

HALEWOOD ARTISANAL SPIRITS PLC

**Annual Report and Financial Statements
For the period ended 7 July 2022**

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**HALEWOOD ARTISANAL SPIRITS PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 7 JULY 2022**

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HALEWOOD ARTISANAL SPIRITS PLC
COMPANY INFORMATION

DIRECTORS	Mrs J M Halewood Mr I A Douglas Mr S A Hainsworth Mr A W Robinson (resigned 3 April 2022) Mr J A Bradbury Mr T S Keevil (appointed 5 October 2021) Mr K Pillay (appointed 3 April 2022) Mr J H T Kennedy (appointed 6 March 2023)
COMPANY SECRETARY	Mr A W Robinson (resigned 3 April 2022) Mr K Pillay (appointed 3 April 2022)
REGISTERED OFFICE	1 st Floor 159-165 Great Portland Street London England W1W 5PA
COMPANY REGISTRATION	03699814
BANKERS	National Westminster Bank plc 22 Castle Street Liverpool L2 0UP Investec Bank PLC 30 Gresham Street London EC2V 7QP
AUDITOR	Deloitte LLP Statutory Auditor The Hanover Building Corporation Street Manchester M4 4AH

HALEWOOD ARTISANAL SPIRITS PLC

STRATEGIC REPORT

BUSINESS REVIEW

Halewood Artisanal Spirits PLC ("Halewood" or "The Group", as the context requires) revenues in the period declined by 8% driven by declines in the UK (25%) from sale and delisting of low margin brands, disruption from COVID-19, offset by growth in South Africa (11%). The UK economy was hampered by weak growth and has seen the negative impact of the high inflation rates. This sluggish economic growth rate compounded by costs from Brexit and poor productivity rates have been the key drivers to the suppressed Group performance. Inflation was primarily driven by the COVID-19 lockdowns as well as the hike in the gas and oil prices, especially following the commencement of the Ukrainian conflict in February 2022.

The Group reacted to COVID-19 spill over by reducing investment in international expansion and reducing capital projects. Sales of the core brands remained resilient, with prodigious growth in Russian vodka (prior to the Ukrainian conflict) and spiced rum. Halewood focused on driving down costs and the effects of COVID-19 not being as pronounced as in the prior year, the investment in online distribution waned in respect of yielding the desired return. On Trade and Global Travel Retail channels recovered significantly, a very welcomed return of this segment of the business to the Group with Whitley Neill Gin remaining the UK's number one premium gin and which has a leading share of the flavoured gin category.

During 2022, the Group disposed of two subsidiaries, namely South Africa sold on 1 of July 2022 and the Russian subsidiary sold on 2 July 2022. The year-end has been extended by seven (7) days as permitted by legislation.

South Africa, despite a prolonged shutdown due to government restrictions for COVID-19, performed strongly. The portfolio in South Africa targets the market with well-priced products and saw growth in these products particularly Belgravia Gin prior to its disposal.

Key objectives for the Group are turnover, adjusted EBITDA and to generate growth in operating income. The following table summarises turnover, operating loss or profit and adjusted EBITDA for each of the last two periods:

	2022 £'000	2021 £'000
Turnover	371,486	396,790
Operating (loss) / profit	(8,300)	2,663
Depreciation	4,632	6,615
Amortisation (including impairment)	1,967	1,707
Sales of asset and brand	(76)	(6,807)
Legal costs	-	2,483
Restructuring related costs	-	3,043
Costs related to moving production to the UK	8,275	-
Adjusted EBITDA	6,498	9,704

The ramifications of the pandemic permeated the results with the loss of sales in the On Trade over the peak trading period in December 2021. Marketing costs were incurred in anticipation that On Trade trading would be robust in December. The quantum of this spend was £1.8 million. The Ukrainian conflict resulted in a considerable impact on our supply chain and the UK business also had to cope with the delisting of the Russian vodka which resulted in significant losses to the Group. The supply chain costs of £8.2m were related to moving production from Russia to the UK.

HALEWOOD ARTISANAL SPIRITS PLC

STRATEGIC REPORT

Key performance indicators

The directors consider the key performance indicators of the Group to be Gross Margin and Operating Cash Flows which are documented in the financial statements on pages 14 to 21, plus operating profit and Adjusted EBITDA documented above. The key performance indicators utilised by management which are Gross Margin and Operating Cash Flow targets for the current year were not met for the period. The operating profit target was not met due to the factors noted above. Future targets are based on delivering a reduced cost base and continued growth of core brands.

The Group monitors closely cash flow from operating activities. During the period, the cash outflow from operating activities amounted to £11,507k (2021: £1,391k) prior to proceeds from disposals of subsidiaries. Proceeds from the sale of the two subsidiaries permitted the Group to repay a substantial portion of the term loan to Investec post period end. There were also reduced working capital costs

FUTURE OUTLOOK

The Group is focused on cash generation, working capital rationalisation and continues to identify disposal opportunities of non-core assets.

With a category management approach to artisanal spirits with products at multiple price points combined with operating in core geographical markets (UK, Canada, Australia, China), the Group expects to mitigate risk from competition, changes in consumers' tastes, COVID-19, loss of competitive raw materials procurement, global inflation a result of the Ukrainian conflict and the impact of continued global disruptions to the supply chain. The COVID-19 pandemic may well continue to disrupt our business for the next 12 months. Our strategy to meet these challenges is to continue to rationalise our brand portfolio to remove low margin brands, and small business units that are either working capital intensive and/or low margin which exposes them to a higher susceptibility of an inflationary environment due to a lack of pricing power. In addition, we have incentivised our customers to trade under bond and operate with shorter credit terms, in return for zero or lower price increases resulting in improved working capital and lower bank borrowing. We are reducing our raw material stocks and finished goods whilst disposing of any long-term whisky stocks that are no longer required. Our purchasing and production strategy is to continue to source lower cost raw materials and products from emerging markets to mitigate inflationary pressures in mature markets. In the UK, we continue to monitor changes in consumer behaviour and buying patterns and have tailored our trade marketing programmes in the Grocers to gain additional promotional shelf space.

SECTION 172 (1) STATEMENT

This Statement contains an overview of how the directors have performed their duty to promote the success of Halewood as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

DECISION MAKING

Halewood's Operational Framework sets out the principles of good governance to which the Group is required to adhere, together with its corporate values, policies and processes.

The Group produces a long-term strategic plan, a detailed financial forecast for the current year and a rolling 12 month forward financial view. The directors of each respective Group company contribute towards this process, and are also responsible, in conjunction with the Company's directors, for identifying and managing principal and emerging risks in such businesses. In doing so the directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the short term and the long-term reputation of the Group and its businesses.

HALEWOOD ARTISANAL SPIRITS PLC STRATEGIC REPORT

EMPLOYEES

Employee engagement is a primary focus for the directors of the Company – connecting employees to the Group’s strategy and purpose, empowering them to contribute to improving business performance and creating an environment in which everyone can fulfil their potential. The Group keeps employees informed about what is happening through the Halewood intranet, email, and leadership blogs and briefings.

FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the Group’s success. The Group has close relationships with its customers, suppliers and industry partners, which help us to create best-in-class products.

The Group’s supplier relationships are often long-term and the directors meet with key suppliers and work with the Group’s procurement function to develop both deeper relationships with businesses in the supply chain and strategic relationships with key suppliers.

THE COMMUNITY AND THE ENVIRONMENT

The directors recognise the importance of leading a Group that not only generates value for shareholders but also contributes to wider society. The Group looks to ensure that we build and nurture mutually beneficial relationships between our business, our people and local stakeholders. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to our Group and our employees, allowing us to make a positive difference and have an impact where it counts.

The Group is committed to reducing the environmental impact of our operations and products, minimising our environmental footprint and, in turn, decreasing our operational costs. Some of the Group’s initiatives are described in the energy efficiency initiatives summary on page 8 below.

MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Group aims to be a leader in business conduct, which helps us to earn and maintain stakeholder trust and sustain business success. The directors consider it fundamental to maintain a culture focused on embedding responsible business behaviours. All employees of the Group are expected to act in accordance with the requirements of the Group’s policies and values at all times. As well as being the right thing to do, this reduces the risk of compliance failure and supports us in attracting and retaining high-calibre employees.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group’s strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to competition from other operators, impact of increases in the cost of sourcing raw materials, production and distribution as well as unprecedented inflation in mature markets.

COVID-19 risk

The market continues to be affected in many of our operating countries by the ongoing impact of COVID-19. We have more recently in the UK seen an increase of On Trade activity, as the restrictions were eased and some decline in sales through Grocers that increased during the lockdown period. These impacts have broadly balanced for the main UK business, and we expect that to continue to be the case going forward. The Group has reopened its bars that had been closed during the lockdown periods.

Post Brexit risk

The Group has managed the impact of the post Brexit disruption to trading and supply chain as the UK adjusts to its new trading relationship with the European Union (EU) by increased stock holdings of core materials sourced from the EU and diversified its supply base to reduce reliance, where possible, upon EU based supplies. International customers are placing orders earlier to ensure product arrives in time.

HALEWOOD ARTISANAL SPIRITS PLC

STRATEGIC REPORT

Competitor risk

Competitor risk manifests itself in the form of competing brands in the same category, all competing for the consumers spend. The Group ensures that there is a constant pipeline of new products to bring to market and that it is investing in current brands to seek to mitigate this risk. Due to the price elasticity of the consumer more promotions had to be offered.

Consumer buying patterns risk, economic downturns and recession

Consumer buying patterns risk occurs as over time consumers switch from one alcoholic beverage category to another, or one channel to another or one price point to another. The Group mitigates this risk by making sure that its brands have strong provenance, it has brands across multiple categories, price points and availability across channels.

Credit risk

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

Taxation risk

As a producer and distributor of alcoholic beverages the Group is exposed to the taxation risk associated with these products. In order to mitigate the risk, the Group maintains a portfolio of products within different alcohol duty classifications. In addition, the Group is represented on various trade bodies. Consultants deemed as specialists in the respective regimes of taxation are also consulted with to minimise tax risk.

Interest rate risk

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

Currency risk

As the Group sells and operates in multiple markets around the globe it is exposed to movements in key currencies, in particular: the Euro, the Australian dollar and the US Dollar. This risk is managed at a Group level, with forward review of cash flows.

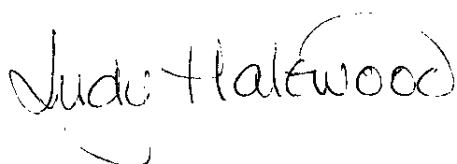
Liquidity risk

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

Cyber security risk

The Group takes cyber threats very seriously, employing industry leading desktop and server security features to ensure the safety of the corporate data; we use a cloud based artificial intelligence based solution to protect on threats from emails, and we partner with the world's best ecommerce platforms to provide a secure and robust online trading environment for its consumer base.

Approved by the Board on 27 March 2023 and signed on its behalf by:



J M Halewood

Director

HALEWOOD ARTISANAL SPIRITS PLC

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and the Group for the period ended 7 July 2022. Future developments and principal risks and uncertainties are included in the Strategic Report in accordance with the Companies Act section s414c (11).

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group profit for the period is disclosed on page 14. The directors did not declare a dividend in the period (2021: £2m).

DIRECTORS

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

GOING CONCERN

The business is continuing its rationalisation programme in both brands and operations. During the year, Halewood further reduced operating costs and headcount resulting in a minimal cash outflow of £525k. In addition, the proceeds of the sale of the South Africa subsidiary were used to repay £20m in long term loans post period end. In addition to these loan repayments, the proceeds were utilised to cover redundancy costs and made a £10m loan repayment to the shareholder.

The strategy to focus on brands from Halewood distilleries has generated additional funds of £4.5m from the sale of non-core long term whisky stocks.

The Group meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and loans secured over mixed assets, (refer to note 18). The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group and Company expect to be able to operate within the level of funding available.

The Group continuously monitor and assess the prevailing economic conditions and take appropriate action to counter any ill effects for the business operations, including the supply chain and financial performance. The Group continues to see shifts in purchasing patterns between channels and restrictions to sales in export markets. In response, the Group has reduced its cost base, focused on core brands to drive the maximum Net Margin and reduced working capital requirements, whilst curtailing non-essential capital expenditure projects.

Whilst there perhaps will be continuing impacts from the COVID-19 pandemic, the Company and the Group continue to conduct ongoing risk assessments of the potential impact of the pandemic, along with cost pressures, inflation and economic downturn on its business operations and liquidity. Having undertaken these assessments up until March 2024, the forecasted future operational performance and modelled sensitivities for shifts of buying patterns, potential declines in UK premium gin, offset by current international growth showed that the Group is expected to operate within current banking facilities. The directors therefore consider that the Company and the Group will be able to continue in operational existence and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the Group made charitable donations of £nil (2021: £17K). No political contributions were made by the Company or its subsidiaries (2021: £Nil).

EMPLOYEES

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

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

HALEWOOD ARTISANAL SPIRITS PLC DIRECTORS' REPORT

STREAMLINED ENERGY AND CARBON REPORTING

SUMMARY

The greenhouse gas emissions for Halewood Artisanal Spirits PLC, reportable under SECR for the period ended 7 July 2022 were 3,270 (2021: 1,999) tonnes CO₂e. The gross GHG emissions figure includes all material Scope 1, 2 and 3 emissions required to be disclosed by the SECR legislation; that is the emissions associated with the purchase of electricity, the combustion of natural gas and the consumption of fuel for transport. The emissions figure also includes those emissions arising from fuel combusted in stationary plant and the emissions from the transmission and distribution of electricity, which are reported voluntarily.

Halewood Artisanal Spirits (UK) Ltd.'s total GHG emissions this year were 63.6% higher than the previous year, with a corresponding increase in emissions intensity of 79.1%. The increase is because of the inclusion of emissions from refrigerants and from fuel combusted in the diesel generators, that were temporarily used while a new electrical sub-station was designed, installed, and commissioned at our Chorley site, and which were reported for the first time this year. This has caused our carbon emissions to be higher than a normal year. They have now been removed from supplying the site with electricity. Without the additional emissions sources reported this year, our emissions would have been 1,356 tCO₂e, this is due to reductions in emissions from transportation and electricity consumption.

GREENHOUSE GAS EMISSIONS

Emissions source	2021/22	% Share	2020/21	% Share	% Change
Fuel combustion: Natural gas	408	13%	405	20%	1%
Fuel combustion: Transport	184	6%	307	15%	(40%)
Fuel combustion: Diesel generators	1,857	57%	0	0%	100%
Consumed electricity	764	22%	1,287	65%	(41%)
Refrigerants	57	2%	0	0%	100%
Total emissions (tCO₂e)	3,270	100%	1,999	100%	
Tonnes of CO ₂ e per £m revenue	14.34		8.01		

It is a standard protocol to define greenhouse gas emissions by scope. The scope items included in the calculation of the carbon footprint for Halewood are listed by scope item:

- Scope 1: direct emissions arising from activities on site - combustion of fuels to heat buildings and the use of fuel in company owned vehicles.
- Scope 2: indirect energy emissions - purchased electricity.
- Scope 3: indirect emissions - Losses from electricity distribution and transmission, private vehicles used for business travel.

The split of emissions by scope is shown in the table below:

Emissions source	2021/22	% Share	2020/21	% Share	% Change
Scope 1	2,478	75.8%	710	35.5%	249%
Scope 2	703	21.5%	1,183	59.2%	(41%)
Scope 3	89	2.7%	106	5.3%	(16%)
Total emissions (tCO₂e)*	3,270	100%	1,999	100%	

*Greenhouse gas emissions by scope (tonnes CO₂e).

HALEWOOD ARTISANAL SPIRITS PLC DIRECTORS' REPORT

ENERGY CONSUMPTION

Emissions source	2021/22	% Share	2020/21	% Share	% change
Natural gas for heating	2,232,594	15.6%	2,211,636	24.3%	0.9%
Electricity	3,618,923	25.2%	5,571,177	61.2%	(35.0%)
Transport fuel	798,804	5.6%	1,324,701	14.5%	(39.7%)
Diesel generators	7,701,552	53.6%			100%
Total*	14,351,973	100%	9,107,514	100%	

*Energy consumption by year (kWh).

BOUNDARY, METHODOLOGY AND EXCLUSIONS

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of buildings within the scope of the regulation, plus transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies.

This report also includes emissions from stationary plant under Scope 1, and transmission and distribution losses of electricity under Scope 3, which are both voluntary reportable emissions. The inclusion of emissions associated with transmission and distribution losses with the emissions from consumed electricity is considered best practice.

Emissions have been calculated using the 2022 conversion factors provided by Department of Business, Energy & Industrial Strategy. The reporting period is July 2021 to 7 July 2022. Problems obtaining invoices from Electricity and Gas suppliers has led to estimates amounting to 6.0% of total consumption.

ENERGY EFFICIENCY INITIATIVES

We aim to continually improve our energy efficiency and reduce our impact on the environment, and to behave and operate as a responsible, sustainable business. During the year, the following initiatives have been completed:

- Diesel generators for electricity were only used in this last year, while a new electricity supply was designed, installed, and commissioned at our Chorley site.
- Energy efficiency measures, our 700KWp Solar Array is now installed and was operational from November 22. Our Electrical upgrade, phase 1, was completed 30 June 2022, taking away the need for diesel generated electricity, moving to grid supplied electricity. LED Lighting programme continues.

We continue with our plan to move all our company vehicles to all fully electric. Through our programme of Analyse and Act with Inenco we have made some significant energy savings including the repair and optimisation our heating controls within the Chorley site, and modifying the chilled water controls strategy to suit the needs of the operation. This programme will continue across all sites within the Group.

POST BALANCE SHEET EVENTS

On 10 December 2022, we became aware of a cybersecurity incident affecting our systems. We promptly took steps to respond to and contain the incident, including engaging cybersecurity experts to investigate and remediate the situation. We also engaged external legal counsel to advise on any legal obligations. We have fully recovered our systems and restored our data.

HALEWOOD ARTISANAL SPIRITS PLC

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

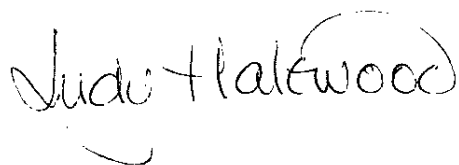
Each of the persons who are directors at the date of approval of this annual report confirms that:

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

The auditor, Deloitte LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006

APPROVAL

The Directors' Report was approved by the Board on 27 March 2023 and signed on its behalf by:



J M Halewood
Director

HALEWOOD ARTISANAL SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Halewood Artisanal Spirits PLC (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 7 July 2022 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 30.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are

HALEWOOD ARTISANAL SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS PLC

required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These include UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

HALEWOOD ARTISANAL SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS PLC

As a result of performing the above, we identified the greatest potential for in the following area, and our procedures performed to address it is described below:

- **revenue recognition** – valuation of rebates payable. The group has a number of rebate agreements with its customers for promotional spend and discounts. There is a risk that the accruals recognised by the group are valued inappropriately. In response to the risk, we test a sample of the rebates recognised in the reporting period through to supporting documentation, such as signed pricing agreements and customer claim forms. We also review the historical accuracy of the rebate accruals by the group by looking at the release of prior year accruals during the current year.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

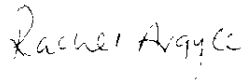
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors'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

We have nothing to report in respect of these matters.

HALEWOOD ARTISANAL SPIRITS PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS
PLC

Use of our report

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



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

27 March 2023

HALEWOOD ARTISANAL SPIRITS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 7 July 2022

	Note	Continued operations £'000	*Discontinued operations £'000	Total Period ended 7 July 2022 £'000	Continued operations £'000	Discontinued operations £'000	Total 52 weeks ended 26 June 2021 £'000
Turnover	3	217,541	153,945	371,486	264,569	132,221	396,790
Cost of sales		(184,930)	(118,286)	(303,216)	(207,990)	(96,100)	(304,090)
Gross profit		32,611	35,659	68,270	56,579	36,121	92,700
Distribution costs		(6,689)	(327)	(7,016)	(9,232)	-	(9,232)
Selling and marketing costs		(16,079)	(381)	(16,460)	(28,306)	-	(28,306)
Administrative expenses		(27,679)	(26,607)	(54,286)	(27,408)	(29,777)	(57,185)
Sale of fixed assets		-	-	-	2,572	-	2,572
Sale of brands		76	-	76	4,235	-	4,235
Restructuring related costs		-	-	-	(3,043)	-	(3,043)
Other operating income		839	277	1,116	586	336	922
Operating (loss) / profit	6	(16,921)	8,621	(8,300)	(4,017)	6,680	2,663
Sale of subsidiaries	13	-	36,708	36,708	17,640	-	17,640
Interest receivable and similar income	4	1	10	11	874	32	906
Interest payable and similar charges	5	(2,720)	(262)	(2,982)	(2,322)	(193)	(2,515)
Share of joint venture (loss)/profit		(172)	-	(172)	197	-	197
(Loss) / profit before taxation		(19,812)	45,077	25,265	12,372	6,519	18,891
Tax on (loss) / profit	10	(1,714)	(1,888)	(3,602)	(1,182)	(1,796)	(2,978)
(Loss) / profit for the financial period		(21,526)	43,189	21,663	11,190	4,723	15,913

HALEWOOD ARTISANAL SPIRITS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 7 July 2022

	Note	Continued operations £'000	*Discontinued operations £'000	Total Period ended 7 July 2022 £'000	Continued operations £'000	Discontinued operations £'000	Total 52 weeks ended 26 June 2021 £'000
(Loss) / Profit for the period attributable to:							
Non-controlling interest	22	(3)	503	500	(57)	-	(57)
Equity shareholders of the company		(21,523)	42,686	21,163	11,247	4,723	15,970
		(21,526)	43,189	21,663	11,190	4,723	15,913

*During the period ended 7 July 2022, the Group disposed of two subsidiaries, namely South Africa sold on the 2 July 2022 and the Russian subsidiary sold on the 1 July 2022. The results of the disposed subsidiaries are presented as discontinued operations for the period under review.

HALEWOOD ARTISANAL SPIRITS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 7 July 2022

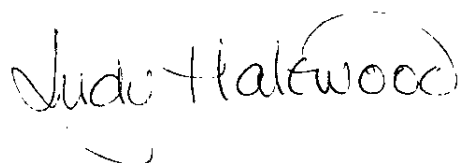
	Note	Continued operations £'000	Discontinued operations £'000	Total Period ended 7 July 2022 £'000	Continued operations £'000	Discontinued operations £'000	Total 52 weeks ended 26 June 2021 £'000
(Loss) / profit for the period		(21,526)	43,189	21,663	11,190	4,723	15,913
Foreign exchange movement		320	(706)	(386)	(556)	91	(465)
Total comprehensive (loss) / income for the period		(21,206)	42,483	21,277	10,634	4,814	15,448
Total comprehensive (expense) / income for the period attributable to:							
Non-controlling interest	22	(9)	503	494	(3)	(73)	(76)
Equity shareholders of the company		(21,197)	41,980	20,783	10,637	4,887	15,524
		(21,206)	42,483	21,277	10,634	4,814	15,448

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED BALANCE SHEET As at 7 July 2022

	Note	7 July 2022 £'000	26 June 2021 £'000
Fixed assets			
Brands and intellectual property rights	11	2,498	2,597
Goodwill	11	5,488	6,934
Intangible assets		7,986	9,531
Tangible assets	12	66,010	73,195
Investments	13	-	1,037
Share of joint venture and associates' net assets	13	3,922	3,813
		77,918	78,045
Current assets			
Stocks	14	31,591	59,195
Debtors	15	60,604	99,188
Cash at bank and in hand		13,001	3,030
		105,196	161,413
Creditors: amounts falling due within one year	16	(51,082)	(138,382)
Net current assets		54,114	23,031
Total assets less current liabilities		132,032	110,607
Creditors: amounts falling due after more than one year	17	(28,478)	(28,782)
Provision for liabilities	20	(3,389)	(2,071)
Net assets		100,165	79,754
Capital and reserves			
Called up share capital	21	129	129
Capital redemption reserve		5	5
Profit and loss account		99,906	79,123
Shareholders' funds		100,040	79,257
Non-controlling interests	22	125	497
Total capital employed		100,165	79,754

The financial statements of Halewood Artisanal Spirits PLC, registered number 03699814, were approved by the board of directors on 27 March 2023 and signed on their behalf by:



J M Halewood

Director

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the period ended 7 July 2022

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance as at 27 June 2020	146	5	65,526	65,677	559	66,236
Profit/(loss) for the period	-	-	15,970	15,970	(57)	15,913
Exchange loss	-	-	(446)	(446)	(19)	(465)
Total comprehensive income / (expense) for the period	-	-	15,524	15,524	(76)	15,448
On acquisition of non- controlling interest	-	-	64	64	14	78
Dividends	-	-	(2,000)	(2,000)	-	(2,000)
Share buyback (Note 23)	(17)	-	9	(8)	-	(8)
Balance as at 26 June 2021	129	5	79,123	79,257	497	79,754
Profit for the period	-	-	21,163	21,163	500	21,663
Exchange loss	-	-	(380)	(380)	(6)	(386)
Total comprehensive income for the period	-	-	20,783	20,783	494	21,277
On disposal of subsidiaries	-	-	-	-	(866)	(866)
Balance as at 7 July 2022	129	5	99,906	100,040	125	100,165

HALEWOOD ARTISANAL SPIRITS PLC

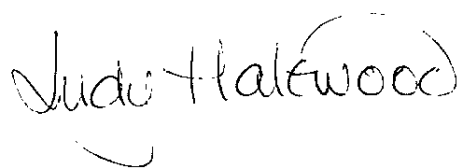
PARENT COMPANY BALANCE SHEET

As at 7 July 2022

		7 July 2022 £'000	26 June 2021 £'000
	Note		
Fixed assets			
Investments	13	6,482	10,622
Amounts due from subsidiary undertakings		93,319	38,544
		<u>99,801</u>	<u>49,166</u>
Current assets			
Debtors	15	2,145	143
Creditors: amounts falling due within one year	16	-	(15)
Net current assets		<u>2,145</u>	<u>128</u>
Total assets less current liabilities		<u>101,946</u>	<u>49,294</u>
Creditors: amounts falling due after more than one year	17	(4,799)	(32,604)
Net assets		<u>97,147</u>	<u>16,690</u>
Capital and reserves			
Called up share capital	21	129	129
Profit and loss account		97,018	16,561
Shareholders' funds		<u>97,147</u>	<u>16,690</u>

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial period amounted to £80,457,000 (2021: loss of £959,000).

The financial statements of Halewood Artisanal Spirits PLC registered number 03699814, were approved by the Board of directors on 27 March 2023 and signed on their behalf by:



J M Halewood

Director

HALEWOOD ARTISANAL SPIRITS PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the period ended 7 July 2022

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 29 June 2020	146	19,511	19,657
Share buyback	(17)	9	(8)
Total comprehensive loss for the period	-	(959)	(959)
Dividends paid	-	(2,000)	(2,000)
Balance as at 26 June 2021	129	16,561	16,690
Total comprehensive income for the period	-	80,457	80,457
Balance as at 7 July 2022	<u>129</u>	<u>97,018</u>	<u>97,147</u>

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 7 July 2022

		Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Note			
	Cash flows from operating activities	23	(11,507)
	Cash flows from investing activities		
	Interest received	4	11
	Purchase of tangible fixed assets		(10,273)
	Purchase of investments	13	-
	Net proceeds from sale of fixed assets		585
	Net proceeds from sale of brands		-
	Net proceeds from sale of subsidiaries	13	61,403
	Acquisition of subsidiaries		-
	Cash acquired with subsidiaries		-
	Overdraft disposed of with subsidiaries		(1,485)
	Purchase of non-controlling interest in subsidiaries		-
	Purchase of intangibles	11	(532)
	Net cash inflow from investing activities		49,709
	Cash flows from financing activities		
	Drawdown of related parties loans		696
	Payment of dividends		-
	Repayment of loans		(583)
	Capital element of finance lease repayment/(inception)	19	(86)
	Net cash inflow / (outflow) from financing activities		27
	Net increase/(decrease) in cash		38,229
	Cash at the beginning of the period		(25,009)
	Effect of foreign exchange rates		(323)
	Cash at the end of the period		12,897
	Reconciliation to cash at bank and in hand		
	Cash at bank and in hand		13,001
	Overdrafts		(104)
			12,897

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

1. ACCOUNTING POLICIES

General Information

Halewood Artisanal Spirits PLC is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on the page 1 and the nature of the Group's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. Details of the significant judgements and estimates are provided in note 2.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- No cash flow statement or net debt reconciliation has been presented for the parent company and
- Disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period. The functional currency of Halewood Artisanal Spirits PLC is considered to be pound sterling as that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pound sterling. Foreign operations are included in accordance with the policies set out below.

Statement of compliance

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Audit Exemption

A number of subsidiary undertakings consolidated as at 7 July 2022, are claiming exemption from audit under section 479A Companies Act 2006, please refer to note 13 for details.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 7 July 2022. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

1. ACCOUNTING POLICIES (continued)

Going concern

The business is continuing its rationalisation programme in both brands and operations. During the year, Halewood further reduced operating costs and headcount resulting in a minimal cash outflow of £525k. In addition, the proceeds of the sale of the South Africa subsidiary were used to repay £20m in long term loans post period end. In addition to these loan repayments, the proceeds were utilised to cover redundancy costs and made a £10m loan repayment to the shareholder.

The strategy to focus on brands from Halewood distilleries has generated additional funds of £4.5m from the sale of non-core long term whisky stocks.

The Group meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and loans secured over mixed assets, (refer to note 18). The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group and Company expect to be able to operate within the level of funding available.

The Group continuously monitored and assessed the prevailing economic conditions and taken appropriate action to counter any ill effects for the business operations, including the supply chain and financial performance. The Group continues to see shifts in purchasing patterns between channels and restrictions to sales in export markets. In response, the Group has reduced its cost base, focused on core brands to drive the maximum Net Margin and reduced working capital requirements, whilst curtailing non-essential capital expenditure projects.

Whilst there perhaps will be continuing impacts from the COVID-19 pandemic, the Company and the Group continue to conduct ongoing risk assessments of the potential impact of the pandemic, along with cost pressures, inflation and economic downturn on its business operations and liquidity. Having undertaken these assessments up until March 2024, the forecasted future operational performance and modelled sensitivities for shifts of buying patterns, potential declines in UK premium gin, offset by current international growth showed that the Group is expected to operate within current banking facilities. The directors therefore consider that the Company and the Group will be able to continue in operational existence and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Capital grants

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

Turnover

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

Interest revenue

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

Interest payable

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

Goodwill

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

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

1. ACCOUNTING POLICIES (continued)

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

Intangible assets

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

Tangible fixed assets

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

- Freehold buildings 2% straight line on cost or valuation
- Fixtures and fittings 15% to 25% straight line on cost
- Plant and machinery 5% to 25% straight line on cost

Investments

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

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

Associates

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

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

Stocks

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

Taxation

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

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

1. ACCOUNTING POLICIES (continued)

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

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

Foreign currencies

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

Leases

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

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Bank borrowings

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

Pensions

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

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

1. ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets

Financial assets of the group comprise cash, trade and other debtors, corporation tax receivable, amounts due from subsidiaries and related parties. All financial assets are stated at amortised cost.

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

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

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

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

Financial liabilities

Financial liabilities of the Group comprise bank loans and overdrafts, trade and other creditors, amounts payable under finance leases, amounts due to subsidiaries and related parties. All financial are stated at amortised cost.

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

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

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

Related party transactions

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

Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. During the period ended 7 July 2022 exceptional items relate to disposal of the South African and Russian subsidiaries and de-merger of Halewood International Holdings (Overseas) Ltd.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Stock provision

Non-moving, slow moving and short dated stocks are assessed at the balance sheet date and if it is deemed that there is a material risk that some or all of the stock cannot be sold, then a provision is made.

Recoverability of trade debtors

The risk of debtor default is assessed by reference to overdue amounts and recent payment history. If there is a deemed material risk of non-payment, a provision is made.

Key accounting estimates and assumptions

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of investments in subsidiaries

The carrying value of investments in subsidiaries are reviewed for impairment on annual basis. The recoverable amount is determined based on value in use which requires the determination of appropriate assumptions (which are sources of estimation uncertainty) in relation to the cash flows over a five-year forecast period, the long term growth rate to be applied beyond this five-year period and the risk-adjusted pre-tax discount rate used to discount the assumed cash flows to present value.

Impairment of goodwill and intellectual property

Goodwill and intellectual property are tested for impairment annually and at times when such indicators exist. This requires management to estimate the expected future cash flows of the cash generating unit, and apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to forecast gross margins, growth rates and discount rates used. If the expectation differs from the estimations, such different will impact the carrying value of the goodwill or intellectual property.

Marketing provision

Future promotional payments to customers are assessed at the balance sheet date. A provision will be made to deduct from the initial revenue any future promotional payments to customers unless it is highly probable that they will not be incurred.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

3. TURNOVER

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

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
United Kingdom	178,205	236,086
Other EC countries	16,165	5,816
Rest of Europe	26,804	5,097
South Africa	133,090	120,421
Other	17,222	29,370
	<u>371,486</u>	<u>396,790</u>

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Bank interest	11	32
Related party interest	-	874
	<u>11</u>	<u>906</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Bank overdraft	372	1,551
Bank loan interest	2,570	924
Finance lease interest	40	29
Related party interest	-	11
	<u>2,982</u>	<u>2,515</u>

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

6. OPERATING (LOSS) / PROFIT

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

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Depreciation of owned tangible fixed assets (Note 12)	4,632	6,615
Operating lease rentals - land and buildings	1,708	1,209
Government grants released (Note 19)	(219)	(7)
Amortisation - goodwill (Note 11)	1,003	1,018
- brands & IPR (Note 11)	584	689
Impairment charge	380	-
(Gain) / loss on disposal of tangible fixed assets	(398)	2,719
Foreign exchange (gain)/loss	(269)	446
Write downs of inventories recognised as an expense	7,042	6,227
Sale of fixed assets	-	(2,572)
Sale of brands	(76)	(4,235)
Restructuring	-	3,043
Other operating income	(1,116)	(922)

Restructuring fall outside of the ordinary activities of the Group and are presented separately due to their size. These costs are also considered non-recurring items.

Other operating income relates to UK government grants received under the Job Support Scheme, The Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund, introduced during the COVID-19 pandemic.

7. AUDITOR'S REMUNERATION

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Fees payable for the audit of the company's subsidiaries pursuant to legislation	140	135
Total audit fees	140	135

There were no non audit fees (2021: Nil).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

8. EMPLOYEES

The remuneration of employees, including directors, was:

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Group		
Wages and salaries	28,953	29,709
Social security costs	2,025	2,227
Pensions - defined contribution schemes (Note 27)	2,049	1,807
	<u>33,027</u>	<u>33,743</u>

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

	2022 No.	2021 No.
Administration and selling	399	467
Warehouse, production and distribution	603	676
	<u>1,002</u>	<u>1,143</u>

Company

No staff costs or directors' remuneration were paid by the Company during the period (2021: £Nil). They are paid by Halewood Artisanal Spirits (UK) Limited. There were no staff employed by the Company during the period (2021: Nil).

9. DIRECTORS' EMOLUMENTS

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Group		
Emoluments	2,332	2,222
Company contributions to money purchase pension schemes	15	11
	<u>2,347</u>	<u>2,233</u>
 The emoluments of the highest paid director were:	 £'000	 £'000
Emoluments	1,017	833

Pension contributions have been made on behalf of 4 directors (2021: 3). The highest paid director received pension contributions totalling £3k (2021: £3k).

The directors are considered to be the key management personnel.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

10. TAXATION ON PROFIT

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Current tax on profit		
UK corporation tax	-	379
Foreign tax	1,662	2,091
	<u>1,622</u>	<u>2,470</u>
Adjustments in respect of prior period		
UK corporation tax	101	314
Total current tax	<u>1,763</u>	<u>2,784</u>
Deferred taxation		
Origination and reversal of timing differences	1,219	(467)
Adjustments in respect of prior periods	310	228
Effect of a change in the tax rates	310	433
Total deferred taxation	<u>1,839</u>	<u>194</u>
Total taxation on profit	<u>3,602</u>	<u>2,978</u>

The standard rate of tax applied to reported profit is 19% (2021: 19%).

The UK corporation tax rate for the period ended 7 July 2022 is 19% which has been effective since 1 April 2017. In the Spring Budget 2021, the UK Government announced an increase in the corporation tax rate to 25% which will apply from 1 April 2023. The legislation increasing the tax rate to 25% rate was enacted on 10 June 2021. Deferred taxes on 7 July 2022 have been measured using this enacted tax rate and reflected in these financial statements.

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

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

10. TAXATION ON PROFIT (continued)

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Group profit before taxation	25,265	18,891
Tax on Group profit at standard United Kingdom corporation tax rate of 19% (2019: 19%)	4,801	3,588
Effects of:		
Expenditure not tax deductible for tax purposes	1,342	61
Income not taxable	(6,187)	(3,801)
Adjustments in respect of prior periods	411	543
Utilisation of tax losses not previously recognised	(38)	(353)
Capital gains	-	2,094
Deferred tax not provided	1,911	21
Effect of tax rates on overseas earnings	988	1,127
Tax rate changes	313	433
Other	61	(735)
Total tax charge	3,602	2,978

11. INTANGIBLE FIXED ASSETS AND GOODWILL

	Brands and PR £'000	Positive goodwill £'000	Total £'000
Cost			
At 26 June 2021	8,879	11,893	20,772
Additions	532	-	532
Disposals	(381)	(74)	(455)
Exchange adjustment	-	9	9
At 7 July 2022	9,030	11,828	20,858
Amortisation			
At 26 June 2021	6,282	4,959	11,241
Charge for the period	584	1,003	1,587
Disposal	(334)	-	(334)
Impairment charge	-	380	380
Exchange adjustment	-	(2)	(2)
At 7 July 2022	6,532	6,340	12,872
Net book value			
At 7 July 2022	2,498	5,488	7,986
At 26 June 2021	2,597	6,934	9,531

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

12. TANGIBLE FIXED ASSETS

Group	Freehold Property £'000	Plant & Machinery, Fixtures & Fittings £'000	Total £'000
Cost			
At 26 June 2021	7,566	107,018	114,584
Additions	1,100	9,996	11,096
Disposed with subsidiary	(1,097)	(23,406)	(24,503)
Disposals	-	(913)	(913)
At 7 July 2022	7,569	92,695	100,264
Accumulated depreciation			
At 26 June 2021	1,826	39,563	41,389
Charge for the period	510	4,122	4,632
Disposed with subsidiary	(528)	(10,513)	(11,041)
Disposals	-	(726)	(726)
At 7 July 2022	1,808	32,446	34,254
Net book value			
At 7 July 2022	5,761	60,249	66,010
At 26 June 2021	5,740	67,455	73,195

The net book value of plant & machinery includes an amount of £2,651K (2021: £1,619K) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the period was £388K (2021: £357K).

The company does not hold any tangible fixed assets (2021: Nil).

13. FIXED ASSET INVESTMENTS

Group	Unquoted Investments £'000
Cost	
At 26 June 2021	978
Disposals of subsidiaries	(978)
At 7 July 2022	-
Provisions for impairment	
At 26 June 2021	59
Disposals of subsidiaries	(59)
At 7 July 2022	-
Net book value	
At 7 July 2022	-
At 26 June 2021	1,037

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

13. FIXED ASSET INVESTMENTS (continued)

Group	Interests in joint ventures £'000	Interests in associates £'000	Total £'000
Net book value at 26 June 2021	199	3,614	3,813
Share of loss	-	(94)	(94)
Distributions received	-	(78)	(78)
Exchange	-	281	281
Net book value at 7 July 2022	199	3,723	3,922

Company	Investments in subsidiary undertakings £'000
Cost	
At 26 June 2021	10,622
Disposals	(4,140)
At 7 July 2022	6,482

During the year the Company disposed of its subsidiary Halewood International Holdings (Overseas) Limited and its subsidiaries in South Africa and Russia. Their consolidated financial results are presented in the statement of comprehensive income as discontinued operations.

The entities incorporated in Russia and disposed of on 1st of July 2022 were: Flagman LLC, Halewood LLC, J.J Whitley Distillery LLC. The profit before taxation at the date of disposal was £294k and the loss on disposal was £18,798k.

The entities incorporated in South Africa and disposed of on 2 of July 2022 were: Halewood Properties SA (Pty) Ltd, Snowbliss (Pty) Ltd, 7 Stars Beverage Propriety Ltd, Halewood International SA (Pty) Ltd. The profit before taxation at the date of disposal was £8,076k and the profit on disposal was £56,058k.

Halewood International Holdings (Overseas) Limited was disposed on the 2 of July 2022. The profit before taxation at the date of disposal was £nil and the loss on disposal was £552k.

The company's principal subsidiaries and joint venture undertakings are set out below. All subsidiaries are 100% owned and registered in England and Wales unless otherwise stated.

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Willow Water Limited	Production and sale of bottled water	The Winery, Ackhurst Road, Chorley, England, PR7 1NH	05539318	UK	Ordinary
Halewood International Holdings (UK) Limited	Investment Holding company	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	03374741	UK	Ordinary
H&A Prestige Bottling Limited*	Bottling operation	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	01762466	UK	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

13. FIXED ASSET INVESTMENTS (continued)

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Halewood International Marketing Limited*	Marketing services	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	03861237	UK	Ordinary
Charlie Richards & Company Limited*	Wholesale of wine, beer, spirits and other alcoholic beverages	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	02606824	UK	Ordinary
Charlie Richards Craft Wines & Spirits Limited	Retail sale via stalls and markets of food, beverages and tobacco products	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	10496851	UK	Ordinary
Barwell & Jones Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	06781279	UK	Ordinary
Hall & Bramley Limited	Manufacture of other non-distilled fermented beverages	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	11424678	UK	Ordinary
Halewood Artisanal Spirits (UK) Limited	Distribution of beers and spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	03920410	UK	Ordinary
Halewood International Brands Limited	Brand ownership	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	03896214	UK	Ordinary
Red Square Beverages Limited	Brand ownership	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	03920408	UK	Ordinary
Hawkshead Brewery Limited	Brewery and public house	Staveley Mill Yard, Staveley, Cumbria, LA8 9LR	03209508	UK	Ordinary
City of London Distillery Limited	Distillery and public house	22 – 24 Bride Lane, London, EC4Y 8DT	07963963	UK	Ordinary
Sadler's Peaky Blinder Distillery Limited	Distilling, rectifying and blending of spirits	Unit 2, Conyers Trading Estate, Station Drive, Lye, Stourbridge, West Midlands, England, DY8 3EH	05063381	UK	Ordinary
Sadler's Brewhouse Limited (99.9%)	Public house	Unit 2, Conyers Trading Estate, Station Drive, Lye, Stourbridge, West Midlands, England, DY8 3EH	09416020	UK	Ordinary
H J Neill Limited (85%)	Brand owner	1st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	09927950	UK	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

13. FIXED ASSET INVESTMENTS (continued)

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
The Bajan Trading Company Limited (87.5%)	Manufacturer of spirits	1st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	06377231	UK	Ordinary
Aber Falls Distillery Limited	Distilling, rectifying and blending of spirits	Station Road, Abergwyngregyn, Llanfairfechan, LL33 0LB	10842166	UK	Ordinary
John Crabbie & Company Limited	Distilling, rectifying and blending of spirits	21 Graham Street, Edinburgh, Scotland, EH6 5QN	SC30285	UK	Ordinary
Redrosesforme Limited (60%)	Distilling, rectifying and blending of spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London W1W 5PA	09970509	UK	Ordinary
Liverpool Gin Distillery Limited	Distilling, rectifying and blending of spirits	52-54 Castle Street, Liverpool, England. L2 7LQ	10647576	UK	Ordinary
The Cornish Rum Company Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	87 – 89 Park Street, Bristol, England, BS1 5PW	10847544	UK	Ordinary
Kania Craft Drinks Limited (60%)	Holding company	The Winery, Ackhurst Road, Chorley, England, PR7 1NH	11346532	UK	Ordinary
Vestal Vodka Limited	Retail sale of beverages in specialised stores	The Winery, Ackhurst Road, Chorley, England, PR7 1NH	07255560	UK	Ordinary
The Pleasure Gardens Distilling Company Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London W1W 5PA	10258850	UK	Ordinary
Dyflin Distilleries Limited	Distilling, rectifying and blending of spirits	38 Upper Mount Street, Upper Dublin 2	627479	Ireland	Ordinary
Pat Garrett Liquor Trading Company Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	11390004	UK	Ordinary
Lamb & Watt Vintners Ltd	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	02841848	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	01360434	UK	Ordinary
Beijing Shunxing Halewood Alcoholic Beverages Limited	Distribution of spirits	Room C506, Building 3, Di Sheng Nan Street No. 1, BDA, Beijing, China	7749457 U	China	Ordinary
Halewood Wines and Spirits SAS	Distribution of spirits	11 rue Saint Etienne, 16000 Angoulême, France	500 820 410	France	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

13. FIXED ASSET INVESTMENTS (continued)

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Halewood Wines & Spirits (Canada) Inc.	Distribution of spirits	Suite 2660, Three Bentall Centre, 595 Burrard Street, Vancouver, BC V7X 1L3	BC12013 90	Canada	Ordinary
Halewood Wines & Spirits (Hong Kong) Limited	Distribution of spirits	SPB Corporate Services Limited, 29 th Floor, Edinburgh Tower, The Landmark, 15 Queens Road Central, Central, HK	2819055	Hong Kong	Ordinary
Halewood Wines & Spirits Inc.	Distribution of spirits	777 Brickell Avenue, Suite 708, Miami, FL33131, USA	7087848	USA	Ordinary
Ironbark Distillery PTY Ltd	Distilling, rectifying and blending of spirits	Unit 4, 37 William Street, North Richmond, NSW, Australia, 2754	165 952 116	Australia	Ordinary
Halewood Wines and Spirits (Australia) PTY Ltd	Distribution of spirits	Suite 514, 15 Lime Street, Barangaroo, Sydney 2000, NSW, Australia	630 646 883	Australia	Ordinary
Edinburgh and Leith Distillery Limited	Dormant	21 Graham Street, Edinburgh, Scotland, EH6 5QN	SC607576	Scotland	Ordinary
Formby Spirits Ltd #	Dormant	The Winery, Ackhurst Road, Chorley, England, PR7 1NH	11172225	UK	Ordinary
LoCa Beverages Ltd (80%)	Distilling, rectifying and blending of spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	08662064	UK	Ordinary
South East Asia Beverage Company PTE Ltd #	Wholesale of liquor, soft drinks and beverages	435 Orchard Road, #22-01 Wisma Atria, Singapore, 238877	03374741	Singapore	Ordinary
Pinchos Bar Limited	Public house	The Winery, Ackhurst Road, Chorley, England, PR7 1NH	09038614	UK	Ordinary
The Whitley Neill Distillery Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	12328729	UK	Ordinary
Whitley Neill Gin Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	12917173	UK	Ordinary
Whitley Neill Spirits Limited (*dissolved on 20 December 2022)	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	12918337	UK	Ordinary
Halewood Wines & Spirits (Germany) GMBH	Distribution of wines and spirits	Cormoran GMBH, Am Zirkus 2, 10117 Berlin	HRB 207511 B	Germany	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

13. FIXED ASSET INVESTMENTS (continued)

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Halewood International (Thailand) Company Ltd	Distribution of wines and spirits	No. 591, UBC Building, 20 th Floor, Sukhumvit Road, Klongton-Nua Wattana, Bangkok 10110	01055580 11776	Thailand	Ordinary
Brewmaster's House Limited	Dormant	Unit 2 Unit 2 Conyers Trading Estate, Station Drive, Lye, United Kingdom, DY9 3EH	11716482	UK	Ordinary
Castle Rum Company Ltd	Public house	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	11556789	UK	Ordinary
The Bristol & Bath Distillery Limited	Public house	87-89 Park Street, Bristol, England, BS1 5PW	11609078	UK	Ordinary
Halewood International Streams of Whiskey Limited (80%)	Brand Owner	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London W1W 5PA	09997019	UK	Ordinary
Principal associates and joint ventures	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Symphony Importers LLC (45.15%)	Distribution of wines and spirits	13835 73rd Avenue, 33158 Palmetto Bay	75-3020043	USA	Ordinary
Wessex Distillery Ltd (50%)	Distilling, rectifying and blending of spirits	4th Floor Imperial House, 8 Kean Street, London, United Kingdom, WC2B 4AS	10943874	UK	Ordinary

AUDIT EXEMPTION

The subsidiary undertakings consolidated as at 7 July 2022, who claimed exemption from audit under section 479A Companies Act 2006, were as follows:

Principal subsidiary undertakings	Principal activity	Company number	Country of incorporation	Class of share
Willow Water Limited	Production & sale of water	05539318	UK	Ordinary
Halewood International Holdings (UK) Limited	Investment Holding company	03374741	UK	Ordinary
Halewood International Marketing Limited	Marketing services	03861237	UK	Ordinary
Chalie Richards & Company Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	02606824	UK	Ordinary
Halewood International Brands Limited	Brand ownership	03896214	UK	Ordinary
Red Square Beverages Limited	Brand ownership	03920408	UK	Ordinary
Kania Craft Drinks Limited	Holding company	11346532	UK	Ordinary
Vestal Vodka Ltd	Retail sale of beverages in specialised stores	07255560	UK	Ordinary
Halewood International Streams of Whiskey Ltd	Brand Ownership	09997019	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership	01360434	UK	Ordinary
Hawkshead Brewery Limited	Brewery and public house	03209508	UK	Ordinary
City of London Distillery Limited	Distillery and public houses	07963963	UK	Ordinary
Sadler's Peak Blinder Distillery Ltd	Distilling, rectifying and blending of spirits	05063381	UK	Ordinary
Sadler's Brewhouse Limited	Public house	09416020	UK	Ordinary
Redrosesforme Limited	Distilling, rectifying and blending of spirits	09970509	UK	Ordinary
H J Neill Limited	Brand Owner	09927950	UK	Ordinary
The Bajan Trading Company Limited	Manufacture of spirits	06377231	UK	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

13. FIXED ASSET INVESTMENTS (continued)

Principal subsidiary undertakings	Principal activity	Company number	Country of incorporation	Class of share
Aber Falls Distillery Limited	Distilling, rectifying and blending of spirits	10842166	UK	Ordinary
H&A Prestige Bottling Ltd	Dormant	01762466	UK	Ordinary
Charlie Richards Craft Wines & Spirits Limited	Retail sale via stalls and markets of food, beverages and tobacco products	10496851	UK	Ordinary
Hall & Bramley Limited	Manufacture of other non-distilled fermented beverages	11424678	UK	Ordinary
Liverpool Gin Distillery Ltd	Distilling, rectifying and blending of spirits	10647576	UK	Ordinary
The Bristol & Bath Distillery Limited	Distilling, rectifying and blending of spirits	11609078	UK	Ordinary
The Cornish Rum Company Ltd	Wholesale of wine, beer, spirits and other alcoholic beverages	10847544	UK	Ordinary
John Crabbie & Company Limited	Distilling, rectifying and blending of spirits	SC30284	Scotland	Ordinary
Castle Rum Company Ltd	Public house	11556789	UK	Ordinary
LoCa Beverages Limited	Distilling, rectifying and blending of spirit	08662064	UK	Ordinary
Barwell & Jones Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	06781279	UK	Ordinary
Brewmasters House Limited	Manufacture of other non-distilled fermented beverages	11716482	UK	Ordinary
Pinchos Bar Limited	Public House	09038614	UK	Ordinary
Formby Spirits Ltd	Dormant	11172225	UK	Ordinary
Lamb & Watt Vintners Ltd	Dormant	02841848	UK	Ordinary
The Whitley Neill Distillery Limited	Dormant	12328729	UK	Ordinary
Whitley Neill Gin Limited	Dormant	12917173	UK	Ordinary
The Pleasure Gardens Distilling Company Limited	Dormant	10258850	UK	Ordinary
Edinburgh and Leith Distillery Limited	Dormant	SC607576	Scotland	Ordinary
Pat Garrett Liquor Trading Company Limited	Dormant	11390004	UK	Ordinary

14. STOCKS

	Group 7 July 2022 £'000	Group 26 June 2021 £'000
Goods for resale	20,535	37,949
Raw materials	11,056	21,246
	<u>31,591</u>	<u>59,195</u>

There is no material difference between the balance sheet value of stocks and their replacement cost. The company holds no stocks (2021: Nil).

15. DEBTORS

	Group 7 July 2022 £'000	Group 26 June 2021 £'000	Company 7 July 2022 £'000	Company 26 June 2021 £'000
Trade debtors	48,116	79,476	-	-
Corporation tax	-	2,033	136	136
Other debtors	9,300	7,488	2,009	7
Prepayments	3,188	9,452	-	-
Amounts due from related parties	-	739	-	-
	<u>60,604</u>	<u>99,188</u>	<u>2,145</u>	<u>143</u>

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

15. DEBTORS (continued)

All amounts are due within one year. Amounts due from subsidiaries and related parties are repayable on demand, with interest charged at 4%.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 7 July 2022 £'000	Group 26 June 2021 £'000	Company 7 July 2022 £'000	Company 26 June 2021 £'000
Bank overdrafts (Note 18)	104	28,039	-	-
Bank loans (Note 18)	-	192	-	-
Finance leases (Note 18)	797	19	-	-
Trade creditors	17,933	41,911	-	-
Corporation tax	453	-	-	-
Other taxation and social security	6,632	21,698	-	-
Accruals and deferred income	23,508	36,074	-	15
Other creditors	1,611	5,336	-	-
Amounts due to related parties	44	5,113	-	-
	<u>51,082</u>	<u>138,382</u>	<u>-</u>	<u>15</u>

The finance leases are secured on the assets to which they relate. Amounts due to subsidiaries and related parties are repayable on demand. There is no interest charged on amount due to subsidiaries and related parties within 12 months.

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

	Group 7 July 2022 £'000	Group 26 June 2021 £'000	Company 7 July 2022 £'000	Company 26 June 2021 £'000
Bank loans (Note 18)	27,500	27,500	-	-
Finance leases (Note 18)	978	1,019	-	-
Other creditors	-	44	-	-
Deferred income grants (Note 19)	-	219	-	219
Amounts due to subsidiary undertakings	-	-	4,799	32,385
	<u>28,478</u>	<u>28,782</u>	<u>4,799</u>	<u>32,604</u>

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

Interest is charged on inter-company loans at 4%.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

18. BORROWINGS

	Group 7 July 2022 £'000	Group 26 June 2021 £'000
Bank overdrafts:		
Within one year	104	28,039
	<u>104</u>	<u>28,039</u>
Bank loans and other loans due:		
Within one year	-	192
Between one and two years	27,500	-
Between two and five years	-	27,500
	<u>27,500</u>	<u>27,692</u>
Finance leases due:		
Within one year	797	19
Between one and two years	978	1,019
	<u>1,775</u>	<u>1,038</u>
Total borrowings including finance leases due:		
Within one year	901	28,250
Between one and two years	28,478	1,019
Between two and five years	-	27,500
	<u>29,379</u>	<u>56,769</u>

The company has no borrowings (2021: Nil).

Bank loans consist of the following:

- 1) On 29 November 2018, the Group completed on a re-financing agreement with Investec Bank. The borrowing facilities are secured on property, plant & machinery and debtors, with a minimum term of 65 months from commencement date. Interest is charged at 2.50% - 3.25% over 3 month SONIA.
- 2) Finance leases relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £1,775K (2021: £1,038K).

19. DEFERRED INCOME

	Group 7 July 2022 £'000	Group 26 June 2021 £'000	Company 7 July 2022 £'000	Company 26 June 2021 £'000
Grants				
Opening balance	219	227	219	227
Profit and loss account	(219)	(8)	(219)	(8)
Closing balance	<u>-</u>	<u>219</u>	<u>-</u>	<u>219</u>

The closing grant balance in 2021 of £219K related to UK grants for capital business investment and profit improvements.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

20. PROVISIONS FOR LIABILITIES

Deferred taxation

	Group 7 July 2022 £'000	Group 26 June 2021 £'000	Company 7 July 2022 £'000	Company 26 June 2021 £'000
Opening provision	2,071	1,857	-	-
Prior period movement	310	228	-	-
Current period credit to profit and loss account	1,529	(34)	-	-
Disposal of subsidiaries	(523)	-	-	-
Other timing differences	2	20	-	-
Closing provision	3,389	2,071	-	-

Deferred tax is analysed as follows:

	Group 7 July 2022 £'000	Group 26 June 2021 £'000
Capital allowances in excess of depreciation	3,640	2,699
Short term timing differences	(223)	(311)
R&D expenditure credit	(28)	(28)
Other	-	(289)
	3,389	2,071

21. SHARE CAPITAL

	Number	Number	Number	£'000	£'000	£'000
	Opening Balance	Re- designation	Closing Balance	Opening Balance	Re- designation	Closing Balance
Ordinary A shares of £1 each	104,499	5,500	109,999	105	6	111
Ordinary C shares of £1 each	24,360	(16,240)	8,120	24	(16)	8
Deferred shares of £1 each	-	10,740	10,740	-	10	10
	128,859	-	128,859	129	-	129

On 22 March 2022 16,240 Ordinary C shares of £1 each were re-designated at 5,500 Ordinary A shares of £1 each and 10,740 Deferred shares of £1 each.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

21. SHARE CAPITAL (continued)

Voting rights

Ordinary A shareholders are entitled to one vote per share.

Ordinary C shareholders are entitled to a number of votes calculated at 5% of the aggregate number of votes that may be cast by all shareholders (irrespective of the number of shares held).

Deferred Shares shareholders do not carry a right to vote.

Rights in respect of dividends and distributions

Only Ordinary A shareholders are entitled to receive dividends/distributions.

Ordinary C shareholders shall not confer on the Holders of such Shares any right to receive any distribution or dividend paid by the company, other than in circumstances where a distribution or dividend is paid immediately following a Disposal (as defined in the articles of association).

Shareholders of Deferred Shares are not entitled to any dividends/distributions.

Rights in respect of capital

On return of capital, the assets of the company remaining after payment of its liabilities are applied in the following order of priority: First, (to the extent such amount exceeds Base Value) to the holders of the Ordinary C shares and aggregate amount equal to the Exit percentage of the Growth Value (as defined in the articles of association). Thereafter, in distributing the balance of the Sale Proceeds among the holders of the Ordinary A shares, pro rata to the number of Ordinary A shares held by them.

Redemption

Ordinary A and C share are not redeemable.

22. NON-CONTROLLING INTERESTS

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Opening balance	497	559
On disposal of subsidiaries	(866)	-
On acquisition of non-controlling interest	-	14
Profit/(loss) for the financial period	500	(57)
Exchange loss	(6)	(19)
Closing balance	125	497

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Period ended 7 July 2022 £'000	52 weeks ended 26 June 2021 £'000
Operating (loss) / profit	(8,300)	2,663
Depreciation of tangible fixed assets (Note 12)	4,632	6,615
Profit on sale of tangible fixed assets	(398)	(2,572)
Profit on sale of brands	-	(4,235)
Release of deferred income (Note 19)	(219)	(8)
Amortisation - positive goodwill (Note 11)	1,003	1,018
- brands and IPR (Note 11)	584	689
Impairment of goodwill	380	605
Foreign exchange adjustment	(269)	-
Movements in working capital:		
Decrease / (increase) in stocks	10,796	(6,738)
Decrease in debtors	18,670	8,542
Decrease in creditors	(33,887)	(3,303)
	(7,008)	3,275
Interest paid	(2,982)	(2,515)
UK corporation tax paid	(73)	-
Foreign tax paid	(1,444)	(2,151)
Net cash outflow	(11,507)	(1,391)

24. ANALYSIS OF NET (DEBT)

	At 26 June 2021 £'000	Disposed of with subsidiaries £'000	Cash movement £'000	Foreign exchange £'000	At 7 July 2022 £'000
Cash at bank and in hand	3,030	(321)	10,574	(282)	13,001
Bank overdrafts	(28,039)	1,806	26,129	-	(104)
Cash	(25,009)	1,485	36,703	(282)	12,897
Bank loans	(27,692)	-	192	-	(27,500)
Finance leases	(1,038)	-	(737)	-	(1,775)
Borrowings	(28,730)	-	(545)	-	(29,275)
Net debt	(53,739)	1,485	36,158	(282)	(16,378)

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the period ended 7 July 2022

25. FINANCIAL COMMITMENTS

The Group and the company has no contracted capital commitments (2021: £Nil).

Leases

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

	7 July 2022 £'000	26 June 2021 £'000
Land and buildings operating leases which expire:		
Within one year	1,093	1,708
Between two and five years	1,061	2,161
After five years	180	240
	<u>2,333</u>	<u>4,109</u>

The company had no non-cancellable operating lease commitments at 7 July 2022 (2021: £Nil) and future minimum lease payments were £826k (2021: £Nil).

26. CONTINGENT LIABILITIES

Halewood Artisanal Spirits PLC, Halewood Artisanal Spirits (UK) Limited, John Crabbie & Company Limited, Halewood International Marketing Limited, Halewood International Brands Limited, Red Square Beverages Limited, H&A Prestige Bottling Limited, Willow Water Limited, Halewood International Holdings (UK) Ltd, Aber Falls Distillery Limited, Charlie Richards & Company Limited, Hall & Bramley Limited, Hawkshead Brewery Limited, H.J. Neill Ltd, Sadlers' Brewhouse Limited, and City of London Distillery Ltd, have given unlimited cross guarantees in respect of the others' bank borrowings. At 7 July 2022 these borrowings amounted to £2,642k (2021: £6,166K).

27. PENSION ARRANGEMENTS

The Group operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £2,049K (2021: £1,807K), which represented contributions to these schemes. The assets of this scheme are held separately for those of the Group in independently administered funds. At 7 July 2022 the amount outstanding to the pension scheme was £134K (2021: £193K).

28. RELATED PARTY TRANSACTIONS

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

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

- 1) The company has a balance owed to the Estate of Mr J E Halewood at 7 July 2022 of £Nil (2021 of £4,424K).
- 2) The Group has an amount owed from associated companies amounting to £Nil (2021: £51K).
- 3) The Group has an amount owed to directors at 7 July of £400K (2021: £Nil).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 7 July 2022

29. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Estate of Mr J E Halewood, and members of his close family control the company as a result of holding a majority share of the issued share capital and attached voting rights.

The largest and smallest Group for which consolidated accounts are prepared and includes the company, is Halewood Artisanal Spirits PLC, whose registered office is 1st Floor, 159-165 Great Portland Street, London W1W 5PA.

30. POST BALANCE SHEET EVENTS

On 10 December 2022, we became aware of a cybersecurity incident affecting our systems. We promptly took steps to respond to and contain the incident, including engaging cybersecurity experts to investigate and remediate the situation. We also engaged external legal counsel to advise on any legal obligations. We have fully recovered our systems and restored our data.