Blavod Wines & Spirits plc

Half-yearly report

Blavod Wines and Spirits plc

5th December 2011

Interim Results for the six months ended 30 September 2011.

Blavod Wines and Spirits plc (the "Company"), the owner of the Blavod Black Vodka brand, and wines and spirits distributor, announces its unaudited interim results for the six months ending 30th September this year.

Trading

Gross sales net of duty of £2.66 million (2010: £3.99 million) and gross margin of £410,000 (2010: £763,000) both down due to the loss of the Cockspur rum and DBR wines contracts together with the loss of one key grocery account for a major agency brand. All of which were announced in our interim results statement this time last year.

Margins also declined due to new packaging costs for Blavod Black Vodka and an increased percentage of total Company sales coming from the UK.

Spend behind our owned brands increased by 40% to £116,000 and overheads were down by 1% to £565,000.
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This resulted in an EBITDA loss of £340,000 versus £49,000 positive in 2010 and a loss of £393,000 (2010: loss £12,000).

Whilst these results are disappointing there are positives including owned brand revenues net of duty, mainly Blavod Black Vodka and Blackwood's Gin, up by 7%. On a like for like basis, combined net revenue of all other agency brands improved by 13%. Distribution has increased across all continuing brands.

We lowered our stock holding in key export markets and fully provided for out of date stock from our system, all of which is included in these results.

On the cost side we reduced staff costs by 13% whilst increasing our sales efforts and restored our bad debt provision to a more prudent level. We continue to be cautious in extending credit. As previously, our bad debt provision is included in our overhead numbers.

Outlook

The UK market remains challenging with customers across all trade sectors seeking more support to promote brands as consumer spend tightens. Differentiated premium brands and outlets appear to be bucking overall market trends and showing strong growth.

Exports continue to offer healthier margins and we plan to open three to four new markets in the coming six months.

In a separate RNS issued today the Company announces an agreement with Waldemar Behn GmbH & Co. for Blavod Black Vodka production, export sales and marketing coverage for most of continental and eastern Europe.

This is aimed at accelerating growth in new and existing European export markets; providing sales reach where we have no coverage currently, increasing our marketing investment in brand building through associated production and logistic savings. It will take time to build these markets. We will now seek to accelerate our sales growth across other key continents.

We have also taken the opportunity to review our overall agency brand portfolio and to ensure we can meet the growth aspirations of brand owners by providing maximum levels of focus in the right areas with target customers. Therefore, by mutual agreement, a number of smaller brands are being transferred to a close partner company with effect from January 2012. These brands are in relatively early incubator stages of development and therefore have no material impact on our sales or profits.

The overall effect of these changes will be to simplify our business and improve our service to both brand owners and customers alike.

Our new rum product is now ready for market with another new brand to launch in the spring of 2012.

Financing

The Company has managed its working capital effectively since the July trading update. With the first six month's trading complete the Company is in active discussion with current and prospective investors with a view to securing additional capital to meet medium term cash requirements as we move the Company forward.

Full year outlook

The Directors do not see a profit improvement for the full year although the trend is expected to be more positive as the changes and improvements we are making begin to take effect.

Board changes

As previously announced, Managing Director Richard Ambler departed from the Company on October 28th 2011.

I joined the Board as Non-Executive Director mid 2010 becoming Non-Executive Chairman earlier this year. I have now assumed the role of Executive Chairman and with it full time day to day control of the business until a replacement is found for the position of Managing Director.

For further information, please contact:

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Executive Chairman

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Blavod Wines and Spirits Plc - Preliminary Half Year Results

Condensed consolidated comprehensive interim income statement

	Six months ended 30 September 2011 Un-audited £,000	Six months ended 30 September 2010 Un-audited £,000	Year ended 31 March 2011 Audited £,000
Profit & Loss			
Revenue	2,657	3,986	7,216
Cost of sales	(2,247)	(3,223)	(5,810)
Gross Profit	410	763	1,406
Advertising and promotional costs	(185)	(135)	(336)
Other administrative expenses	(565)	(579)	(1,120)
Total administrative expenses	(750)	(714)	(1,456)
EBITDA	(340)	49	(50)

Depreciation & amortisation	(4)	(3)	(6)
Operating Profit	(344)	46	(56)
Finance income	-	-	13
Finance expense	(49)	(58)	(130)
(Loss) before tax from continuing operations	(393)	(12)	(173)
Income tax	-	-	
(Loss) after tax from continuing operations	(393)	(12)	(173)
Earnings per share:			
From continuing operations			
Basic (pence per share)	(0.45)	(0.01)	(0.20)
Diluted (pence per share)	(0.45)	(0.01)	(0.20)

Condensed consolidated interim balance sheet

	As at 30 September 2011 Un-audited £,000	As at 30 September 2010 Un-audited £,000	As at 31 March 2011 Audited £,000
ASSETS			
Non current assets			
Property, plant and equipment	25	27	29
Intangible fixed assets	1,411	1,366	1,380
Total non current assets	1,436	1,393	1,409
Current assets			
Inventories	492	702	583
Trade and other receivables	1,335	1,978	1,488
Cash and cash equivalents	-	104	36
Total current assets	1,827	2,784	2,107
Total assets	3,263	4,177	3,516
LIABILITIES			
Non current liabilities			
Borrowings	(350)	(343)	(350)
Derivative	(48)	(54)	(48)
Total non current liabilities	(398)	(397)	(398)
Current Liabilities			
Bank and other borrowings	(6)	-	-
Trade & other payables	(1,052)	(1,071)	(923)
Finance facility liability	(739)	(1,105)	(740)
Total current liabilities	(1,797)	(2,176)	(1,663)
Total liabilities	(2,195)	(2,573)	(2,061)
Net Assets	1,068	1,604	1,455
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	(878)	(878)	(878)
Shares to be issued	(57)	(717)	(51)
Retained earnings	(133)	(9)	(526)

Total equity	(1,068)	(1,604)	(1,455)

Condensed consolidated interim cash flow statement

	Six months ended 30 September 2010	Six months ended 30 September 2010	Six months ended 30 September 2010
Cashflows	Un-audited	Un-audited	Audited
Cashflows from operating activities	£,000	£,000	£,000
Operating Profit	(344)	46	(56)
Adjustments for:			
Depreciation	4	3	6
Share based payment	6	-	-
Net foreign exchange gain/loss	-	-	12
	(334)	49	(38)
Movements in working capital			
(Increase)/Decrease in inventories	91	(90)	30
(Increase)/Decrease in accounts receivables	153	(151)	339
Increase/(Decrease) in trade payables	129	97	(51)
Cash generated by/ (used by) operations	373	(144)	318
Finance Expense	(49)	(58)	(117)
Net cash (used in) operating activities	(10)	(153)	163
Cashflows from investing activities			
Purchase of property plant & equipment	-	(6)	(11)
Expenditure relating to the acquisition and registration of licences and trademarks	(31)	(55)	(69)
Net cash (used in) investing activities	(31)	(61)	(80)
Cashflows from financing activities			
Net cash received from finance facility	(1)	200	(165)
Net cash from financing activities	(1)	200	(165)
Net (decrease) in cash and cash equivalents	(42)	(14)	(82)
Cash & cash equivalents at the beginning of the period	36	118	118
Cash & cash equivalents at the end of the period	(6)	104	36

Notes:

1. Basis of Preparation - This interim report was approved by the Board on 5th December 2011. These consolidated financial statements are for the six months ended 30 September 2011. They have been prepared in accordance with International Finance Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as at 30 September 2011, as adopted by the European Union. They do not include any of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2011. This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Company Act 2006. Statutory accounts for the year ended 31 March 2011 were approved on 10 June 2011. These accounts, which contain an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the registrar of companies in accordance with Section 441 of the Companies Act 2006.

2. Availability of the interim statement - copies of this interim statement will be available from the Group's head office at 202 Fulham Road, London, SW10 9PJ and also on www.blavodwinesandspirits.com.