and total comprehensive loss	-	(2,459)	(2,459)
Balance as at 30 June 2018	1	10,261	10,262
Loss for the period and total comprehensive loss	-	(1,292)	(1,292)
Balance as at 29 June 2019	1	8,969	8,970

The notes on page 10 to 27 form an integral part of these financial statements.

Notes to the financial statements

For the 52 weeks ended 29 June 2019

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

General information and basis of preparation

Halewood International Limited is a private limited company limited by shares and is incorporated in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on page 3. The financial statements have been prepared under the historical cost convention, with the exception of financial derivatives which are recognised at fair value, and in accordance with applicable law and United Kingdom accounting standards. The functional currency of Halewood International Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the available exemptions to not disclose:

- A statement of cash flows;
- Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the company is consolidated; and
- Key management personnel compensation in total.

Consolidation

The financial statements contain information about Halewood International Limited as an individual company and do not contain consolidated financial information as a parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Halewood Wines and Spirits PLC.

Going concern

The company meets its day-to-day working capital requirements through a combination of bank overdraft secured over trade debts and loans from its parent undertaking and fellow subsidiary companies. The company's forecasts and projections, taking account of possible changes in trading performance, show that the company is expected to be able to operate within the level of funding available.

On 29 November 2018 the Company 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 Company's cash position at 29 June 2019 was £2.2m (2018: £6.1m). Debt has increased from £40.1m at 30 June 2018 to debt of £73.5m at 29 June 2019. Overall net debt as at 29 June 2019 is £71.3m from £38.7m as at 30 June 2018.

The directors are in receipt of a letter of support from its ultimate parent company, Halewood Wines and Spirits PLC. This letter of support confirms that the intercompany loans with fellow subsidiary undertakings and debts due under Licence agreements will not need to be repaid for a minimum of 12 months from the date the financial statements are signed.

After making enquiries, the directors have a reasonable expectation that the company has access to adequate resources and believe that the company is well placed to manage its business risks successfully, despite the current uncertain economic outlook, and any impact on consumer spending, and is expected to continue in operational existence for the foreseeable future.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and its ultimate parent entity continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. The impact on the Company to date is set out in Note 26.

Having undertaken these assessments, the directors consider that the Company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation, less any provision for impairment. Depreciation is provided evenly on the cost 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 recoverable amounts. Any such write down would be charged to operating profit. No depreciation is provided on freehold land or assets under construction. The principal annual rates used for other fixed assets are:

Property	2% on cost
Plant, machinery & IT equipment	10%-25% on cost
Land is not depreciated	

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

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 expected costs of disposal.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial instruments

The company 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.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

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 year 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.

Investments

Investments in a subsidiary company is held at cost less accumulated impairment losses.

Research and development

Expenditure on research and development is written off to the profit and loss account as it is incurred.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

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, with differences on translation included in the profit and loss account.

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.

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.

Supplier income

Supplier income agreements span year end and often relate to multiple products, giving rise to estimates in respect of the level of rebate earned during the year. In order to minimise the risk, supplier turnover statements are obtained prior to income being claimed and recognised, these are multiplied by the relevant rate defined in the supplier income agreement to calculate the income amount.

Exceptional items

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

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

- *Short-term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

- *Defined contribution pension plans*

The company contributes to defined contribution pension arrangements (including stakeholder equivalent arrangements) on behalf of certain employees. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. Pension costs are charged to the profit and loss account as they fall due. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are held at cost less provision for impairment. All classes of intangible assets are amortised over the estimated economic life of the products; this is currently estimated at 3 years on a straight line basis.

Turnover

Turnover comprises sales to customers less discounts and allowances and is net of value added tax. Turnover is recognised upon despatch of goods, which is when the risks and rewards are considered to be transferred to the customer. Royalty income is recognised in turnover on an accruals basis in accordance with the substance of the relevant agreements.

Interest revenue

Interest income is recognised when it is highly probable that the economic benefits will flow to the company 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.

Interest payable

Interest payable is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate agreed with the lenders.

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, as permitted by FRS 102 Section 33.

2. STATEMENT OF COMPLIANCE

The financial statements of Halewood International Limited 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.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

4. TURNOVER

The analysis of turnover by geographical market is as follows:

	52 weeks ended 29 June 2019	52 weeks ended 30 June 2018
	£'000	£'000
United Kingdom	204,347	161,613
EC countries	6,818	5,054
Rest of Europe	5,544	7,231
Other	7,387	7,782
	<u>224,096</u>	<u>181,680</u>

All turnover derives from the principal activities of the company.

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

Included within the 'other' turnover in the table above is £381K (2018: £382k) in relation to brand royalty income received from another group company in relation to sales made during the period.

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	52 weeks ended 29 June 2019	52 weeks ended 30 June 2018
	£'000	£'000
Depreciation of tangible fixed assets		
- owned	1,772	2,285
- held under finance lease	918	838
Foreign exchange (gain)/loss	(605)	489
Forward foreign exchange contracts (note 21)	(173)	94
Operating lease rentals - other	159	181
(Profit)/loss on sale of assets	(14)	39
Grant amortisation	(102)	(102)
Cost of inventories recognised as an expense	170,523	142,781
Write downs of inventories recognised as an expense	1,775	660
Exceptional administrative expenses	-	3,627
	<u></u>	<u></u>

Write down of inventories represents the cost of scrapping relating to obsolete inventories.

In the prior period, exceptional administrative expenses related to capital contributions in respect of waiver of loans from other group companies who are no longer part of the group.

The analysis of auditor's remuneration is as follows:

	52 weeks ended 29 June 2019	52 weeks ended 30 June 2018
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	127	142
There were no non audit fees (2018: nil).	<u></u>	<u></u>

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

6. EMPLOYEES

Staff costs during the period, including directors, were as follows:

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Wages and salaries	14,404	12,323
Social security costs	1,550	1,343
Pensions – defined contribution scheme (note 23)	1,010	949
	<u>16,964</u>	<u>14,615</u>

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

	2019	2018
Administration and selling	141	161
Warehousing and production	217	194
	<u>358</u>	<u>355</u>

7. DIRECTORS' EMOLUMENTS

Directors' emoluments were as follows:

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Emoluments for management services including benefits in kind	8,970	2,363
Pension contributions	76	57
Redundancy	-	121
	<u>9,046</u>	<u>2,541</u>

The emoluments of the highest paid director were:

Salary	4,704	772
Benefits in kind	3	4
	<u>4,707</u>	<u>776</u>

Pension contributions have been made on behalf of 7 of the directors (2018: 7).

The highest paid director received pension contributions totalling £11k (2018: £nil).

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Interest due from group companies	710	116
Interest due from related parties	354	118
Corporation tax interest	-	2
	<hr/>	<hr/>
	1,064	236
	<hr/>	<hr/>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Bank overdraft	1,386	651
Bank loan interest	113	38
Hire purchase interest	11	12
Interest due to fellow subsidiary undertakings	2,044	653
	<hr/>	<hr/>
	3,554	1,354
	<hr/>	<hr/>

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

10. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Current tax on loss		
UK corporation tax	(77)	(280)
Adjustments in respect of prior periods	74	269
Total Current tax	<u>(3)</u>	<u>(11)</u>
Deferred tax		
Origination and reversal of timing differences	(474)	(341)
Adjustments in respect of prior period	(5)	-
Effects of changes in tax rates	59	32
Total deferred tax	<u>(420)</u>	<u>(309)</u>
Total tax charge on loss	<u>(423)</u>	<u>(321)</u>

The standard rate of tax applied to reported profit is 19% (2018: 19%). Finance Act 2016, which was enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. The deferred tax balances have been restated to the lower rate of 17% in these financial statements.

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 as follows:

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Loss on ordinary activities before taxation	(869)	(2,138)
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	<u>165</u>	<u>406</u>
Effects of:		
- Expenses not deductible for tax purposes	(412)	(1,136)
- (Carry forward)/Utilisation of tax losses	(335)	129
- Change in unrecognised deferred tax assets	-	12
- Income not taxable	-	236
- Adjustments to tax charge in respect of previous periods	69	-
- RDEC	31	-
- Tax rate changes	59	32
Total tax charge for the period	<u>(423)</u>	<u>(321)</u>

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

11. INTANGIBLE ASSETS

	Design costs £'000
Cost	
At 1 July 2018	20
Additions	15
	<u>35</u>
At 29 June 2019	<u>35</u>
Amortisation	
At 1 July 2018	5
Charge	8
	<u>13</u>
At 29 June 2019	<u>13</u>
Net Book Value	
At 29 June 2019	22
	<u>15</u>
At 30 June 2018	<u>15</u>

Intangible assets relate to product design costs.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

12. TANGIBLE FIXED ASSETS

	Land & property £'000	Plant & machinery and IT equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 July 2018	16,195	39,785	5,907	61,887
Additions	17	3,343	5,924	9,284
Disposals	-	(376)	(838)	(1,214)
Transfers	-	3,308	(3,308)	-
At 29 June 2019	16,212	46,060	7,685	69,957
Accumulated Depreciation				
At 1 July 2018	989	29,924	-	30,913
Charge for the period	220	2,470	-	2,690
Disposals	-	(233)	-	(233)
At 29 June 2019	1,209	32,161	-	33,370
Net book value				
At 29 June 2019	15,003	13,899	7,685	36,587
At 30 June 2018	15,206	9,861	5,907	30,974

The net book value of fixed assets includes an amount of £2,307K (2018: £3,635K) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets was £918K (2018: £838K) in the period.

Land & property includes land with a carrying value of £5,204K (2018: £5,187K) that is not depreciated.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

13. FIXED ASSET INVESTMENTS

Cost	2019 £'000	2018 £'000
Subsidiary undertakings	13,002	12,405
Participating interests	1,672	1,487
Other investments and loans	-	1
	<u>14,674</u>	<u>13,893</u>

The company's investments are set out below. The registered office address of all The registered office address of all entities is as follows unless otherwise stated: The Sovereign Distillery, Wilson Road, Huyton, L36 6AD.

Subsidiary Undertakings	Country	Principal Activity	Class of Share	Registered Office & CRN
Hawkshead Brewery Limited (100%)	UK	Brewery and public house	Ordinary Shares	Staveley Mill Yard, Staveley, Cumbria, LA8 9LR CRN 01488467
City of London Distillery Limited (100%)	UK	Distillery and public house	Ordinary Shares	22-24 Bride Lane, London, EC4Y 8DT CRN 07963963
Windsor Castle Brewery Limited (100%)	UK	Brewery	Ordinary Shares	Unit 2 Conyers Trading Estate Station Drive, Lye, Stourbridge, West Midlands, DY9 3EH CRN 05063381
Sadler's Brewhouse Limited (99.9%)	UK	Public house	Ordinary Shares	15-17 Church Street, Stourbridge, West Midlands, DY9 3EH CRN 09416020
Liverpool Gin Distillery Ltd	UK	Distilling, rectifying and blending of spirits	Ordinary Shares	CRN 10647576
H J Neill Limited (85%)	UK	Brand Owner	Ordinary Shares	CRN 09927950
The Bajan Trading Company Limited (87.5%)	UK	Manufacturer of spirits	Ordinary Shares	CRN 06377231
Eldorado Drinks Ltd	UK	Dormant	Ordinary Shares	CRN 11390004
Lamb & Watt Vintners Ltd	UK	Dormant	Ordinary Shares	CRN 02841848
Halewood International Streams of Whiskey Ltd (50%)	UK	Brand Owner	Ordinary Shares	CRN 09997019
Redrosesforme Limited (60%)	UK	Distilling, rectifying and blending of spirits	Ordinary Shares	CRN 09970509
The Cornish Rum Company Ltd	UK	Wholesale of wine, beer, spirits & other alcoholic beverages	Ordinary Shares	CRN 10847544
Kania Craft Drinks Limited (60%)	UK	Holding company	Ordinary Shares	CRN 11346532
Castle Rum Company Ltd	UK	Public houses and bars	Ordinary Shares	CRN 11556789

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

13. FIXED ASSET INVESTMENTS (continued)

Subsidiaries	£'000
Cost and Net Book Value	
At 1 July 2018	12,405
On acquisition	597
	<hr/>
At 29 June 2019	13,002
	<hr/>

On 15 January 2019, Halewood International Limited acquired a further 12.5% of the ordinary share capital of The Bajan Trading Co Limited, such that it now owns 87.5% of the ordinary share capital.

On 22 February 2019, Halewood International Limited acquired a further 20% of the ordinary share capital of Windsor Castle Brewery Limited, such that it now owns 100% of the ordinary share capital.

Subsidiary undertakings have not been consolidated by Halewood International Limited as permitted by s.400 of the Companies Act 2006 as they are consolidated in the financial statements of Halewood Wines & Spirits plc.

Participating interests	£'000
Cost and Net Book Value	
At 1 July 2018	1,487
Additions (see note below)	185
1	<hr/>
At 29 June 2019	1,672
	<hr/>

October 2018, Halewood International Limited acquired 50% of the ordinary share capital of Wessex Distillery Limited, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits. The registered office address of Wessex Distillery Limited 4th Floor Imperial House, 8 Kean Street, London, United Kingdom, WC2B 4AS.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

14. STOCKS

	29 June 2019 £'000	30 June 2018 £'000
Raw materials and semi-finished goods	13,173	7,312
Goods for resale	17,600	13,280
	<u>30,773</u>	<u>20,592</u>

The directors consider that there is no material difference between the balance sheet value of the stocks and the replacement cost.

15. DEBTORS

	29 June 2019 £'000	30 June 2018 £'000
Trade debtors	48,862	35,929
Other debtors	706	1,249
Prepayments	3,206	776
Corporation tax	2,503	584
Amounts due from fellow subsidiary undertakings	34,222	14,360
Amounts due from related parties	8,820	7,127
	<u>98,319</u>	<u>60,025</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% to 7.5%.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 June 2019 £'000	30 June 2018 £'000
Bank overdraft (secured)	58,009	33,226
Bank loan	2,000	900
Hire purchase finance	470	257
Trade creditors	12,534	14,204
Other taxation and social security	10,672	8,241
Accruals and deferred income	12,358	7,876
Amounts due to parent company	12,479	12,253
Amounts due to fellow subsidiary undertakings	51,338	37,454
Government grants	102	102
Other creditors	53	86
	<u>160,015</u>	<u>114,599</u>

Amounts due to the parent company and fellow subsidiary undertakings are repayable on demand, however confirmation has been obtained that the balances will not be called for repayment for at least 12 months subsequent to the approval of the financial statements. Interest is charged on inter-company loans at 2.5% to 7.5%.

Hire purchase agreements relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £470k (2018: £413k).

The borrowing facilities are secured on property, plant & machinery and debtors, with a minimum term of 60 months from commencement date. Interest is charged at 2.50% - 3.50% over 3 month LIBOR.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	29 June 2019 £'000	30 June 2018 £'000
Bank loan	13,000	6,375
Government grants	58	160
Hire purchase agreements	-	156
	<u>13,058</u>	<u>6,691</u>
Repayable		
1-2 years	2,000	900
2-5 years	11,000	5,475
	<u></u>	<u></u>

Government grants are amortised in accordance with the estimated useful life of the assets to which they relate.

Hire purchase agreements relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £470k (2018: £413k).

The borrowing facilities are secured on property, plant & machinery and debtors, with a minimum term of 60 months from commencement date. Interest is charged at 2.50% - 3.50% over 3 month LIBOR.

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

18 DEFERRED TAX LIABILITY

The deferred tax liability is as follows:

	29 June 2019 £'000	30 June 2018 £'000
Opening (liability)/asset	(78)	231
Charge to profit and loss account	(415)	(309)
Adjustments in respect of prior years	(5)	-
	<hr/>	<hr/>
Closing liability	(498)	(78)
	<hr/>	<hr/>

Deferred tax is analysed as follows:

	29 June 2019 £'000	30 June 2018 £'000
Capital allowances in excess of depreciation	(618)	(101)
Short term timing differences	43	23
R&D expenditure credit	77	-
	<hr/>	<hr/>
	(498)	(78)
	<hr/>	<hr/>

19. SHARE CAPITAL

	29 June 2019 £'000	30 June 2018 £'000
Allotted, called-up and fully paid		
1,000 ordinary shares of £1 each	1	1
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>

20. CAPITAL COMMITMENTS

Leases

The company has annual minimum lease payments under non-cancellable operating leases as set out below:

	29 June 2019 £'000	30 June 2018 £'000
Land and buildings operating leases which expire:		
Within one year	241	241
Between two and five years	240	240
After five years	300	360
	<hr/>	<hr/>
	781	841
	<hr/>	<hr/>

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 29 June 2019, the outstanding contracts all mature within 18 months (2018: the outstanding contracts all mature within 18 months) of the year-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:EUR. The fair value of the forward-foreign currency contracts is an asset of £125k (2018: liability £48k). This is included within other debtors (2018: other creditors). An amount of £173k was credited to the profit and loss account in the year (2018: £94k charge).

	Principal	Fair value	Principal	Fair value
	29 June	Asset	30 June	Liability
	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	5,450	125	3,309	48

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.

22. CONTINGENT LIABILITY

The company is party to group borrowings facilities under which the various UK companies in the group have unlimited cross-guaranteed in respect of the others' bank borrowings. At 29 June 2019 these borrowings amounted to £12,027K (2018: £13,558K).

23. PENSION ARRANGEMENTS

The company operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £1,010K (2018: £949k), which represented contributions to these schemes. The assets of this scheme are held separately from those of the company in independently administered funds. At 29 June 2019 the amount outstanding to the pension scheme was £116K (2018: £97K).

24. RELATED PARTY TRANSACTIONS

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

The company has a balance owed from the Estate of Mr J E Halewood at 29 June 2019 of £7,385K (2018: £6,200K).

The company has an amount owed from an associated company amounting to £1,272K (2018: £920K).

Notes to the financial statements (continued)

For the 52 weeks ended 29 June 2019

25. ULTIMATE PARENT AND CONTROLLING PARTY

The immediate parent undertaking is Halewood International Holdings (UK) Limited, a company registered in England.

The ultimate parent company and parent undertaking of the largest and smallest group which includes the company is Halewood Wines and Spirits PLC, a company registered in England. Group financial statements for Halewood Wines and Spirits PLC are available to the public on payment of the appropriate fee, from Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

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 holding a majority share of the issued share capital and attached voting rights.

26. POST BALANCE SHEET EVENTS

On 12th August 2019, Halewood International Limited acquired 80% of the ordinary share capital of LoCa Beverages Ltd, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

On 2nd September 2019 Halewood International Limited acquired 100% of the ordinary share capital of Formby Spirits Limited, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

The outbreak of the COVID-19 was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020 and only after that date did major governments, such as the UK, start taking significant mitigating steps. As such the Company considers this to be a non-adjusting post balance sheet event. The full impact of the COVID-19 pandemic on medium- and long-term economic activity is not yet known, although is likely to be significant.

The Company has been monitoring, assessing and reacting to the issues that COVID-19 has created for the employees, business operations and financial performance. Procedures have been put in place to ensure the safety of employees including implementation of extensive cleaning regimes, mandatory mask wearing in operations, temperature check stations, availability of hand sanitise and signs reminding employees and visitors of the need to wash hands regularly and maintain social distancing. Visitors to sites have been reduced to a minimum as has travel by employees. Where practical during lockdown employees worked from home.

As a result of the employee safety matters implemented, there has been no loss of production during the COVID-19 outbreak. During lockdown, the Company saw reduced sales to on trade (bars and restaurants), Duty Free and some export markets. This was however offset by increased sales to grocers, impulse and on line customers. This focus of sales and marketing activities on grocers and on line has delivered a growth of 56% in our top 3 spirits brands compared to same period last year.

The Company has curtailed non essential capital expenditure projects, reduced marketing expenditure and reduced employee numbers.

The Company continues to monitor the impact on its business, however while the uncertainty continues, the Company is not able to quantify the possible financial effect of the pandemic. Some asset and liability carrying values may be impacted, particularly where they are reliant on management's use of estimates and judgements when applying accounting policies.

On 24 August 2020, the company announced consultation with the unions that will complete by October 14th 2020 about the potential closure of the Huyton site. The aim is to close the site by the end of the 2020 calendar year. Spirit production has been relocated to the company's site at Chorley with the plan that Crabbies production will move in November 2020 and Lambrini production will be outsourced.