(+) copy of parent company accounts for subsidiary

ConvivialityRetail Plc.

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Growing together

Annual Report and Accounts 2014

Conviviality Retail is the UK's largest franchised off-licence and convenience chain with 595 stores.

The successful initial public offering ("IPO") in July 2013 has provided a more strategic platform for the Group's development, an appropriate capital structure and has uniquely aligned the Group and its Franchisees through the Franchise incentive scheme.

31 July 2013 Members of the Board and Franchisees celebrate the listing of Conviviality Retail plc

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Financial Highlights

Operational Highlights

- Improved levels of engagement with Franchisees and suppliers
- Quality of business improved by the closure of under-performing stores
- Refreshed Bargain Booze and Bargain Booze Select Convenience brands
- Wine Rack acquisition provided a new fascia for Franchisees, increased our presence in the South and improved our wine capability and credibility
- Acquisition of 31 Rhythm and Booze stores immediately post year end opened up Yorkshire
- Substantial restructuring of the Board – New Chairman, David Adams, two new Non-Executive Directors, Martin Newman and Steve Wilson, a new Commercial Director, Kenton Burchell and new Chief Financial Officer, Andrew Humphreys.

Company overview

Conviviality is the UK's largest off-licence and convenience chain with **595 stores** in **England** and **Wales** operating under the **Bargain Booze, Bargain Booze Select Convenience, Wine Rack** and **Thorougoods** brands.

Stores

415 (27 April 2014)

The UK's largest off-licence chain with 407 "Bargain Booze" and "Bargain Booze Plus" branded stores Bargain Booze stores operate a destination off-licence business with many discounted product lines across all alcohol categories Multibuys and full-case beer deals are used across all stores to attract customers Many stores have a small convenience range of complementary products such as crisps, snacks, confectionery and soft drinks

Stores

21 (27 April 2014)

Wine rack is a specialist wine-led off-licence offering a broad range of wines supported by elements of the Bargain Booze range It offers customers an easy and enjoyable way to buy wine and offers our Franchisees an alternative fascia broadening the number of suitable store locations

Stores

117 (27 April 2014)

A convenience offering, powered by the Bargain Booze licensed range These stores tend to be larger in format than the Bargain Booze and Bargain Booze Plus stores Customers will still typically have alcohol and/or tobacco as the primary reason to visit these stores, however, there will also be everyday groceries on offer, with the stores offering a range of ambient and frozen foods There are also snacks and impulse "for tonight" grocery items on offer These stores tend to be in residential areas

Stores

42 (27 April 2014)

Thorougoods and Thorougoods Select Convenience stores are a convenience, tobacco and news driven format with a good alcohol range, although this is generally not as heavily discounted and promotion led as in a Bargain

Conviviality is a value retailer in the convenience market with prices considerably lower than its competitors. This is achieved by focusing on leading alcohol brands, a lower cost operating model and the ability to execute promotions quickly and seamlessly across the entire network.

UK Coverage

The Group has a very strong presence in its North West heartland and has onsiderable scope to grow throughout the remainder of the country

Using location-planning models the Group has identified a large number of postcodes across the UK ideally suited for Bargain Booze, Bargain Booze Select Convenience or Wine Rack

Conviviality will work closely with existing and new Franchisees over the coming years to capitalise on this opportunity

- Bargain Booze
- Bargain Booze Plus
- Bargain Booze Select Convenience
- Thorougoods
- Thorougoods Select Convenience
- Wine Rack
- Select Convenience

Product range

The Group offers a comprehensive range of major branded products, both licensed and non-licensed Key categories include

- Alcohol,
- Tobacco,
- Impulse items, soft drinks, confectionery, and
- Grocery food items, together with a range of chilled and frozen food items

Logistics

The Group has two central distribution warehouses, in Crewe and Newcastle-under-Lyme in the North West of England, located close to the M6, a major arterial road in the UK motorway network Between the two leased distribution centres the Group is able to provide Franchisees with twice-weekly deliveries made on time and in full

Product mix

Franchisee support

Franchisees benefit from distinctive brands supported by national advertising campaigns and frequent local marketing The EPOS system facilitates themed promotions such as "Happy Hour" and Franchisees benefit from comprehensive call centre support

Chairman's statement

Building on a successful year

David Adams Chairman

This year has been a landmark for the business, the successful Initial Public Offering (IPO) in July 2013 providing a more strategic platform for the Group's development, an appropriate capital structure and importantly aligning the Group and its Franchisees through the Franchisee incentive scheme The response to the float has been positive, demonstrating confidence in the business model and the team's ability to drive a sustainable and profitable future for all our stakeholders

We believe that our results as a listed company reflect delivery of the strategy and actions we set out clearly in the admission document Our trading performance has been in line with our expectations, we have made acquisitions and there exist strong opportunities for future growth

We are pleased to announce that the Board is proposing a final dividend of 6 pence per share, making a full-year dividend of 8 pence per share

I joined the Board as a Non-Executive Director for the float in July 2013 and was delighted to step up to become Chairman in January, to succeed Roger Pedder, who retired from the Board in January 2014 In January 2014, we welcomed two new Non-Executive Directors, Steve Wilson and Martin Newman, who bring a wealth of relevant experience, and who are actively contributing to the Board and to the business

Following seven years in the business Keith Webb, Franchisee Director, resigned from the Board today for personal reasons Keith will remain in the business until 29 August 2014 The Board would like to thank Keith for his contribution to Conviviality and wishes him well for the future

The strength of our business is in its people and I would like to thank, on behalf of the Board, all of our Franchise partners and everyone working in the business for their passion and commitment that is driving our success

David Adams
Chairman
11 July 2014

"The response to the float has been positive, demonstrating confidence in the business model and the team's ability to drive a sustainable and profitable future for all our stakeholders."
David Adams

Business Model

Working together for growth

Conviviality's business model allows our Franchisees to provide consumers with a unique combination of outstanding value and convenience across a compelling alcohol led range

1. Franchisees
The relationship with our Franchisee Partners is critical to the success of the Group Our Franchisees are responsible for running the stores well to drive sales and margin Conviviality provides unrivalled support for its Franchisees including

- Compelling price and promotions
- Destination off-licence range
- National advertising
- Design expertise and financial support for store fit out and new fascias
- Comprehensive retail and merchandising skills training
- Full back office support including EPoS, production of in store marketing and leaflets, payroll, stock management and management information
- A share incentive scheme which rewards Franchisees for their efforts with Conviviality shares so we all benefit from the success of the Group

2 Pricing
Conviviality offers customers a unique combination of outstanding value and exceptional ranges Promotional prices are typically at least 11% lower than the main supermarkets and over 15% lower than the supermarkets convenience chains The stores are carefully located in areas of high population density, such that customers live within a 5 minute drive or 0 5 mile walk of the store

This unrivalled value proposition is achieved by combining buying power, strong strategic supplier relationships, a deep understanding of our customers, promotional expertise and the ability to execute seamlessly across the entire Franchise network

Store locations are carefully chosen using a location-planning tool to ensure the catchment areas have the right number and type of customers who seek the value and ranges Conviviality offers

3. Compelling Range
Conviviality provides Franchisees and customers with a wide range of leading alcohol brands including beer, larger, cider, wine and spirits This is supported by cigarettes and complementary products including crisps, snacks, confectionery, soft drinks and groceries In this way stores are a destination off-licence where customers can buy everything they need at great value and without travelling far

4. National brands
Bargain Booze, Bargain Booze Select Convenience and Wine Rack are distinctive brands with clear propositions and drive footfall into our Franchisees' stores Franchisees are supported by national advertising campaigns at key times during the year and frequent local marketing to reinforce the value proposition and highlight key promotions The award winning Bargain Booze website is designed to drive footfall into store and in the next year will be supported by the "as if it isn't cheap enough" App and the launch of "click and collect"

Wine Rack offers Franchisees the option to expand into locations not ideally suited for Bargain Booze offering a higher margin business

5. Operational Excellence
Conviviality operates an efficient full service back office support to our Franchisees including twice-weekly deliveries that are made on time and in full, within the time slot communicated, making it easier for Franchisees to manage deliveries and maintain availability Our EPoS system facilitates unique promotions such as "happy hour" and the Franchisees benefit from comprehensive call centre support

Chief Executive's review

Creating successful relationships

"These are strong results achieved during a period of significant change for our business and we are making good progress to deliver our strategy."

Diana Hunter Chief Executive Officer

Overview
Over the last year we have been focused on building a long-term and sustainable future for our Franchise partners who work with the Group, for our employees who work for the Group and our shareholders In a period of confirmed uncertainty for high street retailers we have focused on delivering against our aim of being the UK's best value off-licence and convenience retailer We have been working on a programme to deliver substantial change to the business, and we have made good progress in achieving these strategic objectives The Group is committed to building and maintaining strong relationships with its Franchisee partners and growing the number of stores in its portfolio Central to this is an incentivised and motivated Franchisee base

Results
Profit before tax and exceptional items increased £2 2 million to £9 3 million demonstrating the benefit of our new capital structure First year earnings per share are 12 5 pence prior to exceptional items

We are pleased to report profit slightly ahead of market expectations with EBITDA at £12.4 million against £12 6 million last year We have improved the quality of the business through a managed rationalisation of the store portfolio and the acquisition of 22 Wine Rack stores generating turnover of £356 million, an increase of £20,000 per store Gross profit margin increased 0 7ppts helping EBITDA improve to 3 5% of sales from 3 4% last year

Post IPO the Group is debt-free. Following the acquisition and integration of 22 Wine Rack shops and seven corporate stores, the Group ended the year with net cash balances of £10 0 million Immediately post year end we further strengthened the store portfolio by investing £1 8 million to acquire 31 Rhythm and Booze stores

Strategy – To strengthen the relationship with our Franchisees to drive sustainable and profitable growth
The first steps toward achieving our aims were to create greater alignment between those who work with and for the Group and introduce a more stable and long-term capital structure Becoming a public company enabled us to create equity to distribute to our Franchisees to give them a stake in the Group for the first time This is the first scheme of this type, unrivalled in the market and offering free shares based on commitment to our brand standards. Franchisees are very aware of the growth in value of these shares (over 60%) and are keen to be rewarded for their part in the Group's success The full allocation to Franchisees is expected to be 1 2 million shares. A total of 351 Franchisees achieved the required minimum standards to receive awards and 130 were granted the maximum award New Franchisees receive share awards on their first anniversary and the scheme is becoming increasingly attractive to potential Franchisees

We have made significant strides in the first year maintaining a level like for like performance against a tough competitive backdrop We have recognised the need to drive increased levels of footfall, to ensure our brands are front of customers minds through clear and confident marketing, and ensuring our prices are competitive (promotions over 11% cheaper than the multiples), whilst still offering opportunities to up sell and create further margin opportunities. We have a new advertising campaign to emphasise to customers the great value we offer We have continued to develop our capability in events and expect to improve our proposition in the year ahead as was evident during Easter and Christmas, when Bargain Booze stores achieved like for like improvements of 2.2% and 2 8% respectively

Franchisee margin has also seen a consistent improvement every week and has improved on average by 0 3% year to date Not all Franchisees have benefited at the same level and this is a key indicator of the varying performance across the business With better management information to support Franchisees, more store visits to improve best practice and opportunities to discuss ideas, we expect more Franchisees to benefit. Franchisees also gain from an over rider scheme which rewards Franchisees quarterly for improving their wholesale sales This scheme has paid out £365,000 in cash benefit to Franchisees this year, which is equivalent to 0 2% of margin improvement in the second half of the year Overall Franchisees have seen the equivalent of 0 5ppts improvement in their margin versus the prior year

Strategy – To attract quality new recruits and incentivise growth from within
On Admission we identified that we would undertake a managed reduction of stores to improve the quality of our estate and store standards thereby making the Group more attractive to new recruits We are also focusing on helping our existing Franchisees to maximise sales and profit in their catchment areas

During the year 62 stores closed, the majority of which occurred during the first half The impact on turnover was £15 7 million We opened fewer new stores than planned and closed the year with 595 stores, 11 fewer than our stated aim However, it has been encouraging to record that our average weekly sales per store have increased by £430 We expect this to improve further in the year ahead We have concluded the bulk of our store closure programme and anticipate a lower number in the current year

In May, we welcomed North East Convenience Stores to our Franchisee group as they acquired stores in Longbenton and South Shields The North East is an area where we have identified further growth opportunities and this is a key step forward in our approach to the recruitment of high quality Franchisees. We have also continued our push into the South with new store openings in Ramsgate, Stevenage, Broxbourne and Leighton Buzzard

We are currently working with 25 existing Franchisees who wish to open more stores with us and our more targeted approach to site finding will support them in securing successful openings

This represents a key shift in the momentum for growth and new store openings and the introduction of additional Franchisees will remain a priority

Strategy – To strengthen the Bargain Booze brand, driving awareness and broadening its appeal to attract new shoppers
The high street is a challenging place to trade and we have to keep the brand vibrant and relevant to our customers. With Operation Spring Clean, we will uniquely invest in every Franchisee's fascia and at the same time, collect accurate space data which is critical to us driving the next step change in margin improvement through mix. Our analysis of the performance of our existing estate has identified that there is further headroom for growth in many of our catchments. We will be working with our Franchisees to determine how to drive further sales in their catchments

Strategy – To build greater capability and credibility in wine to attract new customer groups
Our appointment of Susan McCraith, Master of Wine, has enabled us to build our credentials in wine and drive greater recognition for all of the brands in our wine offer The wine category now accounts for a 1 2ppts increase sales participation and will as a result, drive more margin benefit for the Group and its Franchisees

Strategy – To undertake strategic acquisitions to drive long-term value
The acquisition of 22 Wine Rack stores and its website on 30 August 2013 significantly increased our credibility and capability in wine, accelerated our expansion into the south and provided a new fascia for growth

The performance of Wine Rack during the Christmas and Easter trading periods was particularly pleasing with 21 8% and 6.4% like for like sales growth respectively We are confident that customers are starting to recognise the improvements in the offer and value for money Our new design Wine Rack store at West Byfleet has been received positively by customers and suppliers and we expect to roll-out this new design to further new stores We have been pleased with the integration of the business and the progress being made to drive improved performance, and during the second half of the year sales improved by 1 4% and 23 new suppliers have started working with us. The Wine Rack proposition as a wine and spirits specialist on the high street offers our Franchisees another complementary fascia to operate alongside the Bargain Booze proposition

The successful acquisition of Wine Rack was followed by the acquisition of 31 Rhythm and Booze stores during May and June 2014 The majority of the acquired stores are located in Yorkshire and Lincolnshire, which strengthens our presence in these areas with 6 of the 31 stores converting to the Wine Rack fascia. For the year ended 31 December 2013, the 31 stores acquired generated revenues of £16 6 million and net profits of £0 1 million We are delighted with the acquisition of these stores and their teams, and the opportunity for growth they bring to the Group

Strategy – To expand into new territories using a mix of fascias and formats
Having taken proactive steps to learn the lessons of the past approach to recruitment, we are creating a more robust site assessment and forecasting model, to use with both existing and potential new Franchisees. Through our analysis we have identified priority locations for growth for both Bargain Booze and Wine Rack fascias in the North East, Yorkshire and the South

Outlook
The year ahead will see us start to reap the benefits of the acquisition of Wine Rack and the Rhythm and Booze stores, improve Wine Rack's online presence, develop Click and Collect and a Bargain Booze App, trial a new larger format store and update the fascias across our existing estate through Operation Spring Clean.

Good progress has been made and more is ahead of us We worked through the first part of our financial year as a private company, and transitioned to public from 31 July 2013 The impact of the change to a public company has been positive, although this created a pipeline lag in our new store openings as Franchisees begin to understand the opportunities that our change programme presents to them, in terms of additional rewards and a more resilient structure to the business. It has only been in the last quarter that we have seen the full benefit with our pipeline of new openings increasing As we look ahead to the new financial year we will continue to build on this strong start to growth and continue to build on consumer enthusiasm for our brands.

We have a significant opportunity ahead of us and we are confident that the firm platform that we have put in place will deliver further improvements for our Company and its Franchise partners

Diana Hunter
Chief Executive Officer
11 July 2014

Our strategy

Our aim is **"to be the best value off-licence-led convenience store in the eyes of our customers, employees and Franchises."**

To achieve this our plan is to:

- Fundamentally strengthen the relationship between Franchisor and Franchisee to drive sustainable and profitable growth
- Attract quality new Franchisees to the business and incentivise growth from within
- Strengthen the Bargain Booze brand, driving awareness and broadening its appeal to new shoppers
- Build greater capability and credibility in wine to attract new customer groups
- Undertake complementary strategic acquisitions to drive long-term value
- Expand into new territories using a mix of fascias and formats
- Be recognised as the Suppliers' strategic partner of choice for the off-licence and convenience channel

Performance against strategic objectives

Strategic Objective	2013 Progress	Future Plans
Fundamentally strengthen the relationship between Franchisor and Franchisee to drive sustainable and profitable growth	Formed elected Franchisee Forum and regular feedback surveys to give Franchisees an input into the development of the proposition Identified champion stores who support other Franchisees to implement best practice Introduced a Bronze, Silver and Gold store standards system to encourage retail best practice and drive sales Created greater alignment by awarding Franchisees shares in the Company based on achieving set performance targets A total of 1 2m shares were awarded to 351 Franchisees These shares vest in September 2016 and at current share prices are worth £5,700 per Franchisee Improved average Franchisee profitability by 10% by closing underperforming stores, driving more footfall into store, improving Franchisee margins by 0 3% points and launching a sales volume based overrider equivalent of a further 0 2% points margin increase	The Franchise Incentive Scheme will continue in 2014/15 allowing Franchisees to increase their share ownership for continued strong performance We aim to further increase Franchisee sales and margin by optimising the product mix in each store. We are in the process of conducting a space audit for each store and preparing new layout and merchandising plans

Strategic Objective	2013 Progress	Future Plans
Attract quality new Franchisees to the business and incentivise growth from within	In 2013/14 we undertook a managed reduction of stores to improve quality thereby making the Group more attractive to new recruits We closed 62 stores driving an increase in average store sales of 3 0%	We have recently added new retailers to our Franchisee group and are actively seeking to add further quality retailers The vast majority of our Franchisees are single site operators and represent the best opportunity for growth We are currently working with 25 existing Franchisees to open further new stores
Strengthen the Bargain Booze brand driving awareness broadening its appeal to new shoppers	We have maintained our Everyday Low Price leadership with products on promotion over 11% cheaper than our competitors and supported this with clear and confident marketing Refreshed the brand with a new advertising campaign and new branding for Bargain Booze and Bargain Booze Select Convenience Redesigned and relaunched the Bargain Booze website Introduced new Wine Rack branding and website	In 2014/15 we will uniquely replace every Franchisee's fascia making the stores more attractive and welcoming We have seen encouraging sales uplifts from the stores that have already got a new Fascia In 2014/15 we will launch Click &Collect and the "as if it's not cheap enough?" App to further broaden the appeal and drive footfall to stores
Build greater capability and credibility in wine to attract new customer groups	We appointed Susan McCraith, Master of Wine, to work alongside the buying team. Together they have overseen a complete review of the wine range ensuring quality throughout all price levels Introduced a new flavour-based approach to merchandising which has proved successful Wine participation has increased 1 2% points.	We will continue to develop our wine range and awareness with our customers through in store merchandising, local marketing and national campaigns We will develop a Wine Rack Franchise as a route to growth
Undertake complementary strategic acquisitions to drive long-term value	In 2013/14 we acquired 22 Wine Rack stores to increase our presence in the south and improve our wine capability and credibility The stores have integrated well and we opened a new store in West Byfleet which received positive recognition from customers and suppliers	In 2014/15 we have already completed the acquisition of 31 Rhythm & Booze stores in Yorkshire and Lincolnshire All stores have been rebranded with six Wine Rack and 25 Bargain Booze The stores are integrating well and trade is encouraging We will make further complementary strategic acquisitions should the right opportunities arise
Expand into new territories using a mix of fascias and formats	We increased our presence in the South with the acquisition of Wine Rack The acquisition of Rhythm and Booze opened up Yorkshire, selling two stores to North East Convenience Stores will help us grow in the North East and we have opened 18 stores in the South over the last two years We have a robust location-planning model and forecasting tool and applied it to each postcode in the UK to produce a priority list of target locations for new stores The immediate priority areas are North East, Yorkshire, Scotland and the South	Our first new larger format store "BB's Warehouse" opened in Wakefield in July 2014 and if successful will be rolled out We are targeting the priority postcodes to identify sites and new Franchisees to increase our presence outside of the north west heartland
Be recognised as the Suppliers strategic partner of choice for the off-licence and convenience channel	The Company held its first ever supplier conference in November 2013 Our relationship with suppliers is a key part of strengthening our position as the UK's largest destination off-licence led convenience chain in the UK	Continue to build on the improvements made in 2013/14 to ensure we provide suppliers with an effective route to market for their products and offer our customers fantastic value

Our strategy in action

Franchisee engagement and performance

Bargain Booze, Grange-over-sands, Cumbria

Paul and Lorraine Hunt have been Franchisees since 2007 They run three stores in Millom, Grange-over-Sands and Dalton-in-Furness All stores have achieved gold standard and Paul and Lorraine are also part of our Champion Store Programme

"Within the last 18 months we have seen several positive developments which have directly benefit us as Franchisees These include an ongoing focus on margin improvement, ours increasing by just over 1% and this has come from both from the buying department and at ground level with advice from Brand Support Managers Alongside this are a great share scheme and a quarterly over rider payment, both of which are financial incentives to ensure Franchisees are meeting targets, following rules and operating at consistently high standards throughout the Group We have invested heavily in the business and feel confident in continuing to expand and develop our group of stores"

"Our margin has increased by just over 1%"
Lorraine Hunt

"We have invested heavily in the business and feel confident in continuing to expand"
Paul Hunt

Repositioning Bargain Booze

Bargain Booze, Wall Heath, West midlands

Simon and Jan Wallis have one store in Wall Heath, it is one of the highest turnover stores in the business They are both passionate about driving their business forward and have been innovative in their approach to meeting customer needs

The store was refurbished in February 2014 creating a cellar-style wine selection The store has been re-branded and they have introduced new ranges

"We have been a Franchisee for over 12 years and are delighted with the new image and enhanced product range This has enabled us to provide a full convenience offering to our local community which has been received extremely well by our customers Our sales volumes and margins have already exceeded expectations"

"When we decided to increase the size of our store and its range, we had no hesitation in renewing our partnership with Conviviality Retail and its Bargain Booze Select Convenience Brand".

Simon Wallis

Our strategy in action

Geographic expansion

Bargain Booze, South Ockenden, Essex

When a Tesco Express store opened directly opposite Mr Sritharan in 2010 he decided to convert to Bargain Booze Select Convenience and has never looked back with the unique alcohol-led convenience offer providing a real point of difference and increasing sales by 130% to £24,000 per week

"I had traded with Spar previously averaging £10,500 per week However, when Tesco Express opened right opposite me, my store's turnover dropped dramatically I realised I had to do something drastic In November 2010 I converted my store to Bargain Booze Select Convenience

The point of difference I now have with Bargain Booze's alcohol package resulted in my turnover instantly increasing, and I am now up year on year by 130%"

"When a Tesco Express opened right opposite I had to do something drastic"

Pannuthurai Sritharan

"Bargain Booze's alcohol package resulted in my turnover instantly increasing, I'm now up 130%"

Pannuthurai Sritharan

Increased focus on wine

Wine rack, West Byfleet, Surrey

Wine underpins our credibility as a destination off-licence in the eyes of our customers

The acquisition of Wine Rack in September 2013 and the appointment of Susan McCraith, Master of Wine, in May 2013 reinforced our wine credentials Our new design store opened in West by Fleet, Surrey, on 7 November The store has clearer sign posting, improved merchandising and stronger imagery featuring regions and producers

Our aim is to offer customers an easier and more enjoyable way to buy wine

"Wine rack is a strong retail brand that is recognised by customers and has the potential for future growth"

Susan McCraith

Susan McCraith
Master of Wine

Financial review

Performing ahead of expectations

"The business now benefits from a debt-free financial structure, with strong operating cash flow, resulting in a net cash balance of £10.0 million as at the year end."

Andrew Humphreys Chief Financial Officer

Group profit before tax excluding exceptional items increased by £2 2 million to £9 3 million driven by an improvement in gross margin, strong cost control and a reduction in financing costs following the financial restructure at IPO This was partly offset by an investment of £0 4 million in Franchisee engagement coupled with a reduction in revenue as we improved the quality of the business by removing underperforming stores

After reflecting exceptional costs of £4 5 million, primarily relating to the IPO, Group profit before tax was £4 8 million (2013 £6 6 million) EBITDA was £12 4 million (2013 £12 6 million) and increased to 3 5% of sales (2013 3 4%) as gross profit margin improved and costs were tightly controlled

Revenue at £355 7 million (2013 £371 8 million) declined by 4 3% primarily due to a reduction in store numbers to 595 (2013 616) and the inclusion of retrospective discounts on wholesale sale invoices This change in wholesale pricing gave a cash flow benefit to Franchisees and reduced revenue by 1 6% but had no impact on profit

Retail sales represent total sales to consumers. For the 52 weeks to 27 April 2014 retail sales were £506 7 million (2013 £531 8 million), a decline of 4 7%, due to the managed reduction of underperforming stores offset by new store openings and the acquisition of Wine Rack

Like for like retail sales were in line with last year and average sales per store increased 3 0% reflecting an increase in the quality of the stores

Wine Rack sales from the date of acquisition on 30 August 2013 to 27 April 2014 were £7 6 million with like for like retail sales in the second half up 1 4% Wine Rack contributed £0 1 million to Group profit before tax for the year

Gross profit strengthened by 0 7 ppts to 9 2% (2013 8 5%) as the number of Company-owned stores increased The change in wholesale pricing, as a result of the inclusion of retrospective discounts on wholesale invoices, added 0 1ppts to gross profit margin

Franchisee gross margin improved by 0 3ppts In addition, Franchisees received over rider payments, for achieving wholesale sales targets, of £365,000 in the second half This is the equivalent of 0 2ppts of gross profit margin or, on average, an annual incremental contribution of £1,289 per Franchise store

Operating expenses before exceptional items increased to £22 7 million (2013 £20 9 million) primarily due to an increase in costs of £2.3 million relating to Company-owned stores and an investment of £0 6 million in connection with the Franchisee and employee share-based incentive plans

The exceptional items, totalling £4 5 million (2013 £0 5 million) are comprised of £3 7 million costs associated with the IPO, £0 3 million costs arising on the acquisition of Wine Rack and Rhythm & Booze, and £0 4 million relating to other re-organisation costs

The business now benefits from a debt-free financial structure, with positive operating cash flow, resulting in a net cash balance of £10 0 million as at the year end

The Group implemented a new financial structure as part of the IPO resulting in the full settlement of senior debt and all loan notes totalling £37 3 million These results include interest charges against the loan notes of £0 7 million incurred between 1 May 2013 and 31 July 2013 which will not repeat in future periods

The effective rate of corporation tax for the year was 27 2% (2013 27 5%) which compares with the main rate of 22 85% (2013 23 9%). The Group has a number of non-deductible expenses for tax purposes primarily relating to legal costs The Group has also re-calculated deferred tax balance to be in line with the new lower corporation tax rate of 21 0% which was effective from April 2014

Earnings per share is 6 1 pence (5 7 pence diluted) and at 12.5 pence (11 6 pence diluted) on a pre-exceptional basis, with the prior year comparative impacted by the change in financial structure as part of the IPO

A final dividend of 6p per share is proposed today for shareholders on the register on 19 September 2014 payable on 17 October 2014 post the Annual General Meeting (AGM)

Andrew Humphreys
Chief Financial Officer
11 July 2014

Key Performance Indicators

How we manage performance

"We have a set of KPIs that allow us to understand both the business performance and that of our Franchisees to help us drive sustained and profitable growth"

Conviviality Performance

Average wholesale sales per store per week
The total sales by Conviviality to our Franchisees or Company-owned stores

Gross margin %
The gross margin generated from sales to our Franchisees and from our Company-owned stores

Operating costs as a percentage of sales
All costs including marketing, logistics and administration expressed as percentage of sales

Cash conversion
Cash generated from operations less investment in fixed assets as percentage of sales

Franchisee Performance

Average retail sales per store per week
The total sales (inclusive of VAT) generated by each store each week

Average Franchisee profits per store per week
This is the gross profit plus all overriders generated by the Franchisees and helps us understand the potential for growth in the store and for the Franchisees to increase the number of stores We do not have full visibility of the operating costs of our Franchisees On an annual basis we include the value of any stores awarded shares

Store standards
The number of stores awarded Gold, Silver or Bronze status

Principal risks and uncertainties

The Group is subject to a wide variety of risks, the key risks are outlined below together with actions being taken to mitigate these risks.

Risk	Description	Mitigating factors
Market and Competition	The alcohol and convenience markets remain competitive and the larger companies in the sector continue to open a significant number of smaller convenience style stores High street competition and increased online offerings may impact on the development of future revenue streams	The Group has well positioned brands which combine a price competitive offer and compelling range, notably within alcohol, which will continue to compete effectively against the competition
Franchisee retention and quality	The retention of Franchisees is fundamental to the Group's future business plan A risk exists that a reduction in stores could have a material impact on the Group's future results It is also possible that higher quality Franchisees could be recruited by another franchisor or symbol group The quality of the Group's Franchisees is an important component of the Group's future strategy, providing a higher quality of earnings and protection to the Group's brand reputation and image	The Group has made good progress over the last year with a significant programme of Franchisee engagement which has strengthened the relationship This, together with improvements in Franchisee margin, a new over-rider scheme and the Franchisee Incentive Programme, has further mitigated this risk The Group is committed to strengthening the quality of its Franchisees and store portfolio and has reduced overall store numbers by specifically closing poorer quality Franchisees and stores
Reputation with customer base	The Group's Franchisees have the direct interaction with the end customer The success of the Group relies on the Franchisees having a good reputation with end customers	The Group provides training and support to Franchisees and assists with promotions, branding and marketing There is a continued focus on store standards and in store execution, and a contractual requirement to buy within the Group with zero tolerance around duty fraud
Legal and Regulatory	There is a risk that new legal and regulatory requirements could impact the business revenue streams or its cost base Examples of this could include minimum unit pricing and waste packaging compliance	On 18 July 2013 the Government announced that it would not be taking forward proposals to introduce minimum unit pricing, but it would be legislating to ban sales below the cost of duty plus VAT An historical waste compliance issue has been resolved and effective procedures are now in place The Group will continue to monitor regulatory and legal developments to determine its strategic and competitive response and ensure compliance with its obligations

Risk	Description	Mitigating factors
Tobacco Demand	The UK government and health industry continue to attempt to discourage people from smoking Whilst tobacco sales do not make a significant contribution to the Group's gross profit, tobacco purchases remain a key driver of footfall into the stores	The Group has developed product range to include tobacco substitutes such as electronic cigarettes and will continue to broaden and improve its convenience offering to mitigate the risk from a reduction in tobacco sales
Data security and IT reliability	The Group relies on its IT infrastructure and in particular the EPoS system to maintain key aspects of the retail proposition. A major breach or malfunction of this system would cause significant disruption to the Group and impact its performance	The Group maintains tight access controls over its data and IT systems, continually monitoring performance and has tight contractual terms with its key IT suppliers The Group's support team, via a third party supplier, ensures all performance issues are resolved promptly
Reliance on key suppliers	The Group relies upon certain key suppliers A breakdown in its relationships could result in short-term disruption to the Group's business	The Group maintains strong working relationships with key suppliers through regular review meetings to monitor performance Robust contractual arrangements are maintained with key suppliers and the Group continually reassesses the strategic value of its supply relationship and the potential to utilise alternative sources
Reliance on key personnel	The Group has a relatively small senior management team and the loss of any key individual or the inability to attract appropriate personnel could impact upon the Group's future performance	The Group maintains competitive and attractive employment terms and conditions, fully empowering key individuals and allowing them to maximise their job satisfaction In addition, the Group ensures there is a clear career path wherever possible to enable individuals to progress their careers The Group ensures that working practices and policies are documented and easily available to reduce the risk of key knowledge leaving the business
Loss of a key operating site or a major health and safety incident	The Group operates from a single head office and central distribution hub based in Crewe, and the loss of this key operating site could seriously disrupt business activity	There are regular and robust risk assessments and the implementation of recommendations arising are aimed at mitigating the risks of operational interruption in the warehouse A disaster recovery plan is in place to enable a pro-active and effective response should a key operating site be lost Health and safety procedures and awareness have been strengthened across the business, with quarterly board reporting and review in place to monitor this risk pro-actively

The Strategic Report, as set out on pages 1 to 17, has been approved by the Board

By order of the Board

Diana Hunter, CEO
11 July 2014

Board of Directors

Since IPO the Board has been transformed with the appointment of a new Chairman, two Non-Executive Directors, a new Chief Financial Officer and a Commercial Director. We are actively seeking a Chief Operating Officer to complete the team

1. David Adams
Chairman

David is an experienced PLC Director who has served in both executive and non-executive capacities in the retail industry David's past roles include Finance Director and Deputy CEO at House of Fraser, Chairman of Jessops Plc and Moss Bros Plc and Non Executive Director at HMV David has also previously been the finance Director at Texas Homecare, Top Shop and Dorothy Perkins David has recently stepped down as Chairman of Musto Ltd He currently is Senior Independent Director and Chair of Audit at both Halfords plc and Hornby Plc and is Chairman of Park Cameras and Walk the Walk, a breast cancer charity

2. Diana Hunter
Chief Executive Officer

Prior to joining Conviviality Retail, Diana worked for Waitrose within the John Lewis Partnership for nine years in various roles including Head of Merchandising, Director of Store Development and latterly as Convenience Director She was charged with leading the Waitrose drive into the Convenience market through the roll out of the "Little Waitrose" format to over 50 sites

Diana began her career at Sainsbury's where over 13 years she held numerous senior roles including leading investment programmes and heading the format development of Sainsbury's

3. Andrew Humphreys
Chief Financial Officer

Andrew joined Conviviality Retail from Direct Wines, a large international multi-channel wine retailer, where he held the position of Chief Financial Officer Previously he held senior finance roles at Shop Direct Group and Carphone Warehouse and he brings a wealth of retail finance experience

4. Steve Wilson
Non-Executive Director

Steve Wilson is Group Finance Director of Headlam Group plc Headlam is Europe's largest floorcoverings distributor and is listed on the London Stock Exchange's main market. Steve has significant public company experience, having been on the board of Headlam since 1991 He served on the board of Synergy Health Plc as Non-Executive Chairman for eight years between 2002 and 2010 Steve brings additional financial expertise and experience of the equity markets to the Board Conviviality is Steve's only non-executive position outside his main role at Headlam

5. Kenton Burchell
Commercial Director

Kenton Burchell is an experienced commercial operator who has held several senior positions in retail over a 25-year career Kenton joined Conviviality from Musgrave Retail Partners GB, the operators of amongst other brands Budgens, Supavalu and Londis where he was most recently Trading Director, and has previously been Head of Trading Operations and Head of Buying

6. Martin Newman
Non-Executive Director

Martin has been involved with multichannel retail for more than 25 years, having had P&L responsibility for retail, direct mail, ecommerce and call centre channels for a number of retailers and brands His previous roles have included head of ecommerce for Burberry and Ted Baker, Interim Director of Ecommerce for Pentland Brands as well as the Head of Marketing for Harrods' home shopping division Martin is currently CEO of strategic multichannel consultancy Practicology and sits on the Advisory Board to international bicycle retailer Wiggle

Directors' report

The Directors present their Report and Consolidated Financial Statements for the 52 weeks ending 27 April 2014

Change of name
On 10 May 2013, the Company changed its name from Bargain Booze Holdings Limited to Conviviality Retail Limited and on 9 July 2013, re-registered as a public limited company and changed its name to Conviviality Retail Plc

Share Listing
The Company's ordinary shares were admitted to and traded on AIM, a market operated by the London Stock Exchange with effect from 31 July 2013 Further information regarding the Company's share capital is set out in note 21 to the consolidated financial statements

Capital Structure
The Group implemented a new financial structure as part of the IPO resulting in the full settlement of senior debt and all loan notes totaling £36 million Acquisitions have been funded out of cash resources, and the general corporate and working capital requirements are supported by a Receivables Finance Agreement from RBS Invoice Finance Limited Bargain Booze Limited also entered into a bank agreement with National Westminster Bank Plc on the 18 July 2013 whereby the bank provides guarantees for certain suppliers Additional details of these facilities are provided in note 17 of the consolidated financial statements

Governance
The Directors acknowledge the importance of the principles set out in the Corporate Governance Code The Corporate Governance Code is not compulsory for AIM quoted companies and has not been complied with However, the Directors intend to apply the principles as considered appropriate given the size and nature of the Company in accordance with the UK Corporate Governance Code and the QCA Corporate Governance Code for Small and Mid-Size quoted companies 2013

The Board comprises six Directors, of which three are Executive Directors and three are Non-Executive Directors, and reflect a blend of different experience and backgrounds (see Directors' Profiles on pages 18 and 19) The Board meets monthly to consider strategy, performance and the effectiveness of internal controls amongst other things

At each AGM of the Company, one-third of the Directors (or the number nearest to but not exceeding one-third when the number of Directors is not a multiple of three) shall retire from office In addition, any Director who has been a Director at each of the preceding two AGMs shall also retire Each such Director may, if eligible, offer themselves for re-election If the Company, at the meeting at which a Director retires, does not fill the vacancy the retiring Director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the Director is put to the meeting and lost

The Audit Committee is chaired by Steve Wilson, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Company's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interest of the Shareholders The Committee meets at least twice a year, with David Adams being the other Audit Committee member

The Nomination Committee is chaired by David Adams, and identifies and nominates for the approval of the Board candidates to fill board vacancies as and when they arise The Committee meets at least once a year, with Steve Wilson and Martin Newman being the other Committee members

The Remuneration Committee is chaired by Martin Newman, and reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders The Committee meets at least once a year, with David Adams and Steve Wilson being the other Committee members

Executive Directors are invited to attend Committee meetings as required from time to time

The Directors understand the importance of complying with the AIM Rules relating to Directors' dealings and have established a share dealing code which is appropriate for an AIM quoted company

Control Environment
The Directors are responsible for the internal controls of the Group and have established a framework intended to provide reasonable but not absolute assurance against material financial misstatement or loss

An annual budget is prepared against which specific objectives and targets are set This budget is reviewed and approved by the Board on a regular basis, with trading activity monitored weekly and internal management accounts prepared and reviewed monthly with comparisons against the latest plan and prior year The Group will continue to review and develop operating documentation and controls as the business develops

Health and Safety

The Group is committed to high standards in health, safety and environmental performance It is the Group's policy to abide by all laws, directives and regulations relevant to its operations and to act in a manner so as to minimise the effects of its operations on the environment The Group seeks to provide safe places and systems of work, plant and machinery, handling of materials and ensures appropriate information, instruction and training is in place The Group has procedures relating to the appropriate reporting and monitoring of accidents, incidents and dangerous occurrences, employees are encouraged to identify and report on any potential policy breach to ensure preventative actions are taken to avoid any unsafe work practices Emphasis is placed on all employees having a responsibility to maintain a safe working environment Health and Safety reports are published quarterly and are reviewed by the Board

Financial Risk Management

Financial risk is managed through a formal quarterly update by the Board and informally on an ongoing basis The key risks relating to the Group are outlined in more detail in note 19 to the consolidated financial statements

Regulatory

Due to industry-wide issues surrounding the price and availability of Glass Packaging Recovery Notes (PRNs), the Group failed to meet its obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 during 2012 As a result the Group entered into discussions with the Environment Agency (EA) regarding this historical non-compliance in December 2012

It was possible that the EA would pursue either an enforcement undertaking, which involves a fine of a specified amount not usually less than the cost avoided, plus a penalty amount and an amount to cover the EA's costs being donated to charity, a variable monetary penalty or enforcement action against the Group An enforcement action is a criminal sanction, prosecuted through the Courts and results in a fine being payable by the Group that is the subject of the action This fine is decided by the Courts but is usually larger than amounts due under either enforcement undertakings or variable monetary penalties

The Group's Enforcement Undertaking offer was formally accepted on 23 April 2014, following extensive investigation and review with full and final settlement, requiring a donation of £188,109 to Groundworks Cheshire for use in various projects, on 11 June 2014 The settlement and associated legal costs were contained within the provision put in place in the 2013 accounts

Moving forward, the Group's obligations under the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 are being monitored, controlled and complied with on an ongoing basis

Responsible Retailing

The Group acknowledges that alcohol misuse and underage drinking are issues causing real concern The Group takes these matters very seriously and is committed to the responsible retailing of alcohol in order to mitigate their impact The Group is a supporter of Drinkaware, the government sponsored trust which promotes responsible drinking, and in addition, the Group operates the Challenge 25 scheme to ensure that minors are not able to purchase alcohol in our stores Responsible retailing is re-enforced through awareness training for both our employees and Franchisees We insist on high levels of training for Franchisees and regular store audits We believe that our independent Franchisee retailers take their responsibilities very seriously and, through their excellent local community links, are in a strong position to exercise responsible retailing effectively

Charitable Donations

Charitable donations made during the year totalled £19,500 with the main beneficiaries being The Drink Aware Trust, The National Association for Children of Alcoholics and The Cheshire Community Foundation As a key employer in the community of Cheshire we recognise the role we play in supporting the community We put in place an apprentice scheme which provides assistance for young people seeking employment, and we contribute to and support the Cheshire Community Foundation In addition, the Group contributed £5,500 worth of product to food banks and trained two members of staff to become volunteers who will, going forward, spend a combined total of four hours per week in schools coaching children to improve their reading skills Moving forward, the Group has introduced an annual matched giving scheme enabling employees to receive £100 of charitable donations based on their own fundraising activities Our Franchisees also play an active role in their local communities and support a wide variety of charitable organisations across the country

Substantial Shareholdings

At 30 June 2014, the Company had been notified of the following interests of over 3% of the issued share capital

Shareholder	Shareholding %
Henderson Global Investors	14 5
Hargreave Hale	11 9
Miton Asset Management	9 1
Artemis Investment Management	7 6
AXA Framlington Asset Management	7 1
Unicorn Asset Management	6 5
Schroder Investment Management	5 4
Jupiter Asset Management	5 2
Investec Asset Management	4 7
River and Mercantile Asset Management	4 6
Bargain Booze Employee Benefit Trust	3 2
Ruffer	3 1

Remuneration report

Directors and Directors' interests

The Directors listed below all served throughout the period, or were appointed on the dates indicated below Their interests in the issued share capital of the Company as at 27 April was as follows

	Date of appointment	Date of resignation	2014 Number	2013 Number
D Hunter			–	–
D A R Adams	30 July 2013		12,500	
M D Newman	1 February 2014		5,600	–
S G Wilson	1 February 2014		12,500	–
K P Burchell	3 March 2014		–	–
C A Humphreys	16 June 2014		–	–
K H Webb			–	–
J A Wirth	4 November 2013	27 June 2014	5,560	–
			36,160	–

There have been no changes in the interests of the Directors in the issued share capital of the Company between 27 April 2014 and the date of this report

The following Directors also served during the period, until their resignation, as detailed below

	Date of resignation
M Crabtree	30 April 2013
P Dockerty	9 July 2013
J A Hayhurst	9 July 2013
P E Hodgson	4 November 2013
R A Pedder	31 January 2014
T D Raffle	9 July 2013
T W J Stanley	9 July 2013

Insurance cover is in force in respect of the personal liabilities which may be incurred by Directors of the Company in the course of their service with the Group, as permitted by the Companies Act 2006

Directors Remuneration

Directors remuneration information for those individuals who have served as a Director of the Company since 31 July 2013, the date of IPO, are presented below The information presented in respect of these Directors is for the full financial period

Individual	Basic salary and fees £	Bonus paid on achieving IPO £	Annual Bonus £	Benefits £	Payment in lieu of pension £	Payment on loss of office £	Total £
D Hunter	256,667	131,810	93,000	28,460	53,333	–	563,270
D A R Adams*	38,333	–	–	–	–	–	38,333
M D Newman	10,000	–	–	–	–	–	10,000
S G Wilson	10,000	–	–	–	–	–	10,000
K P Burchell	31,667	–	–	3,218		–	34,885
P E Hodgson	151,298	–	–	13,915		149,970	315,183
R A Pedder	60,000	–	–	–	–	–	60,000
K H Webb	175,000	–	35,000	14,098	–	–	224,098
J A Wirth	96,250	–	20,000	10,319	–	–	126,569
Other Directors	69,826			4,844		503,295	577,965
	899,041	131,810	148,000	74,854	53,333	653,265	1,960,303

* Amounts payable in respect of this Director are charged as fees to the Company

The Directors' interest in share options under the ESOP was as follows

Individual	Date of grant	Earliest exercise date	Expiry date	Exercise price (pence)	Number at 29 April 2013*	Granted/ (Exercised)	Weighted average market price on exercise (pence)	Number at 27 April 2014
D Hunter	26/02/2013	31/07/2013	25/02/2023	2 7	1,676,809	–	–	1,676,809
	31/07/2013	31/07/2016	30/07/2023	100	–	2,001,000	–	2,001,000
K P Burchell	03/03/2014	03/03/2017	02/03/2024	187	–	101,604	–	101,604
K H Webb	26/02/2013	31/07/2013	25/02/2023	2 7	1,173,748	(881,874)	117 7	291,874
	31/07/2013	31/07/2016	30/07/2023	100	–	175,000	–	175,000
J A Wirth	04/11/2013	04/11/2016	03/11/2023	100	–	195,000	–	195,000

* On 8 July 2013 each ordinary share was sub-divided into 36 77614821 ordinary shares The opening number of options held has been restated to reflect the share restructuring

The Group operates a number of share option and share award schemes to its employees The Executive Directors only participate in the Employee Share Ownership Plan (ESOP), which is supervised by the Remuneration Committee Details of other schemes are provided in note 28 to the consolidated financial statements

ESOP

The ESOP is supervised by the Remuneration Committee Participation by Executive Directors, including the size of the awards, will be determined by the Remuneration Committee The awards granted on 26 February 2013, vested on successful admission to AIM All subsequent grants vest on completion of three years' service to the Company The award price payable per share is determined by the Board but shall not be less than the market value of the shares as at the date of grant For awards granted on or around admission, the award price was taken to be the Placing Price Options are forfeited if the employee leaves the Company before the options vest

The total market value, at the relevant grant date, of awards granted to each Executive Director in the same financial year under the ESOP may not exceed an amount equal to 100% of the higher of the Director's basic salary, expressed as an annual rate as at the grant date, or the basic salary for the period of 12 months prior to the grant date This limit did not apply in relation to awards made on Admission to Diana Hunter

In addition to the completion of three years' service, the vesting of awards made to Executive Directors are subject to the achievement of performance targets as follows

- Achieving EBITDA targets, pre-share-based payment charge, of £12 million, £12 7 million and £13 5 million for each of the years ending 27 April 2014, 26 April 2015 and 24 April 2016 respectively;
- If one year is missed, but the aggregate EBITDA for the three years is realised, the options will still vest, and
- Performance targets for future grants may be applied at the discretion of the Remuneration Committee

Remuneration report continued

Directors' Service contracts and employment letters

The Executive Directors have entered into service agreements with the Company at the following annual salaries with effect from the earlier of 18 July 2013, or the date of appointment as a Director These are subject to annual review by the Remuneration Committee The first review took place in May 2014

	£
D Hunter	310,000
K P Burchell	190,000
K H Webb	175,000
J A Wirth	195,000

Each Executive Director's employment will continue until terminated by either party by written notice The notice periods applicable are six months, with the exception of Diana Hunter, for whom it is 12 months Other fixed elements of the Executive Directors' remuneration comprise a car allowance, life assurance, permanent health and disability insurance and private medical insurance The Company may elect to terminate the employment of each Executive Director by making a payment in lieu of notice equal to their basic salary in a lump sum or monthly installments.

Each of the Executive Directors has agreed to confidentiality undertakings, without limitation as to time, and have agreed to non-compete, non-solicitation and non-dealing restrictive covenants that apply for a period of 12 months following termination of employment with the Group in the case of Diana Hunter and six months following termination of their employment with the Group in all other cases

Each Executive Director is eligible to participate in a discretionary annual bonus scheme on the terms decided by the Remuneration Committee from time to time Initially maximum bonus is 20% of basic annual salary based 10% on EBITDA performance and 10% on personal objectives and subject to EBITDA targets being reached

As at 27 April 2014 it was assessed that performance bonuses would be due and consequently £148,000 has been accrued

The Non-Executive Directors have entered into appointment letters Under the terms of these letters, the Non-Executive Directors are entitled to an annual fee as set out below

	£
D A R Adams	65,000
M D Newman	40,000
S G Wilson	40,000

The appointments are terminable by either party with one months' written notice The Company may pay the Non-Executive Directors in lieu of their notice period

Auditors and disclosure of information to auditors

Each Director in office at the date of approval of this report has confirmed that

- So far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- He/she has taken all reasonable 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 auditors are aware of that information

In accordance with Section 489 of the Companies Act 2006, a resolution will be proposed at the AGM that Grant Thornton UK LLP be re-appointed as auditors

Diana Hunter, CEO
11 July 2014

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' 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 prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and elected to prepare financial statements for the parent company in accordance with United Kingdom Generally Accepted Accounting Practice ("United Kingdom Accounting Standards and applicable laws") 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 Group and the Company 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 IFRSs and 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 the 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board

Diana Hunter, CEO
11 July 2014

Independent auditor's report to the members of Conviviality Retail Plc

We have audited the financial statements of Conviviality Retail plc (formerly Conviviality Retail Limited) for the 52 weeks ended 27 April 2014 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company balance sheet and the related notes The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 27 April 2014 and of the Group's profit for the period then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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

Kevin Engel (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Manchester
11 July 2014

Consolidated income statement

For the 52 weeks ended 27 April 2014

	Note	Before exceptional items 2014 £000	Exceptional items 2014 £000	Total 2014 £000	Before exceptional items 2013 £000	Exceptional items 2013 £000	Total 2013 £000
Continuing operations							
Revenue		355,718	–	355,718	371,783	–	371,783
Cost of sales		(322,968)	–	(322,968)	(340,124)	–	(340,124)
Gross profit		32,750	–	32,750	31,659	–	31,659
Operating expenses	4	(22,744)	(3,869)	(26,613)	(20,880)	(499)	(21,379)
Operating profit	4	10,006	(3,869)	6,137	10,779	(499)	10,280
Finance income	6	29	–	29	32	–	32
Finance costs	6	(729)	(612)	(1,341)	(3,734)	–	(3,734)
Profit before income tax		9,306	(4,481)	4,825	7,077	(499)	6,578
Income tax expense	7	(2,120)	807	(1,313)	(1,810)	–	(1,810)
Profit for the financial period		7,186	(3,674)	3,512	5,267	(499)	4,768
Earnings per ordinary share							
– Basic	8			6 1p			15 1p
– Diluted	8			5 7p			14 9p

The results for the financial period are derived from continuing operations

There were no elements of other comprehensive income for any of the financial periods above other than those included in the consolidated income statements and therefore no statement of comprehensive income has been presented

Consolidated statement of financial position
As at 27 April 2014

	Note	2014 £000	2013 £000
Non-current assets			
Property, plant and equipment	10	3,397	3,171
Goodwill	11	35,510	34,483
Intangible assets	12	810	-
Deferred taxation asset	20	1,117	2,156
Total non-current assets		40,834	39,810
Current assets			
Assets held for sale	13	150	-
Inventories	14	11,778	13,455
Trade and other receivables	15	31,685	29,983
Cash and cash equivalents	16	9,974	12,299
Total current assets		53,587	55,737
Total assets		94,421	95,547
Current liabilities			
Trade and other payables	17	(43,733)	(47,729)
Borrowings	18	-	(2,439)
Current taxation payable		(837)	(668)
Total current liabilities		(44,570)	(50,836)
Non-current liabilities			
Borrowings	18	-	(33,596)
Total liabilities		(44,570)	(84,432)
Net assets		49,851	11,115
Shareholders' equity			
Share capital	21	57	9
Share premium	22	34,020	904
Share-based payment and other reserves	22	956	(17)
Retained earnings		14,818	10,219
Total equity		49,851	11,115

These financial statements were approved and authorised for issue by the Board of Directors on 11 July 2014

Diana Hunter, CEO
Conviviality Retail Plc

Company registration number: 5592636

Consolidated statement of changes in equity
For the 52 weeks ended 27 April 2014

	Note	Share capital £000	Share premium £000	Share-based payment and other reserves £000	Retained earnings £000	Total equity £000
Balance at 30 April 2012		9	904	–	6,451	7,364
Profit for the financial period		–	–	–	4,768	4,768
Total comprehensive income for the period		9	904	–	11,219	12,132
Transactions with owners:						
Dividends	9	–	–	–	(1,000)	(1,000)
Acquisition of shares for EBT	22	–	–	(84)	–	(84)
Share-based payment charge	5	–	–	67	–	67
Total transactions with owners		–	–	(17)	(1,000)	(1,017)
Balance at 28 April 2013		9	904	(17)	10,219	11,115
Profit for the financial period		–	–	–	3,512	3,512
Total comprehensive income for the period		–	–	–	3,512	3,512
Transactions with owners						
Issue of new deferred shares	21	41	(41)	–	–	–
Issue of new ordinary shares	21	7	33,157	–	–	33,164
Transfer of share-based payment charge	22	–	–	(2,379)	2,379	–
Dividends	9	–	–	–	(1,292)	(1,292)
Acquisition of shares for EBT	22	–	–	(10)	–	(10)
Disposal of shares from EBT		–	–	36	–	36
Share-based payment charge	28	–	–	2,945	–	2,945
Deferred tax on share-based payment charge	20	–	–	381	–	381
Total transactions with owners		48	33,116	973	1,087	35,224
Balance at 27 April 2014		**57**	**34,020**	**956**	**14,816**	**49,851**

Consolidated statement of cash flows

For the 52 weeks ended 27 April 2014

	Note	2014 £000	2013 £000
Cash flows from operating activities			
Cash generated from operations	23	5,998	24,253
Interest paid		(84)	(3,429)
Income tax received/(paid)		42	(2,347)
Net cash generated from operating activities		5,956	18,477
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(1,548)	(1,624)
Proceeds from sale of property, plant and equipment		134	66
Interest received		29	32
Purchase of subsidiary undertaking (net of cash acquired)	29	(1,456)	-
Purchase of other business combinations	29	(457)	-
Net cash used in investing activities		(3,298)	(1,526)
Cash flows from financing activities			
Dividends paid	9	(1,292)	(1,000)
Repayments of borrowings		(37,310)	(4,185)
Proceeds from sale of shares on IPO		33,164	-
Proceeds from sale of shares held by EBT		465	-
Purchase of shares for EBT	22	(10)	(84)
Net cash used in financing activities		(4,983)	(5,269)
Net (decrease)/increase in cash and cash equivalents		(2,325)	11,682
Cash and cash equivalents at beginning of the period	16	12,299	617
Cash and cash equivalents at the end of the period	16	9,974	12,299

Notes to the financial statements

1. General Information

The principal activity of Conviviality Retail Plc (the "Company") and its subsidiaries (together, the "Group" or "Conviviality Retail") is that of wholesale and retail supply of beers, wines, spirits, tobacco, grocery and confectionery

The Company is incorporated and domiciled in the United Kingdom The address of its registered office is Weston Road, Crewe, Cheshire CW1 6BP On 10 May 2013, the Company changed its name from Bargain Booze Holdings Limited to Conviviality Retail Limited and on 9 July 2013, re-registered as a public limited company and changed its name to Conviviality Retail Plc The registered number of the Company is 5592636

The financial information presented is for the 52 week periods ended 27 April 2014 and 28 April 2013 The consolidated financial information is presented in sterling, which is also the functional currency of the parent company, and has been rounded to the nearest thousand (£000)

2. Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below These policies have been consistently applied to all periods presented, unless otherwise stated

Basis of preparation

The Consolidated Financial Statements for the 52 weeks ended 27 April 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The consolidated financial information has been prepared on a going concern basis and under the historical cost convention

The first consolidated financial statements which were prepared under IFRS as adopted by the European Union, are the Historical Financial Information included within the AIM Admission Document A copy of these financial statements can be obtained from the Group's website www convivialityretail co uk The date of transition to IFRS was 1 May 2010, and disclosures concerning the transition from UK GAAP to IFRS are detailed in note 28 of the AIM Admission Document Therefore, the consolidated financial statements for the 52 weeks ended 27 April 2014 do not constitute the first IFRS financial statements of the Group, and accordingly no associated disclosures are provided

The Directors have prepared cash flow forecasts for the period until April 2015 Based on these, the Directors confirm that there are sufficient cash reserves to fund the business for the period under review, and believe that the Group is well placed to manage its business risk successfully For this reason they continue to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The financial information comprises a consolidation of the financial information of Conviviality Retail Plc and all its subsidiaries The financial period ends of all Group entities are coterminous

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights Subsidiaries are fully consolidated from the date on which control is transferred to the Group They are de-consolidated from the date that control ceases

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated except to the extent they provide evidence of impairment of the asset transferred

The Group operates an employee benefit trust ("EBT") and a Franchisee incentive trust ("FIT") for the purposes of acquiring shares to fund share awards made to employees and Franchisees respectively The assets and liabilities of these trusts have been included in the consolidated financial information The cost of purchasing own shares held by the EBT and FIT are accounted for in other reserves

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued

Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at the fair values at the acquisition date

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill If this is less than the fair value of the net assets of the subsidiary, the difference is recognised directly in the income statement

2. Accounting Policies continued

Critical accounting estimates and assumptions

The preparation of financial information in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

The Group makes certain estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are considered to relate to

(a) Carrying value of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value The estimation of the timing and value of underlying projected cash flows and selection of appropriate discount rates involves management judgment Subsequent changes to these estimates or judgments may impact the carrying value of the goodwill, which at 27 April 2014 was £35,510,000 (note 11)

(b) Impairment of trade receivables

The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 39 A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all outstanding amounts in full due to the receivables being classified as "bad" or there are indications that the collection is "doubtful" The amount of any loss is recognised in the income statement within operating costs Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement The carrying value of trade receivables at 27 April 2014 is £30,808,000 and the associated provision is £1,629,000 (note 15)

(c) Share options

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen, and the estimation of the number of awards that will ultimately vest The key assumptions are on expected life of share options, volatility of shares, the risk free yield to maturity and expected dividend yield The total charge for equity and cash-settled share-based payments for the financial year was £3,433,000 (note 28)

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM") The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive Directors

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") The consolidated financial information is presented in Sterling, which is the Company's and subsidiaries' functional and presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange ruling at that date Foreign exchange gains and losses arising on translation are recognised in the income statement for the period

Revenue

Revenue is in respect of wholesale and retail distribution in the UK, and is recognised when the significant risks and benefits of ownership of the product has been transferred to the buyer Revenue is the total amount receivable by the Group for goods supplied, excluding VAT and trade discounts.

Wholesale revenue is recognised on dispatch of the product from the warehouse

Retail revenue is recognised at the point of sale to the buyer, which is when goods are delivered to the customer

Cost of sales

Cost of sales represent the cost to the Group of the product sold It consists of all external costs incurred in procuring goods for resale and delivering them to the distribution warehouses, as well as any adjustments to inventory

Notes to the financial statements continued

2. Accounting Policies continued

Operating costs

Operating costs consists of distribution costs, administrative expenses, head office costs, and the costs associated with running corporately owned stores

Property, plant and equipment

Items of property, plant and equipment are stated at historic purchase cost less accumulated depreciation and any provision for impairment Cost includes the original purchase price of the asset and the costs attributable to bringing the asset into working condition for its intended use

Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis over its estimated useful life No depreciation is provided on land

Leasehold buildings	shorter of lease term and 50 years
Plant and equipment	3 to 10 years
Motor vehicle	18 months

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, and is carried at cost less accumulated impairment losses

Goodwill is allocated to CGUs for the purpose of impairment testing A CGU is identified at the lowest aggregation of assets that generate largely independent cash inflows, and that which is looked at by management for monitoring and managing the business The Group's two CGUs, are Bargain Booze and Wine Rack

If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit Any impairment is recognised immediately in the income statement and is not reversed Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date

(b) Other intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses Intangible assets arising on acquisition of subsidiaries are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably

Amortisation is calculated on a straight-line basis over the estimated useful life of the intangible asset The useful life of the Group's intangible asset is 20 years, with a residual value of £Nil

Impairment reviews are carried out if events or changes in circumstances indicate that the carrying value of an asset may be impaired An impairment loss is recognised in the income statement when the asset's carrying value exceeds its recoverable amount Its recoverable amount is the higher of an asset's fair value less costs to sell and value in use Impairment losses are not reversed

Assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use This condition is regarded as met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification These assets are measured at the lower of carrying value and fair value less costs to sell

Inventory

Inventory comprises goods held for resale which are valued at the lower of cost and net realisable value Cost is calculated using the first in, first out method Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses Provision is made for slow moving and obsolete stock if required

2. Accounting Policies continued

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all outstanding amounts in full due to the receivables being classified as "bad" or there are indications that collection is "doubtful"

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating costs When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement

Other receivables are non-interest bearing and are recognised initially at fair value and subsequently at amortised cost

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks

Trade and other payables

Trade payables are obligations to pay for goods and services which have been acquired in the commercial operations of the Group Trade payables are classified as current liabilities if payment is due within one year or less If not, they are presented as non-current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently carried at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down In this case, the fee is deferred until the draw-down occurs To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid Final dividends on ordinary shares are recognised when they have been approved either at the AGM or by the Board of Directors

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group All other leases are classified as operating leases

Operating leases

Assets leased under operating leases are not recorded on the statement of financial position Rental payments are charged directly to the income statement on a straight-line basis over the lease term Any lease incentives, primarily up-front cash payments or rent-free periods, are capitalised and spread over the period of the lease term

Taxation

The tax expense for the period comprises of current and deferred tax Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or in equity In this case, the tax is recognised directly in other comprehensive income or in equity

(a) Current taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the reporting date Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

(b) Deferred taxation

Deferred tax is recognised using the statement of financial position liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the historical financial information Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Notes to the financial statements continued

2. Accounting Policies continued

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised The carrying amount of deferred tax assets is reviewed at each reporting date

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis

Pension costs

The Group operates a stakeholder defined contribution pension scheme None of the Group's employees have joined the stakeholder pension scheme and consequently there are no contributions recognised as an employee benefit expense

Exceptional items

The Group treats certain items which are considered to be one-off and not representative of the underlying trading of the Group as exceptional in nature

The Directors apply judgment in assessing the particular items, which by virtue of their scale and nature, should be classified as exceptional items The Directors consider that separate disclosure of these items is relevant to an understanding of the Groups' financial performance

Share-based payments

The Group issues equity and cash-settled share-based payments to certain employees and Franchisees Equity-settled share-based payments are measured at fair value, excluding the effect of non market-based vesting conditions, at the date of grant The fair value determined at the grant date, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Fair value is measured using a Black-Scholes pricing model The expected useful life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date

Equity

Equity comprises the following

- "Share capital" represents the nominal value of equity shares,
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,
- "Share-based payment and other reserves" incorporates purchase of own shares, movement in the Group's EBT and FIT, and the IFRS 2 "Share-based payment" charge for the year
- "Retained earnings" represents cumulative retained earnings

New standards and interpretations

At the date of authorisation of the financial information, the following standards and interpretations were in issue but not yet effective, and have not been early adopted by the Group

- IFRS 10, "Consolidated Financial Statements" (effective 1 January 2013)†
- IFRS 11, "Joint Arrangements" (effective 1 January 2013)†
- IFRS 12, "Disclosures of Interests in Other Entities" (effective 1 January 2013)†
- IAS 27 (revised), "Separate Financial Statements" (effective 1 January 2013)†
- IAS 28 (revised), "Investments in Associates and Joint Ventures" (effective 1 January 2013)†
- IFRIC Interpretation 21 "Levies" (effective 1 January 2014);
- Transition Guidance – Amendments to IFRS10, IFRS11 and IFRS12 (effective 1 January 2013)†
- Investment Entities – Amendments to IFRS10, IFRS12 and IAS 27 (effective 1 January 2014)†
- "Offsetting financial assets and financial liabilities", Amendments to IAS 32 (effective 1 January 2014)
- "Recoverable Amount Disclosures for Non-Financial Assets", Amendments to IAS 36 (effective 1 January 2014),
- Novation of Derivatives and Continuation of Hedge Accounting, Amendments to IAS 39 (effective 1 January 2014),

† EU endorsed effective from 1 January 2014

The adoption of these standards and interpretations is not expected to have a material impact on the Group in the period they are applied

3. Segment Information

The Group's activities consist of the wholesale and retail distribution of beers, wines, spirits, tobacco, grocery and confectionery within the United Kingdom The Executive Directors of the Board are considered to be the chief operating decision maker ("CODM") The business is managed as one entity, and activities are not split into any further regional or product subdivisions in the internal management reporting, as any such split would not provide the Group's management with meaningful information Consequently, all activities relate to this one segment

The CODM manages the business using EBITDA pre-exceptional and share-based payment costs The table below provides a reconciliation from this figure, to the reported profit before tax in the consolidated income statement

	2014 £000	2013 £000
EBITDA	12,425	12,582
Depreciation	(1,753)	(1,704)
Amortisation	(28)	-
Non-exceptional share-based payment charge	(638)	(67)
Exceptional costs (note 4b)	(3,869)	(499)
Net finance expense	(700)	(3,734)
Exceptional finance expense (note 6)	(612)	-
Profit before income tax	4,825	6,578

No individual customer accounts for 10% or more of the Group's revenue in either 2014 or 2013

4. Operating Profit

(a) Operating profit is arrived at after charging

	Note	2014 £000	2013 £000
Distribution		6,255	6,524
Depreciation of property, plant and equipment	10	1,753	1,704
Amortisation of intangible assets	12	28	-
Loss on disposal of property, plant and equipment		8	24
Operating lease payments			
– Land and buildings		1,360	1,030
– Plant and machinery		400	388
Share-based payment expense (non-exceptional)	28	638	67
Exceptional items	4(b)	3,869	499

(b) Exceptional costs

The exceptional costs which are recognised within operating costs, are analysed below

	2014 £000	2013 £000
Costs associated with the IPO	3,086	-
Costs associated with acquisitions	344	-
Other non-recurring events and projects	439	499
Total exceptional items	3,869	499

The costs associated with the IPO consist of the fair value of the executive share options vesting on IPO (£1,936,000), NIC payable on these options (£462,000), the fair value of the warrant issued to Zeus as described in the AIM admission document dated 18 July 2013 (£397,000), costs associated with IPO that were not met by the previous shareholders (£720,000) and a one-off gain on sale of shares held by the EBT of £429,000

Costs associated with acquisitions include £178,000 incurred in respect of the purchase of L C L Enterprises Limited (Wine Rack) and £166,000 in respect of the trade and assets purchase of 26 stores from R N B Stores Limited Further details of these transactions are included in notes 29 and 30 respectively

Other non-recurring events and projects of £439,000 (2013 £499,000) relate to professional and consultancy charges arising from one-off transactional activity, and restructuring and reorganisation costs following an exercise to create efficiencies and streamline processes

Notes to the financial statements continued

4. Operating Profit continued

(c) Auditor remuneration

During the period the Group obtained the following services from the Company's auditor

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the consolidated and Company financial statements	40	17
Fees payable to the Company's auditor for other services		
– Audit of the accounts of any associate of the Company	–	10
– Audit-related assurance services	4	–
– Taxation compliance services	11	4
– Services relating to corporate finance transactions	102	–
– Other assurance services	41	–
Total fees payable to the Company's auditors	198	31

5. Employee Costs

(a) Employee benefits expense

	2014 £000	2013 £000
Wages and salaries	7,263	6,082
Social security costs	904	643
Social security costs on share-based payment charge (note 28)	488	–
Share-based payment charge (note 28)	2,123	67
Compensation for loss of office	857	–
Employee benefit expenses included in operating profit	11,635	6,792

The average monthly number of people (including Executive Directors) employed by the Group during the period was

	2014 Number	2013 Number
Directors	6	9
Administration	61	47
Marketing, selling and distribution	143	149
Retail staff	143	18
	353	223

(b) Directors' remuneration

The remuneration of the Directors comprise

	2014 £000	2013 £000
Salaries, fees and other short-term employee benefits	1,254	1,303
Compensation for loss of office	653	–
Payment in lieu of pension contribution	53	–
Total salaries and other short-term employment benefits	1,960	1,303
Share-based payments charge (operating expenses)	179	67
Share-based payment charge (exceptional items)	1,916	–
Gains on exercise of share options	1,085	–
	5,140	1,370

The highest paid Director's compensation is as follows

	2014 £000	2013 £000
Salaries, fees and other short-term employee benefits	563	332

6. Finance Income and Expense

	2014 £000	2013 £000
Finance income		
Bank interest receivable	29	32
Total finance income	29	32
Finance expense		
On invoice discounting facility	12	-
On bank loans	54	285
Amortisation of deferred arrangement costs	-	102
On loan notes	663	3,347
Non-exceptional finance expense	729	3,734
Exceptional finance expense	612	-
Total finance expense	1,341	3,734

Exceptional finance expenses include one off charges arising on early resettlement of borrowings as part of the IPO

7. Income Tax Expense

	2014 £000	2013 £000
Current tax		
Current tax on profits for the period	55	2,161
Adjustment in respect of prior periods	-	(307)
Total current tax	55	1,854
Deferred tax.		
Origination and reversal of temporary differences	1,183	(136)
Changes in taxation rate	75	92
Total deferred tax (note 20)	1,258	(44)
Income tax expense	1,313	1,810

The tax charge differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows

	2014 £000	2013 £000
Profit before tax	4,825	6,578
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 22 85% (2013 23 9%)	1,103	1,572
Tax effects of		
- Expenses not deductible for tax purposes	152	157
- Differences between capital allowances and depreciation	16	146
- Temporary differences	(33)	(128)
- Changes in taxation rate	75	92
- Utilisation of losses	-	278
- Adjustment in respect of prior periods	-	(307)
Tax charge	1,313	1,810

Factors that may affect future tax charges

During the 52 weeks ended 27 April 2014, as a result of the change in the UK main corporation tax rate from 23% to 21% (2013 24% to 23%) that was substantively enacted on 2 July 2013 and that is effective from 1 April 2014, the relevant deferred tax balances have been re-measured

Notes to the financial statements continued

8. Earnings Per Ordinary Share

On 8 July 2013, each A ordinary share and each B ordinary share was sub-divided into 36 77614821 ordinary shares resulting in a total of 33,536,098 ordinary shares During the year, an additional 33,176,922 ordinary shares were issued (note 21)

The earnings per share calculations for the 52 weeks ended 27 April 2013 have been restated to reflect the share restructuring

	2014	2013
Profit attributable to ordinary shareholders (£000)	**3,512**	4,768
Basic earnings per share (pence)	**6 1**	15 1
Diluted earnings per share (pence)	**5 7**	14 9

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to equity holders by the weighted average number of shares

	2014 Number	2013 Number
Basic weighted average	**57,285,762**	31,520,579
Diluted weighted average	**62,118,389**	32,020,404

The difference between the basic and diluted average number of shares represents the dilutive effect of share options and warrants in existence The weighted average number of shares can be reconciled to the weighted average number of shares including dilutive shares as follows

	2014 Number	2013 Number
Basic weighted average shares	**57,285,762**	31,520,579
Diluted effect of		
– Exceptional employee share incentive plans, resulting from IPO	**2,331,357**	499,825
– Warrant granted to Zeus Capital (note 28)	**839,902**	–
– Employee share incentive plan	**733,938**	–
– Franchisee share incentive plan	**927,430**	–
Total dilutive effect of share incentive plans	**4,832,627**	499,825
Diluted weighted average number of shares	**62,118,389**	32,020,404

Adjusted earnings per share

Although not presented on the face of the Income statement, the adjusted earnings per share, profit after tax, but before exceptional Items, is calculated below

	2014	2013
Profit after tax before exceptional items attributable to ordinary shareholders (£000s)	**7,186**	5,267
Adjusted Basic earnings per share (pence)	**12.5**	16 7
Adjusted Diluted earnings per share (pence)	**11.6**	16 4

Adjusted basic and diluted earnings per share are calculated by dividing the profit after tax but before exceptional items by the weighted average number of shares, which is the same as disclosed in the table above

9. Dividends

Amounts recognised as distributions to ordinary shareholders in the period comprise

	2014 £000	2013 £000
Interim dividend for 2013 of 110 pence per A and B ordinary share	–	1,000
Interim dividend for 2014 of 2 pence per ordinary share	**1,334**	–
Less amounts received by the Employee Benefit Trust	**(42)**	–
	1,292	1,000

The 2014 final proposed dividend of £4,002,000 (six pence per share) has not been accrued as it had not been approved by the period end

10. Property, Plant and Equipment

	Leasehold land and buildings £000	Plant and equipment £000	Motor vehicle £000	Total £000
Cost				
At 30 April 2012	302	7,866	11	8,179
Additions	–	1,624	–	1,624
Disposals	–	(512)	–	(512)
At 28 April 2013	302	8,978	11	9,291
Acquisitions through business combinations (note 29)	596	390	11	997
Additions	–	1,501	47	1,548
Disposals	(2)	(874)	–	(876)
At 27 April 2014	**896**	**9,995**	**69**	**10,960**
Depreciation				
At 30 April 2012	155	4,672	11	4,838
Charge for the period	25	1,679	–	1,704
Disposals	–	(422)	–	(422)
At 28 April 2013	180	5,929	11	6,120
Acquisitions through business combinations (note 29)	209	214	1	424
Charge for the period	64	1,667	22	1,753
Disposals	(1)	(733)	–	(734)
At 27 April 2014	**452**	**7,077**	**34**	**7,563**
Net book value				
At 27 April 2014	**444**	**2,918**	**35**	**3,397**
At 28 April 2013	122	3,049	–	3,171

11. Goodwill

	Total £000
Cost and net book value	
At 30 April 2012 and 28 April 2013	34,483
Acquisitions through business combinations (note 29)	1,177
Transferred to assets held for sale (note 13)	(150)
At 27 April 2014	**35,510**

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination or are established as a result of the business combination The carrying amount of goodwill has been allocated as follows

	£000
Bargain Booze	34,790
Wine Rack	720

Goodwill has an indefinite useful life and is subject to annual impairment testing The recoverable amounts of the CGUs are determined from value-in-use calculations The value in use is the present value of the pre-tax cash flow projections The key assumptions used in determining value in use are growth rates and the discount rate

Cash flow projections are based on the most recent financial budgets approved by management for one year Subsequent cash flows are extrapolated using an estimated annual growth rate for a further nine years and terminal growth rates of 0% are then applied to perpetuity These rates are below the average growth rate for the industry The rate used to discount the projected cash flows, being a pre-tax risk-adjusted discount rate, is 8% Risk factors are similar in each of the Group's CGUs

Notes to the financial statements continued

11. Goodwill continued

The result of this review was that no impairment is required in respect of the carrying values of the goodwill The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value including reducing sales levels and increasing the discount rate At 27 April 2014, no reasonably expected change in the key assumptions would give rise to an impairment charge for either CGU, and the assumptions accordingly, are not sensitive

12 Intangible Assets

	£000
Cost	
At 30 April 2012 and 28 April 2013	–
Acquisitions through business combinations (note 29)	838
At 27 April 2014	838
Amortisation	
At 30 April 2012 and 28 April 2013	–
Charge for the year	28
At 27 April 2014	28
Net book value	
At 27 April 2014	**810**
At 28 April 2013	–

Acquired brands are initially recognised at their fair value on acquisition and amortised over 20 years

13. Assets Held for Sale

	2014 £000	2013 £000
Transferred from goodwill (note 11)	**150**	–

Assets held for sale relates to a number of corporately-owned stores which, at 27 April 2014, were being actively marketed to potential Franchisees These assets have subsequently been disposed arising in a gain to the Group

14. Inventories

	2014 £000	2013 £000
Goods for resale	**11,778**	13,455

No security has been granted over inventories The Group operates a bonded warehouse and as such the majority of the licensed stock held is under bond and valued excluding duty The duty payable when sold will be £5,766,000 (2013 £3,384,000)

The cost of inventories recognised as an expense and included in cost of sales amounts to £322,968,000 (2013 £340,124,000)

15. Trade and Other Receivables

	2014 £000	2013 £000
Trade receivables	**30,808**	30,115
Less provision for impairment of trade receivables	**(1,629)**	(1,453)
Net trade receivables	**29,179**	28,662
Other debtors	**80**	5
Prepayments and accrued income	**2,426**	1,316
	31,685	29,983

The difference between the carrying value and fair value of all receivables is not considered to be material As of 27 April 2014, trade receivables of £808,000 (2013 £1,363,000) were past due but not impaired These relate to customers and Franchisees for which there is no recent history of default All of the past due but not impaired receivables have been outstanding for less than six months

15. Trade and Other Receivables continued

Movements on the Group provision for impairment of trade receivables are as follows

	2014 £000	2013 £000
Opening	1,453	1,148
Provision for receivables impairment	1,140	1,246
Receivables written off as uncollectable	(964)	(941)
Closing	1,629	1,453

Provisions are estimated based upon past default experience and management's assessment of the current economic environment The creation and release of receivables is charged/(credited) to operating expenses in the income statement Trade receivables consist of a large number of Franchisees for whom there is no significant history of default The credit risk of the Franchisees is assessed by taking account of their financial positions, past experiences and other relevant factors Individual Franchisee credit limits are imposed based on these factors The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above In the event of a default in payment by a Franchisee, the Group may recover unpaid inventory held in the Franchisee's store

16. Cash and Cash Equivalents

	2014 £000	2013 £000
Cash at bank and in hand	9,974	12,299

17. Trade and Other Payables

	2014 £000	2013 £000
Trade payables	37,039	41,378
Social security and other taxes	1,424	1,606
Accruals and deferred income	5,270	4,745
	43,733	47,729

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 35 days (2013 38 days) The Directors consider that the carrying amount of trade and other payables approximates to their fair value

The Group entered into a receivables finance facility agreement dated 18 July 2013 Under this agreement the Group can sell any debts owed to Bargain Booze Limited by its customers who have purchased goods or services from Bargain Booze Limited The maximum facility available is 80% of the allowable trade receivables up to £17,000,000 At 27 April 2014, the amount drawn down under this facility was £Nil (2013 £Nil)

The discount margin for the funding of debts is 1 45% There is a non-utilisation fee of 0 2% of the available facility from time to time, payable during the minimum period of the facility, being 36 months from the date of the agreement

The Group has also put in place bank-issued guarantees for the benefit of certain suppliers amounting to £13,500,000 at 27 April 2014 (2013 £13,500,000) The arrangement fee was 0 75% of the facility limit and commission is payable on the maximum liability under each guarantee issued at the rate of 1% per annum

All amounts outstanding under both facilities are secured by debentures over certain assets of the Group

Notes to the financial statements continued

18. Borrowings

	2014 £000	2013 £000
Non-current		
Bank loans	-	3,049
Less deferred arrangement fees	-	(358)
	-	2,691
Loan notes	-	30,905
	-	33,596
Current		
Bank loans	-	2,439
Total borrowings	-	36,035

All borrowings were repaid on 31 July 2013, as part of the IPO Up to this date the bank loan bore an interest rate of 3 5% above LIBOR and was repayable in quarterly installments, and the loan notes bore an interest rate of 9% with no determined repayment schedule

19. Financial Risk Management and Financial Instruments

The Group's activities expose it to a variety of financial risks The main financial risks faced by the Group relate to the risk of default by counter-parties to financial transactions and the availability of funds to meet business needs These risks are managed as described below

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial risks

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options The most significant financial risks to which the Group is exposed are described below

(a) Credit risk

The Group's principal assets subject to credit risk are cash deposits, cash and trade receivables The credit risk associated with cash is limited The principal credit risk arises from non-recovery of trade receivables In order to manage credit risk, the Franchise agreement states collection by direct debit, and credit limits are set for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history

(b) Market risk

The Group finances its operations through a mixture of retained profits, ordinary shares, and an invoice discounting facility At 27 April 2014, the drawdown on the invoice discounting facility was £Nil

(c) Interest rate risk

Until 31 July 2013, the Group also financed its operations through long-term borrowings, resulting in exposure to interest rate risk Borrowings issued at variable rates exposed the Group to cash flow interest rate risk which was partially offset by cash held at variable rates Borrowings issued at fixed rates exposed the Group to fair value interest rate risk Following repayment of the borrowings, the Group has no significant interest rate risk

19. Financial Risk Management and Financial Instruments continued

The interest rate exposure of financial assets and liabilities of the Group is shown below

2014	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets				
Cash and short-term deposits	-	9,974	-	9,974
Trade and other receivables	-	-	29,179	29,179
Financial liabilities				
Trade and other payables	-	-	(37,039)	(37,039)
Total	-	9,974	(7,860)	2,114

2013	Fixed £000	Floating £000	Zero £000	Total £000
Financial assets				
Cash and short-term deposits	-	12,299	-	12,299
Trade and other receivables	-	-	28,662	28,662
Financial liabilities				
Trade and other payables	-	-	(41,378)	(41,378)
Bank loans	-	(5,488)	-	(5,488)
Loan notes	(30,905)	-	-	(30,905)
	(30,905)	6,811	(12,716)	(36,810)

The Group had the following available undrawn facilities

	2014 £000	2013 £000
Against trade receivables	16,645	13,338

(d) Foreign exchange risk

The Group is exposed to a negligible element of foreign exchange risk, with only a limited number of supplies from abroad and all sales made in the UK

(e) Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably The Group monitors its cash resources through short, medium and long-term cash forecasting, against available facilities Short-term flexibility is achieved by the use of an invoice discounting facility, the details of which are set out in the table above The maturity of borrowings is set out in note 18 All of the Group's other financial liabilities are due within one year

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt The Group's capital is not restricted Management may seek additional external borrowings to fund the future investment and growth of the Group

In addition the Group has entered into a receivables finance facility agreement under which the maximum facility available is £17,000,000. The Group draws down on this facility from time to time as required to support short-term working capital movements The amount drawn down at 27 April 2014 is £Nil (2013 £Nil).

Fair values

Financial instruments utilised by the Group during the 52 week periods ended 27 April 2014 and 28 April 2013, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows

Current assets and liabilities

Financial instruments included within current assets and liabilities, excluding cash and borrowings, are generally short-term in nature and accordingly their fair values approximate to their book values

Notes to the financial statements continued

19. Financial Risk Management and Financial Instruments continued

Borrowings and cash

The carrying values of cash and short-term borrowings approximate to their fair values because of the short-term maturity of these instruments

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of the carrying values and fair values of all the Group's financial assets and financial liabilities

	2014 £000	2013 £000
Carrying amount and fair value		
Financial assets		
Cash and short-term deposits	**9,974**	12,299
Trade and other receivables	**32,802**	32,139
	42,776	44,438
Financial liabilities		
Trade and other payables	**(44,570)**	(48,397)
Bank loans	**–**	(5,488)
Loan notes	**–**	(30,905)
	(44,570)	(84,790)

The fair value of trade receivables and payables is considered to be equal to the carrying values of these items due to their short-term nature All other financial assets and liabilities are carried at amortised cost Cash is held with counterparties with a credit rating of A and BBB+

20. Deferred Taxation Asset

	£000
At 1 May 2012	2,112
Credited to the income statement	44
At 28 April 2013	2,156
Charged to the income statement (note 7)	(1,258)
Credited to equity	381
Arising on acquisition of subsidiary (note 29)	(162)
At 27 April 2014	**1,117**

The deferred tax asset is made up as follows

	2014 £000	2013 £000
Accelerated capital allowances	**308**	292
Other temporary differences	**809**	1,864
	1,117	2,156

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities The deferred tax asset has been recognised to the extent that it is considered to be recoverable based on forecasts for future periods At 27 April 2014, the value of the unrecognised deferred tax asset is £Nil (2013 £Nil)

21. Share Capital

	2014 £000	2013 £000
Authorised, allocated, called up and fully paid		
686,112 A ordinary shares of £0 01 each	–	7
225,786 B ordinary shares of £0 01 each	–	2
66,713,020 ordinary shares of £0 0002 each	13	–
217,508,802 deferred shares of £0 0002 each	44	–
Total	57	9

On 8 July 2013, each A ordinary share and each B ordinary share was sub-divided into 36 77614821 £0 0002 ordinary shares, (rounded up in respect of each shareholder's aggregate holding) On the same date, a further 33,163,902 £0 0002 ordinary shares were issued for £1 each resulting in a total of 66,700,000 £0 0002 ordinary shares

On 8 July 2013, each A ordinary share and each B ordinary share was sub-divided into 13 22385179 £0 0002 deferred shares (rounded down in respect of each shareholder's aggregate holding) On the same date, a further 205,000,000 £0 0002 deferred shares were issued at par, funded from the Company's un-distributable reserves, resulting in a total of 217,058,802 £0 002 deferred shares

Holders of deferred shares do not have any right to receive notice of any general meeting or to attend, speak or vote at any general meeting of the Company No dividend shall arise on deferred shares save for a cumulative fixed rate dividend of 0 000001% per annum of the nominal value of the deferred shares On a return of capital on a winding up, holders of deferred shares shall receive only an amount equal to each deferred share's nominal value after all other shares have received £1,000,000 and deferred shares shall have no other rights to participate in the assets or profits of the Company The Company may redeem or purchase all or any of the deferred shares for an aggregate sum equal to the accrued, but unpaid dividend due on such shares and any Director may execute any transfer of such deferred shares on behalf of the holders of such deferred shares

The A and B ordinary shares held equal voting rights and ranked pari passu in all respects other than in respect of dividends where the A ordinary shareholders were entitled to receive, under certain circumstances, a participating dividend in priority to the B ordinary shareholders Details of dividends paid in respect of these shares in the 52 weeks to 28 April 2013 are disclosed in note 9

The Company entered into a block listing arrangement with AIM in respect of the notification to AIM of allotments of 15,000 new ordinary shares of £0 0002 each in the capital of the Company to satisfy the requirement to allot matching shares at the time of purchase of partnership shares for the Bargain Booze Share Incentive Plan (note 28) In this regard, the following issues occurred during the year

Date	Number
22 November 2013	2,030
23 December 2013	2,199
22 January 2014	2,022
24 February 2014	2,147
24 March 2014	2,396
22 April 2014	2,226
	13,020

Notes to the financial statements continued

22. Other Reserves

	Share premium £000	Share-based payment and other reserves
At 30 April 2012	904	–
Share-based payment charge	–	67
Acquisition of shares for the EBT	–	(84)
At 28 April 2013	904	(17)
Share-based payment charge (note 28)	–	2,945
Deferred tax on share-based payment charge (note 20)	–	381
Transfer of share-based payment charge for vested options	–	(2,379)
Acquisition of shares for the EBT	–	(10)
Disposal of shares from EBT	–	36
Issue of new deferred shares (note 21)	(41)	–
Premium arising on shares issued in the period (note 21)	33,157	–
At 27 April 2014	**34,020**	**956**

Included within the Group operations is Bargain Booze EBT Trustees Limited ("the EBT") The EBT purchases shares to fund the share option schemes. At 27 April 2014, the Trust held 2,129,176 ordinary shares (2013 84,405 B ordinary shares, restated to 3,104,091 ordinary shares) with a cost of £58,107 (2013 £84,405) During the 52 weeks ended 27 April 2014 the Trust purchased 9,119 B ordinary shares at a cost of £10,000 (subsequently re-designated as 335,361 ordinary shares), and 13,020 ordinary shares at a cost of £26 The trust sold shares with a cost of £36,322

23 Cash Generated From Operations

	2014 £000	2013 £000
Profit before tax including acquisitions	**4,825**	6,578
Adjustments for		
– Depreciation	**1,753**	1,704
– Amortisation	**28**	–
– Loss on sale of property, plant & equipment	**8**	24
– Gain on sale of shares held by EBT	**(429)**	–
– Equity-settled share options charge (note 28)	**2,945**	67
– Net finance costs (note 6)	**1,312**	3,702
– Decrease in inventories	**2,722**	785
– (Increase)/decrease in trade and other receivables	**(1,342)**	1,613
– (Decrease)/increase in trade and other payables	**(6,002)**	9,780
– Costs associated with acquisition of subsidiary (note 29)	**178**	–
Cash generated from operations	**5,998**	24,253

The operating cash flows include an exceptional outflow of £439,000 in the 52 weeks ended 27 April 2014 (2013 £499,000) which relates to professional and consultancy charges arising from transactional activity and other one-off projects There is a further £720,000 (2013 £Nil) of one-off exceptional costs incurred on IPO included within operating cash flows

24. Contingencies

The Group had guarantees in place with HMRC amounting to £Nil (2013 £125,000)

25. Commitments Under Operating Leases

At the reporting date the Group had the following future aggregate minimum lease payments under non-cancellable operating leases

	Land and buildings		Other	
	2014 £000	2013 £000	2014 £000	2013 £000
Within 1 year	1,681	1,048	290	317
Between 2 and 5 years inclusive	4,440	2,928	409	208
After 5 years	2,738	1,291	–	–
Total	8,859	5,267	699	525

There are no significant obligations or incentives attached to any of the Group's lease agreements

26. Capital Commitments

At 27 April 2014, amounts contracted for but not provided in the consolidated financial statements for the acquisition of property, plant and equipment amounted to £519,000 (2013 £Nil)

27. Pension Commitments

The Company operates a stakeholder pension scheme None of the Group's employees have joined the stakeholder pension scheme and consequently there are no contributions recognised as an employee benefit expense or any amount accrued at each of the 52 week periods ended 27 April 2014 and 28 April 2013 Following the introduction of auto-enrolment in respect of employee participation in pension schemes, the Group commenced making contributions to employee pension schemes from 1 June 2014

28. Share-based Payments

The Group makes equity-settled share awards to senior executives, employees and Franchisees under three different share option plans An accrual has been made for national insurance due on exercise of share options and treated as a cash-settled share-based payment In addition an equity-settled share-based payment charge has been recognised in respect of a share warrant granted to Zeus Capital which vested on successful admission to AIM Further details of the three plans are provided below The amounts recognised in respect of these schemes is as follows.

	2014			2013
	Non-exceptional £000	Exceptional £000	Total £000	Total £000
Equity-settled share-based payment				
ESOP	186	1,936	2,122	67
SIP	1	–	1	–
FIP	425	–	425	–
Warrant to Zeus Capital	–	397	397	–
Total equity-settled share-based payment	612	2,333	2,945	67
Cash-settled share-based payment				
National insurance on ESOP	26	462	488	–
Total share-based payment charge	638	2,795	3,433	67

(a) Bargain Booze Unapproved Employee Share Option Plan 2013 ("ESOP")

Under the ESOP, the share options are awarded at a price which is determined by the Board but is not less than the market value of the shares as at the date of grant The awards granted on 26 February 2013 vested on successful admission to AIM All subsequent grants become exercisable between three and ten years after grant and upon the achievement of performance criteria in relation to EBITDA targets All options lapse on the day immediately after the expiry date to the extent they have not been exercised Options are forfeited if the employee leaves the Company in the first three years following grant The following table provides details of all existing grants under the ESOP

Notes to the financial statements continued

28. Share-based Payments continued

Date of grant	Subscription price (pence)	Performance conditions	Earliest exercise date	Expiry date
26/02/2013	2 7	achieving IPO	31/07/2013	25/02/2023
31/07/2013	100	2014 to 2016 aggregate EBITDA of £38 2m	31/07/2016	30/07/2023
04/11/2013	100	2014 to 2016 aggregate EBITDA of £38 2m	04/11/2016	03/11/2023
03/03/2014	187	2014 to 2016 aggregate EBITDA of £38 2m	03/03/2017	02/03/2024

The tables below summarises the movement on share options in the period

	2014		2013	
	Share options (number)	Weighted average exercise price (pence)	Share options (number)	Weighted average exercise price (pence)
Outstanding at the beginning of the period	77,511	100	–	–
Redesignated shares*	2,773,046	3	–	–
Granted	2,730,052	103	77,511	100
Exercised	(881,874)	3	–	–
Forfeited	(76,198)	100	–	–
Outstanding at the end of the period	4,622,537	60	77,511	100
Exercisable at end of the period	1,968,683		–	
Exercise price	2.7 pence		–	
Weighted average remaining contractual life	8 82 years		9 82 years	

* On 8 July 2013 each ordinary share was sub-divided into 36 77614821 ordinary shares (note 21)

The weighted average share price at the date of exercise for share options exercised during the period was 127 pence

Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest Fair value for the ESOP is measured by use of a Black-Scholes model The inputs into the option pricing model are provided below

	2014			2013
Grant date	31/07/2013	04/11/2013	03/03/2014	26/02/2013
Exercise price	100	100	187	2 7 pence
Expected volatility	39%	39%	39%	40%
Expected life	5 years	5 years	5 years	5 years
Expected dividend yield	6 2%	4 9%	4 3%	8 0%
Risk-free interest rate	1.25%	1 52%	1.74%	0 91%

The weighted average fair value of options granted during the period in relation to the ESOP was 34 7p

Due to the short period of share trading activity, expected volatility was determined by reference to the historical volatility of the share price of comparable listed companies over the previous five years The volatility of the companies share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the stock, calculated over five years back from the date of the grant

The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the life of the option.

The expected life of each option is equal to the vesting period plus a two year exercise period

28. Share-based Payments continued

(b) Bargain Booze Share Incentive Plan 2013

The Group operates a Share Incentive Plan ("SIP"), approved by HMRC on 14 October 2013, approved by the Board on 11 October 2013 and commenced 1 November 2013 All UK resident tax-paying employees of Conviviality and its participating subsidiaries are eligible to participate in the SIP subject to completing a minimum qualifying period of service of six months

Under the SIP, the Group can

(a) give 10% of salary, up to £3,000 worth of free shares in each tax year to an employee ("Free Shares"),
(b) offer an employee the opportunity of buying up to £1,500 of shares a year ("Partnership Shares"),
(c) give an employee a matching share for each Partnership Share bought ("Matching Shares") Each employee must complete three years' service before these shares are awarded, and
(d) in addition to buying up to £1,500 of Partnership Shares each year, allow employees to purchase more shares ("Dividend Shares") using dividends received on Free Shares, Partnership Shares and Matching Shares up to percentage limits set by the Company

Awards of "Matching Shares" under this scheme are at £Nil cost and therefore their fair value is equal to the share price on the date of issue, at the time when each grant is allocated If a person ceases to be an employee prior to this date, the "Matching Shares" will be forfeited Details of all "Matching Share" grants in the year are below, none of which are exercisable at the period end

			Number of options		
Date of grant	Fair value at grant Pence	Exercise date	Opening	Granted	Closing
22/11/2013	163	22/11/2016	–	2,030	2,030
23/12/2013	168	23/12/2016	–	2,199	2,199
22/01/2014	184	22/01/2017	–	2,022	2,022
24/02/2014	190	24/02/2017	–	2,147	2,147
24/03/2014	160	24/03/2017	–	2,396	2,396
22/04/2014	168	22/04/2017	–	2,226	2,226
			–	13,020	13,020
Weighted average share price (pence)			–	172	172

(c) Franchisee incentive plan ("FIP")

The FIP is intended to provide a pool of the issued ordinary shares as awards to Franchisees subject to the achievement of performance conditions and then at the discretion of the Board There are four categories of proposed award all of which are subject to approval, at the discretion of the Board, at the end of the third year of measurement, being September 2016

- **Part 1** – Store Standards Incentive Plan – All Franchisees could be entitled to one third of their maximum allocation on passing each of three annual store audits
- **Part 2** – Group EBITDA Target - Awards may be made, at the discretion of the Board, based on Group EBITDA targets over a three year period and will be shared between all stores equally
- **Part 3** - Individual Franchisee Performance Awards – Annual awards may be made subject to the achievement by a store of certain key performance indicators
- **Part 4** – New Franchisee Incentives – this Part will cover up to 5% of the FIP pool – the award may be made, at the discretion of the Board, three years after passing a store audit

The shares are transferred to the Franchisees for no payment If a person ceases to be a Franchisee prior to the vesting of any award, that award will lapse entirely The awards are subject to Board approval in September 2016, therefore the service period commences prior to the grant date Therefore, the fair value of each grant is calculated as the best estimate of the share price on the date of grant, being the year end share price

				Number of options		
Date of grant (subject to Board approval)	Start of vesting period	Estimated fair value (pence)	Exercise date	Opening	Granted	Closing
30/09/2016	31/07/2013	166	30/09/2016	-	1,239,970	1,239,970

Notes to the financial statements continued

28. Share-based Payments continued

(d) Warrants

On 18 July 2013 the Company issued warrants to Zeus Capital giving them the right to subscribe to 1,334,000 shares for £1, conditional on successful admission to AIM, exercisable from 31/07/2014 to 31/07/2023 Management consider this to be a share-based payment and have fair valued the options using a Black-Scholes model The inputs into the Black-Scholes model are as follows

Grant date	26/02/2013
Exercise price	100
Expected volatility	40%
Expected life	5 years
Expected dividend yield	8 0%
Risk-free interest rate	0 91%

Upon admission to AIM a share-based payment charge of £397,000 was recognised within exceptional costs

29. Business Combinations

On 30 August 2013, the Company entered into an agreement to acquire the entire issued share capital of L C L Enterprises Limited now trading as Wine Rack Limited ("Wine Rack"), for a total consideration of £1 65 million in cash Wine Rack is a retailer of wine, spirits, tobacco and related products, and operated 22 stores, predominantly in Greater London This acquisition is consistent with the Group's ongoing strategy of increasing focus on its wine offering as well as penetrating further into the South of England from its heartland in the North West

The following table summarises the consideration paid for Wine Rack, and the amount of assets acquired and liabilities assumed recognised at the acquisition date

	Book value £000	Fair value Adjustment £000	Fair value £000
Property, plant and equipment	623	(50)	573
Intangible assets (note 12)	–	838	838
Intellectual property rights	16	(16)	-
Inventories	1,045	–	1,045
Trade and other receivables	360	–	360
Cash and cash equivalents	372	–	372
Trade and other payables	(1,994)	(30)	(2,024)
Current tax payable	(72)	–	(72)
Deferred tax liability	–	(162)	(162)
Total identifiable net assets	350	580	930
Goodwill			720
Total consideration satisfied by cash			1,650
Cash flow			
Cash consideration			1,650
Cash acquired with subsidiary			(372)
Acquisition costs (expensed to exceptional operating costs)			178
			1,456

Significant adjustments made to the fair value of assets acquired include the value of the acquired Wine Rack brand which has been recognised within intangible assets (note 12), and recognition of the deferred tax liability thereon (note 20)

The goodwill arising on the acquisition of the business represents the premium paid to acquire Wine Rack The acquisition strengthens the existing business by expanding the geographical location and creates significant opportunities for cross-selling, and other synergies

Acquisition costs of £178,000 have been charged to exceptional items in the consolidated income statement for the period (note 4)

From the date of acquisition, Wine Rack has contributed revenue of £7 6 million and £0 1 million to profit before tax to the Group's results If the acquisition had taken place at the beginning of the financial period, it is estimated that the Group revenue for the period would have been £359,118,000 and total Group operating profit would have been £6,236,000

In addition to the acquisition set out above, the Group has also completed a number of individual smaller store acquisitions for a total cash consideration of £457,000, all of which has been recognised as goodwill

30. Events Occurring After the Reporting Date

On 16 May 2014, the Group acquired 26 stores from R N B Stores Limited (Rhythm and Booze) a subsidiary of Bibby Retail Services Limited, for a total consideration of £1 65 million in cash of which £0.2 million is deferred consideration. On 27 June 2014 the Group acquired a further five stores from Rhythm and Booze for a total consideration of £0 2 million For the year ended 31 December 2013, the 31 acquired stores generated revenues of £16 6 million and net profits of £0 1 million

Due to the proximity of the acquisition to the reporting date, the initial accounting for this transaction is incomplete, and consequently details of the amounts of assets and liabilities acquired are not disclosed within this announcement

31. Subsidiary Audit Exemption

Under section 479A of the Companies Act 2006, the Group is claiming exemption from audit for the subsidiary companies listed below

Company name	Company number
Conviviality Stores Ltd (formerly Bargain Booze Group Limited)	05501974
Bargain Booze Limited	01801597
Bargain Booze EBT Trustees Limited	04451429
Wine Rack Limited (formerly L C L Enterprises Limited)	06880288

32. Related Parties

Until 31 July 2013, the Group and Company were controlled by certain funds managed by ECI Partners LLP, by virtue of its shareholding and voting rights in Conviviality Retail Plc A former Director of the Group, T D Raffle, also had a material interest as a Director of that company

The following transactions were carried out with related parties

(a) Loans to/from related parties

The Group had loan notes due to ECI Partners LLP for which the Group was charged interest on an arm's length basis amounting to £662,769 for the period ended 27 April 2014 (2013 £1,941,000) The liability outstanding as at 28 April 2013 in relation to the loan notes payable to ECI Partners LLP amounted to £16,935,000, plus capitalised interest of £13,970 All amounts were repaid on Admission to AIM

(b) Purchase of goods and services

In the period ended 27 April 2014, the Group was charged a management fee in relation to Director's fees for J A Hayhurst of £4,776 (2013 £25,191) from ECI Ventures Limited The accrual as at 27 April 2014 for this charge was £Nil (2013 £2,000)

(c) Dividends

During the period ended 27 April 2014, a dividend of £Nil (2013 £752,399) was paid to ECI Venture Nominees Limited

(d) Key management personnel

Key management comprises the Executive and Non-Executive Directors Information on their emoluments is provided in note 5

Company balance sheet

	Note	2014 £000	2013 £000
Fixed assets			
Investments	2	45,315	–
Current assets			
Debtors	4	944	45,067
Creditors amounts falling due within one year	5	(3,053)	(13,000)
Net current liabilities		(2,109)	32,067
Creditors amounts falling due after more than one year		–	(30,905)
Net assets		43,206	1,162
Capital and Reserves			
Called up share capital	9	57	9
Share premium account	10	34,020	904
Share-based payment reserve	10	1,012	67
Profit and loss account	10	8,117	182
Shareholders' funds	11	43,206	1,162

These financial statements were approved and authorised for issue by the Board of Directors on 11 July 2014

Diana Hunter, CEO
Conviviality Retail plc

Company registration number 5592636

Notes to the Company balance sheet

1. Accounting Policies

Basis of preparation of financial statements

The accounts have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), under the historic cost convention

The consolidated financial statements of Conviviality Retail plc, which are presented separately, have been prepared in accordance with International Financial Reporting Standards

Investments

Investments are included at cost less amounts written off

Share-based payments

Share-based payments are measured at fair value at the date of grant Fair value is measured using the Black-Scholes pricing model

The charge relating to grants to employees of the Company is recognised on a straight-line basis as an expense in the profit and loss account, spread over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

Dividends

Dividends are recognised in the Company's financial statements in the year in which they are approved in general meeting by the Company's Shareholders Interim dividends are recognised when paid Final dividends are recognised when authorised for payment

Deferred tax

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, with the following exceptions Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

2. Investments

	£000
At 29 April 2013	–
Capital contribution to subsidiary	43,211
Share options granted to subsidiary employees	454
Acquisition of subsidiary	1,650
At 27 April 2014	45,315

On 30 September 2013, the Company forgave an existing intercompany loan balance with Conviviality Stores Limited, which has been deemed a capital contribution in that company

On 30 August 2013, the Company entered into an agreement to acquire the entire issued share capital of L C L Enterprises Limited now trading as Wine Rack Limited ("Wine Rack"), for a total consideration of £1 65mn cash Further details of this acquisition can be found in note 29 to the Conviviality Retail Plc consolidated financial statements

Notes to the Company balance sheet continued

The Company is the holding company of the Group The following table contains details of the Company's principal directly and indirectly held subsidiaries.

Company name	Principal activity	Country of Incorporation	Percentage ownership
Conviviality Stores Ltd (formerly Bargain Booze Group Limited)	Holding Company	England	100%
Bargain Booze Limited	Wholesale, marketing, logistics and franchisor	England	100%
Bargain Booze EBT Trustees Limited	Trustee of EBT	England	100%
Wine Rack Limited (formerly L C L Enterprises Limited)	Retail distributor of beers, wines, spirits, tobacco, grocery and confectionery	England	100%

Under section 479A of the Companies Act 2006, the Company is claiming exemption from audit for the subsidiary companies listed below

Company name	Company number
Conviviality Stores Ltd (formerly Bargain Booze Group Limited)	05501974
Bargain Booze Limited	01801597
Bargain Booze EBT Trustees Limited	04451429
Wine Rack Limited (formerly L C L. Enterprises Limited)	06880288

3. Directors Remuneration

The Directors are the only employees of the Company Further details of Directors' remuneration are provided in note 5 of the consolidated financial statements

4. Debtors

	2014 £000	2013 £000
Amounts owed by Group undertakings	–	43,263
Prepayments and accrued income	54	–
Deferred tax asset (note 8)	890	1,804
	944	45,067

5. Creditors. Amounts Falling Due Within One Year

	2014 £000	2013 £000
Amounts owed to Group undertakings	2,510	13,000
Accruals	543	–
	3,053	13,000

6. Creditors. Amounts Falling Due After More Than One Year

	2014 £000	2013 £000
Loan notes (note 7)	–	30,905

7. Borrowings

	2014 £000	2013 £000
Between two and five years		
Loan notes	–	18,543
After five years		
Loan notes	–	12,362
	–	30,905

All borrowings were repaid on 31 July 2013, as part of the IPO transaction Up to this date the bank loan bore an interest rate of 3 5% above LIBOR and was repayable in quarterly instalments, and the loan notes bore an interest rate of 9% with no determined repayment schedule

8. Deferred Tax Asset

	2014 £000	2013 £000
At beginning of period	1,804	1,899
Charged to the profit and loss account	(1,293)	(95)
Credited to equity	379	–
At end of period	890	1,804

The deferred tax asset is made up as follows.

	2014 £000	2013 £000
Other timing differences	890	1,8044

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities The deferred tax asset has been recognised to the extent that it is considered to be recoverable based on forecasts for future periods At 27 April 2014, the value of the unrecognised deferred tax asset is £Nil (2013 £Nil)

9. Share Capital

	2014 £000	2013 £000
Authorised, allocated, called up and fully paid		
686,112 A ordinary shares of £0 01 each	–	7
225,786 B ordinary shares of £0 01 each	–	2
66,713,020 ordinary shares of £0 0002 each	13	–
217,508,802 Deferred shares of £0 0002 each	44	–
Total	57	9

Details of share capital transactions are provided in note 21 to the consolidated financial statements.

10. Reserves

	Share premium account £000	Share-based payment reserve £000	Profit and loss account £000
At 29 April 2013	904	67	182
Profit for the financial period	–	–	6,890
Equity dividends paid	–	–	(1,334)
Share-based payment charge	–	2,491	–
Deferred tax on share-based payment charge	–	379	–
Share options granted to subsidiary employees	–	454	–
Share-based payment charge on vested options	–	(2,379)	2,379
Issue of deferred shares	(41)	–	–
Premium arising on shares issued in the period	33,157	–	–
At 27 April 2014	34,020	1,012	8,117

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £6,890,000 (2013 £492,000)

Further details of the Company's share option schemes are provided in note 28 to the consolidated financial statements

Notes to the Company balance sheet continued

11. Reconciliation of Movement in Shareholders' Funds

	2014 £000	2013 £000
Opening shareholders' funds	1,162	1,603
Profit for the financial period	6,890	492
Issue of shares	33,164	-
Equity dividends paid	(1,334)	(1,000)
Share-based payment reserve	3,324	67
Closing shareholders' funds	43,206	1,162

12. Related Party Transactions

Transactions between the Company and its 100% owned subsidiaries, which are related parties of the Company, are not disclosed in this note due to the advantage being taken of the exemption provided by FRS 8 Related Party Disclosures There have been no other related party transactions during the year

Directors, secretary and advisers

Directors:	David A R Adams *(Chairman)* Diana Hunter *(Chief Executive Officer)* C Andrew Humphreys Kenton P Burchell Martin D Newman *(Non-Executive Director)* Stephen G Wilson *(Non-Executive Director)*
Registered Office:	Weston Road Crewe Cheshire CW1 6BP
Company Secretary:	C A Humphreys
Company website:	www conviviallityretail co uk
Auditors:	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB
Solicitors to the Company:	DLA Piper UK LLP 101 Barbirolli Square Manchester M2 3DL
Bankers:	National Westminster Bank plc Hightown Sandbach Cheshire CW11 0AQ
Nominated adviser and Broker:	Zeus Capital 82 King Street Manchester M2 4WQ 23 Berkeley Square Mayfair London W1J 6HE
Company Registrars:	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Public Relations Company:	Instinctif 65 Gresham Street London EC2V 7NQ