

Registered number: 04456158

CURIOUS DRINKS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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CURIOUS DRINKS LIMITED

COMPANY INFORMATION

Directors	S C Gilliland R Montague-Ebbs R A B Woodhouse G Bath
Company secretary	R A B Woodhouse
Registered number	04456158
Registered office	Chapel Down Winery Small Hythe Road Tenterden Kent TN30 7NG
Independent auditor	Crowe U.K. LLP Riverside House 40 - 46 High Street Maidstone Kent ME14 1JH
Bankers	HSBC Bank Plc West London Corporate Centre 2nd Floor, Space One 1 Beadon Road London W6 0EA
Solicitors	Cripps LLP 22 Mount Ephraim Tunbridge Wells Kent TN4 8AS

CURIOUS DRINKS LIMITED

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CURIOUS DRINKS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

Curious Drinks Limited is pleased to announce the company's results for the 12 month period ended 31 December 2018.

Key highlights

- Year on year sales up 10% to £4,039k (2017 - £3,677k)
- Gross profit up 0.4% at £1,229k (2017 - £1,224k)
- Gross margin 30% (2017 - 33%)
- Brewery build complete and open to the public from 17 May 2019

Your company is focused on building a strong differentiated and valuable brand that will deliver a sustainable long term profitable business. Curious Drinks operates in an attractive growth sector, with good growth potential both in the UK and abroad. Curious Drinks has created an attractive, innovative brand with premium positioning supported by well executed marketing, high profile sponsorships, attractive experiential brand homes and an excellent customer base.

2018 has been a busy year preparing the company for further growth. Our brewery is now complete just 38 minutes from St. Pancras. We have an ambitious and experienced management team focused on our desire to make Curious Drinks England's most exciting beer and cider company. We are on the way, but there is much to be done.

We will continue to make substantial investments over the coming years, improving our commercial infrastructure, hiring and training the best talent and creating smart effective marketing to ensure that we build the strongest quality brand and are therefore best placed for future growth.

Business review

Beer and cider sales in the company rose 10% to £4,039k.

We continued to manage our growth through a focus on premium accounts - top end restaurants, bars, hotels and premium off-trade - while we complete the construction of our new brewery. We have national distribution through Majestic and Waitrose in the off-trade and a network of wholesalers including Matthew Clark that enable us to supply Curious beers in draught or bottle to the whole of Great Britain. We are supplying Mitchells & Butlers, Greene King, Ei Group and Fullers as well as several exciting up and coming premium UK on-trade groups looking for something truly original. 2018 also saw us launch our canned Curious Brew in 232 Tesco stores nationally, and at the start of 2019 regionally into Co-op.

We have a unique and distinctive consumer proposition – a winemaker's beer – which is increasingly rare in an exciting and growing albeit highly competitive beer market. This real point of difference is being enhanced by the construction of the new brewery and visitor facility in Ashford. The brewery is now complete and opened to the public earlier this month. It is just 38 minutes from St Pancras and its construction will be a unique stimulus for growth.

The custom-built state of the art brewhouse will enable us to produce more even better fresher Curious beer. We have added to the team bringing in Brewmaster Matthew Anderson to oversee brewing on the site. Matthew joins the team having spent over a decade in brewing roles at AB Inbev bringing significant expertise to the team.

We have developed unique experiential and product partnerships, launching our Curiouser & Curiouser small batch series in collaboration with Wild Beer Co, Brew By Numbers, Fourpure Brewing Co and Beavertown and working as headline partner for the Curious Arts Festival.

CURIOUS DRINKS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

Brexit has had no significant impact on our business to date.

The risk of a poor hop harvest exists and the company mitigates this risk by buying forward contracts on its key hops.

Competition continues to grow but we continue to invest in our people, brands and distribution to ensure that the business can continue to thrive.

Outlook for the future

We know we are lucky to work in a great British industry and an exciting business. Our drinks tell a story. They are delicious. They are a reason to get together.

We are passionate about growing that congregation – introducing uniquely delicious products to enlightened consumers everywhere.

We are on a pilgrimage to get drinkers to fall in love with our brand so we can share their most special moments with them.

We think there is little point in just simply trying to be the best. That's simply not good enough any more. We have to be the only people who can do what we do. That excites us and that's what makes our brand stronger.

We think we have something special. A brand that is more interesting. A brand that has a relevant and engaging story to tell. A brand that has a real point of difference. A brand that tries harder.

Beer and cider growth will be accelerated as we build out the brewery and create more interest and engagement around the Curious brand. Recent listings in Tesco and on trade chains are exciting.

Finally – to all our shareholders, thank-you. Its great to see so many of you using your shareholder discounts to get great benefits on our range of beers and ciders. The energy, support and excitement that you create is something the whole team appreciate.

So let's raise a glass. To you. To us. The curious optimists. The believers.

This report was approved by the board on *23rd SEPTEMBER 2019* and signed on its behalf.



R A B Woodhouse
Director

CURIOUS DRINKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the year were:

S C Gilliland
R Montague-Ebbs
R A B Woodhouse
G Bath (appointed 30 January 2018)
F D Thompson (resigned 1 December 2018)

Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors believe that the company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the company has cash reserves, agreed financing in place, and the ongoing support of its parent company. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

CURIOUS DRINKS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Financial instruments

The main financial instruments used by the company are bank balances, a bank loan and loans from related parties. The main purpose of these instruments is to finance the company's operations and facilitate its trading activities.

In respect of bank balances and loans, liquidity risk is managed by monitoring and forecasting cashflows and ensuring that adequate facilities are in place where forecasts indicate that it is prudent to do so.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *23rd SEPTEMBER 2019* and signed on its behalf.



R A B Woodhouse
Director

CURIOUS DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CURIOUS DRINKS LIMITED

Opinion

We have audited the financial statements of Curious Drinks Limited (the 'company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

CURIOUS DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CURIOUS DRINKS LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

CURIOUS DRINKS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CURIOUS DRINKS LIMITED
(CONTINUED)**

Responsibilities of directors

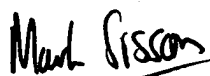
As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



Mark Sisson (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

Riverside House
40 - 46 High Street
Maidstone
Kent

ME14 1JH

Date:

26/09/2019

CURIOUS DRINKS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018	2017 £
Turnover	4	4,039,326	3,677,225
Cost of sales		(2,810,681)	(2,452,894)
Gross profit		1,228,645	1,224,331
Administrative expenses		(2,679,853)	(1,506,328)
Exceptional administrative expenses	11	-	(150,000)
Operating loss	5	(1,451,208)	(431,997)
Interest receivable and similar income	8	5,390	4,667
Interest payable and expenses	9	(137,020)	(27,239)
Loss before tax		(1,582,838)	(454,569)
Tax on loss	10	(1,193)	-
Loss for the financial year		(1,584,031)	(454,569)

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 12 to 25 form part of these financial statements.

CURIOUS DRINKS LIMITED
REGISTERED NUMBER: 04456158

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	33,480	-
Tangible assets	13	5,111,796	457,539
		<u>5,145,276</u>	<u>457,539</u>
Current assets			
Stocks	14	660,382	510,314
Debtors: amounts falling due within one year	15	985,770	93,735
Cash at bank and in hand	16	2,398,185	1,554,566
		<u>4,044,337</u>	<u>2,158,615</u>
Creditors: amounts falling due within one year	17	(3,871,681)	(76,460)
Net current assets		<u>172,656</u>	<u>2,082,155</u>
Total assets less current liabilities		<u>5,317,932</u>	<u>2,539,694</u>
Creditors: amounts falling due after more than one year	18	(4,668,640)	(1,463,377)
Net assets		<u><u>649,292</u></u>	<u><u>1,076,317</u></u>
Capital and reserves			
Called up share capital	22	173,570	173,570
Share premium account	23	1,341,575	1,341,575
Capital redemption reserve	23	21,966	21,966
Capital contribution reserve	23	1,157,006	-
Profit and loss account	23	(2,044,825)	(460,794)
		<u><u>649,292</u></u>	<u><u>1,076,317</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23rd SEPTEMBER 2019.

R A B Woodhouse

R A B Woodhouse
Director

The notes on pages 12 to 25 form part of these financial statements.

CURIOUS DRINKS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2018	173,570	1,341,575	21,966	-	(460,794)	1,076,317
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,584,031)	(1,584,031)
Total comprehensive income for the year	-	-	-	-	(1,584,031)	(1,584,031)
Capital contribution	-	-	-	1,157,006	-	1,157,006
At 31 December 2018	173,570	1,341,575	21,966	1,157,006	(2,044,825)	649,292

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	173,570	1,341,575	21,966	(6,225)	1,530,886
Comprehensive income for the year					
Loss for the year	-	-	-	(454,569)	(454,569)
Total comprehensive income for the year	-	-	-	(454,569)	(454,569)
At 31 December 2017	173,570	1,341,575	21,966	(460,794)	1,076,317

The notes on pages 12 to 25 form part of these financial statements.

CURIOUS DRINKS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(1,584,031)	(454,569)
Adjustments for:		
Amortisation of intangible assets	3,720	-
Depreciation of tangible assets	154,978	140,282
Interest payable	137,020	27,239
Interest receivable	(5,390)	(4,667)
Taxation charge	1,193	-
(Increase)/decrease in stocks	(150,068)	166,992
(Increase) in debtors	(893,228)	(82,858)
Increase/(decrease) in creditors	225,221	(14,117)
Net cash generated from operating activities	(2,110,585)	(221,698)
Cash flows from investing activities		
Purchase of intangible fixed assets	(37,200)	-
Purchase of tangible fixed assets	(4,498,037)	(228,320)
Interest received	5,390	4,667
Net cash from investing activities	(4,529,847)	(223,653)
Cash flows from financing activities		
New secured bank loans	3,570,000	-
Increase in long term debt from group companies	3,984,050	335,970
Interest paid	(69,999)	(27,239)
Net cash used in financing activities	7,484,051	308,731
Net increase/(decrease) in cash and cash equivalents	843,619	(136,620)
Cash and cash equivalents at beginning of year	1,554,566	1,691,186
Cash and cash equivalents at the end of year	2,398,185	1,554,566
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,398,185	1,554,566
	2,398,185	1,554,566

The notes on pages 12 to 25 form part of these financial statements.

CURIOUS DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

The principal activity of the company during the year was the production and sale of beer and cider.

The company is a private limited company, which is limited by shares and incorporated and registered in England and Wales (04456158).

The address of the registered office is Chapel Down Winery, Small Hythe Road, Tenterden, Kent, TN30 7NG.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The company's functional and presentational currency is GBP.

The following principal accounting policies have been applied:

2.2 Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors believe that the company has sufficient resources to continue in operational existence for the foreseeable future. The directors believe this to be the case as the company has cash reserves, agreed financing in place, and the ongoing support of its parent company. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue for trade sales is recognised at the point of despatch and retail sales at the point of customer purchase.

CURIOUS DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Intangible assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

The estimated useful lives range as follows:

Website	-	20% straight line
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2.5 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	-	20% straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

Assets under construction are not depreciated.

CURIOUS DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

2.7 Debtors

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

2.8 Cash and cash equivalents

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

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like other debtors and creditors, bank loans loans from related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

2.10 Creditors

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

2.11 Finance costs

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

2.12 Operating leases

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

CURIOUS DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Interest income

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

2.14 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.15 Exceptional items

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes judgements, estimates and assumptions that affect the application of accounting policies and the carrying values of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements will, by definition, seldom equal the related actual results but are based on the experience of the directors and the expectation of future events. The estimates are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The principal areas where judgement is exercised are as follows:

Stock - the directors regularly assess the quality and age of stock and will make necessary provisions against amounts which may not be recoverable.

Tangible fixed assets - the directors annually assess both the carrying value and the expected useful life of these assets.

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

The total turnover for the company for the year has been derived from its principal activity, the sale of beer and cider.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	154,978	140,282
Amortisation of intangible assets	3,720	-
	<u>158,698</u>	<u>140,282</u>

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor in respect of:		
Audit of the financial statements	6,000	7,050
Preparation of the financial statements	1,350	1,250
Taxation compliance services	1,600	1,500
	<u>8,950</u>	<u>9,800</u>

7. Employees

The company has no employees other than the directors, who did not receive any remuneration (2017 - £Nil).

During the year wages and salaries totalling £653,595 (2017 - £323,869) were recharged from English Wines Plc.

8. Interest receivable

	2018	2017
	£	£
Bank interest receivable	5,390	4,667
	<u>5,390</u>	<u>4,667</u>

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Interest payable and similar expenses

	2018	2017
	£	£
Bank loan interest payable	20,158	-
Finance charge on intercompany loans	67,021	-
Interest payable on intercompany loans	49,841	27,239
	137,020	27,239

10. Taxation

	2018	2017
	£	£
Corporation tax		
Total current tax		
Deferred tax		
Origination and reversal of timing differences	1,067	-
Effect of tax rate change on opening balance	126	-
Total deferred tax	1,193	-
Taxation on profit on ordinary activities	1,193	-

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - *lower than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	<u>(1,582,838)</u>	<u>(454,569)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(300,739)	(87,489)
Effects of:		
Expenses not deductible for tax purposes	928	-
Adjust closing deferred tax to average corporation tax rate	40,823	1,121
Deferred tax on current year losses not recognised	<u>260,181</u>	<u>86,368</u>
Total tax charge for the year	<u><u>1,193</u></u>	<u><u>-</u></u>

Curious Drinks Limited has £2,260,402 (2017 - £772,510) losses to carry forward. £354,977 (2017 - £354,977) of the losses can only be carried forward to set against future profits of the same trade. £1,905,425 of the losses (2017 - £396,412) can be set against any future total profits. A deferred tax asset of £347,002 (2017 - £86,822) has not been recognised in respect of the tax losses as the directors do not believe that they can be utilised in the short term.

11. Exceptional items

	2018 £	2017 £
Employee recruitment	<u>-</u>	<u>150,000</u>

In the prior year an amount of £150,000 was paid to the ex-employer of the managing director as a condition of him joining the company.

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Intangible assets

	Website £
Cost	
Additions	37,200
At 31 December 2018	<u>37,200</u>
Amortisation	
Charge for the year	3,720
At 31 December 2018	<u>3,720</u>
Net book value	
At 31 December 2018	<u><u>33,480</u></u>
At 31 December 2017	<u><u> </u></u>

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Tangible fixed assets

	Plant & machinery £	Assets under construction £	Total £
Cost or valuation			
At 1 January 2018	944,908	-	944,908
Additions	291,919	4,517,316	4,809,235
At 31 December 2018	<u>1,236,827</u>	<u>4,517,316</u>	<u>5,754,143</u>
Depreciation			
At 1 January 2018	487,369	-	487,369
Charge for the year	154,978	-	154,978
At 31 December 2018	<u>642,347</u>	<u>-</u>	<u>642,347</u>
Net book value			
At 31 December 2018	<u>594,480</u>	<u>4,517,316</u>	<u>5,111,796</u>
At 31 December 2017	<u>457,539</u>	<u>-</u>	<u>457,539</u>

Included within assets under construction are capitalised finance costs of £15,000.

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Stocks

	2018 £	2017 £
Raw materials and consumables	121,310	28,210
Finished goods and goods for resale	539,072	482,104
	<u>660,382</u>	<u>510,314</u>

Stock recognised in cost of sales during the year as an expense was £2,810,681 (2017 - £2,452,894).

15. Debtors

	2018 £	2017 £
Other debtors	905,610	58,560
Prepayments and accrued income	80,160	33,982
Deferred taxation	-	1,193
	<u>985,770</u>	<u>93,735</u>

16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>2,398,185</u>	<u>1,554,566</u>

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank loans	3,570,000	-
Other creditors	75,567	69,320
Accruals and deferred income	226,114	7,140
	<u>3,871,681</u>	<u>76,460</u>

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	<u>4,668,640</u>	<u>1,463,377</u>

Included within amounts owed by group undertakings is a loan of £4,427,560 due to Chapel Down Group Plc. The loan from Chapel Down Group Plc attracts interest at a rate of 2.5% per annum. The loan is not repayable before 31 March 2021. The loan has been discounted to its present value using a discount rate of 4.5% giving a market rate of interest of 7%. This resulted in a capital contribution of £1,157,006 as shown in the statement of changes in equity.

19. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	3,570,000	-
	<u>3,570,000</u>	<u>-</u>

During the year a £3,570,000 loan was drawn down with HSBC Bank Plc. The loan is repayable within 12 months and attracts interest at 2.25% over the Bank of England base rate.

The loan is secured by a fixed and floating charge over the assets of the company and a first legal charge over the freehold land owned by Chapel Down Group Plc.

There is a subordinate agreement in place between HSBC Bank Plc, Curious Drinks Limited and subordination creditors, Chapel Down Group Plc and English Wines Plc. Subordination creditors rank behind HSBC Bank Plc.

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Financial Instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at amortised cost	<u>2,428,680</u>	<u>1,613,126</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(8,540,321)</u>	<u>(1,539,837)</u>

Financial assets measured at amortised cost through profit and loss comprise other debtors (excluding VAT) and cash.

Financial liabilities at amortised cost through profit and loss comprise bank loans, other creditors, accruals and amounts owed to group undertakings.

21. Deferred taxation

	2018 £	2017 £
At beginning of year	1,193	1,193
Charged to profit or loss	(1,193)	-
At end of year	<u>-</u>	<u>1,193</u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(37,266)	(22,282)
Tax losses carried forward	37,266	23,475
	<u>-</u>	<u>1,193</u>

CURIOUS DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,728,560 (2017 - 1,728,560) A shares of £0.10 each	172,856	172,856
7,139,290 (2017 - 7,139,290) B shares of £0.0001 each	714	714
	<u>173,570</u>	<u>173,570</u>

The holders of A shares have the right to receive notice of, attend and vote at the annual general meeting, each having one vote per share. They are entitled to receive a copy of and vote on a written resolution, participate in the profits of the company available for distribution and receive a dividend and participate in any return of assets of the company, after payment of its liabilities on liquidation, capital reduction or otherwise. They also have the right to participate in the aggregate proceeds of an exit and rank pari passu for such purpose.

The holders of B shares carry no voting rights, and are not entitled to participate in the profits of the company or receive any dividends. They do have the right to participate in the aggregate proceeds of an exit and rank pari passu for such purpose.

23. Reserves

Share premium account

The accumulation of amounts paid by shareholders over the par value of the shares:

Capital redemption reserve

The capital payments paid to shareholders to repurchase ordinary shares.

Other reserves

The capital contribution reserve represents the discounting applied to the intercompany debt owed to Chapel Down Group Plc.

Profit & loss account

Accumulation of profits and losses net of any dividends out to shareholders.

24. Capital commitments

At 31 December 2018 the company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	<u>3,575,039</u>	<u>-</u>

CURIOUS DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	120,000	-
Later than 1 year and not later than 5 years	390,000	-
	<u>510,000</u>	<u>-</u>

26. Related party transactions

During the year English Wines Plc, a company that has common directors and shareholders, transferred income to the company of £4,038,753 (2017 - £3,679,233) and recharged costs, including a management charge, of £6,731,877 (2017 - £4,057,878). During the year the company paid costs on behalf of English Wines Plc totalling £Nil (2017 - £214,274). At the balance sheet date £241,080 (2017 - £342,344) was owed to English Wines Plc.

During the year Chapel Down Group Plc, a company that holds 49.79% of the voting rights in Curious Drinks Limited, charged interest to the company of £49,841 (2017 - £27,239). Chapel Down Group Plc also paid costs on behalf of the company totalling £1,417,124 (2017 - £144,880). At the balance sheet date £5,517,544 (2017 - £1,121,033) was owed to Chapel Down Group Plc.

During the year advisor fees of £43,214 (2017 - £43,269) and expenses of £1,203 (2017 - £564) were paid to non-executive directors. At the balance sheet date no balances were outstanding (2017 - £Nil).

27. Controlling party

The directors do not believe that there is an ultimate controlling party of the company.