Regulatory Story

Company	Blavod Wines & Spirits plc
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Blavod Wine and Spirits PLC

Preliminary results for year ended 31 March 2011

13 June 2011

Financial Highlights

- Own brands' revenue increases by 12% with improved margins and contribution
- The loss of Cockspur Rum agency mid year together with reduced volumes of Mickey Finn impact result
- EBITDA loss of £50k versus a previous year profit of £78k on sales of £7.2m (2010: £8.3m)
- All other continuing agency brands grew and on average improved revenues by 29% year on year
- Brand support increased to support growth and administrative expenses have reduced.

Commenting on the results, Richard Ambler, Managing Director, said:

"The continued growth in our own brands and the strong growth in continuing agency brands, despite tough trading conditions in the UK together with the recent changes in our portfolio, creates opportunities in the year ahead"

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Chairman's statement

In the year to March 2011 our own brands' revenue increased by 12% with improved margins and contribution supported by increased marketing investment, albeit from a relatively low base.

We opened new export markets including USA, repositioned Blavod Black Vodka with new premium packaging, launched Diva Vodka and grew Blackwood's

Gin to make it our most profitable brand. However, this performance was offset by the disappointing loss of Cockspur Rum agency mid year together with reduced volumes of Mickey Finn following aggressive competitor price reductions. The collapse of Oddbins resulted in some losses although this was mitigated by maintaining a prudent stance to credit limits. Overall, this led to an overall EBITDA loss of £50k versus a previous year profit of £78k on sales of £7.2m (2010: £8.3m).

All other continuing agency brands grew and on average improved revenues by 29% year on year.

I joined the Board of Blavod Wines and Spirits PLC last year as a Non-Executive Director and was delighted to accept the invitation to become Chairman of the business in January 2011. My thanks go to my predecessor Colin Campbell, and also to Lawrence Banks, who successfully steered the Group through difficult times. Colin and Lawrence, who both retired in January of this year, were instrumental in extricating the Group from its US merger and in setting up the current UK based structure. They were also closely involved in the subsequent successful acquisition of Blackwood's Gin.

Our focus now is to restore profitability and successfully execute an agreed growth strategy. Longer term we wish to develop a strong balance sheet and build strong brand value.

Strategy for growth

During the year we developed a strategy to create a healthier platform for growth and profit. This will be achieved by:

- Increasing international distribution of our own brands, adding new export markets such as China for Blavod. This coming year we plan to enter further markets in Latin America and in the Far East.

- Extending breadth and depth of customer relationships including premium On-trade coverage in the UK to assist with an overall increase in premium brand distribution and marketing effort.

- Seeking additional agency brand distribution agreements to complement and strengthen our existing product portfolio. During the year we added Matusalem Rum.

- Developing our own new brands to fill remaining portfolio gaps. We plan to introduce our first new brand in the autumn of 2011.

- Restructuring our overheads through basic process and administrative efficiencies resulting in reduced back-office spend. This combined with a 13% reduction in PLC cost led to an overall saving in other administrative expenses of 7% year on year.

- Reinvesting overhead savings into broader customer coverage and brand marketing spend. Here we increased spending by 25% year on year. However this is off a low base and we will continue to find ways to improve this historically low reinvestment rate to accelerate growth in the future.

Outlook

We made a strong start to our growth strategy and continue to drive distribution and activation of our full product range, both owned and agency brands.

Having the right portfolio and product mix is essential and work is in progress to secure new agency agreements. As communicated earlier this year, we are working closely with DBR Wines Limited to ensure a smooth and successful transition to their own in-market wine company.

We have now paid the final instalment due in relation to the purchase of the Blackwood's Gin trademark. There now remains only the final three years of profit share before we own the trademark outright.

Market conditions remain challenging and consumer confidence fragile. Advancing our export effort will further reduce our exposure to the UK market. However, premium brands have demonstrated their ability to remain relatively buoyant if well positioned and actively supported at both consumer and customer level. This remains at the heart of everything we do.

D.Goulding

Chairman

Consolidated income statement

for the year ended 31 March 2011

	2011	2010
	£'000	£'000
Revenue	7,216	8,316
Cost of sales	(5,810)	(6,745)
Gross profit	1,406	1,571
Advertising and promotional costs	(336)	(268)
Non recurring costs	-	(21)
Other administrative expenses	(1,120)	(1,204)
Total administrative expenses	(1,456)	(1,493)
EBITDA	(50)	78
Depreciation and amortization	(6)	(6)
Operating (loss)/profit	(56)	72
Finance income	13	20
Finance expense	(130)	(107)
(Loss) before tax from continuing operations	(173)	(15)
Income tax	-	-
(Loss) for the year	(173)	(15)
(Loss) per share		
Basic (pence per share)	(0.20)	(0.02)
Diluted (pence per share)	(0.20)	(0.02)

Consolidated statement of comprehensive income

for the year ended 31 March 2011

	2011	2010
	£'000	£'000
(Loss) for the year	(173)	(15)
Other comprehensive income	-	-
Total comprehensive income for the year	(173)	(15)

Consolidated balance sheet

as at 31 March 2011

	2011	2010
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	29	24
Intangible assets	1,380	1,311
	1,409	1,335
Current assets		
Inventories	583	612
Trade and other receivables	1,488	1,827
Cash and cash equivalents	36	118
Total current assets	2,107	2,557
Total assets	3,516	3,892
Liabilities		
Non current liabilities		
Borrowings	(350)	(337)
Derivative	(48)	(60)
	(398)	(397)
Current liabilities		
Trade and other payables	(923)	(974)
Finance facility liability	(740)	(905)
Total current liabilities	(1,663)	(1,879)
Total liabilities	(2,061)	(2,276)
Net assets	1,455	1,616
Equity		
Equity attributable to equity holders of the parent		
Share capital	878	878
Share premium account	_	_
Shares to be issued	51	717
Retained earnings	526	21
Total equity	1,455	1,616

Consolidated statement of changes in equity

for the year ended 31 March 2011

	Share Capital £'000	Share premium £'000	Shares to be issued £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2009 and 1 April 2009	878	-	701	36	1,615
Share based payment charge	-	-	16	-	16
Transactions with owners	-	-	16	-	16
(Loss) for the year	-	-	-	(15)	(15)
Balance at 31 March 2010 and 1 April 2010	878	-	717	21	1,616
Share-based payment charge	-	-	12	-	12
Lapsed/forfeited share options - reclassification to retained earnings	-	-	(678)	678	-
Transactions with owners	-	-	(666)	678	12
(Loss) for the year	-	-	-	(173)	(173)
Balance at 31 March 2011	878	-	51	526	1,455

Consolidated cash flow statement

for the year ended 31 March 2011

	2011	2010
	£'000	£'000
Cash flows from operating activities		
Operating (loss)/profit	(56)	72
Adjustments for:		
Depreciation	6	6
Share-based payment	12	16
	(38)	94
Movements in working capital		
Decrease / (Increase) in inventories	30	(160)
Decrease/(Increase) in trade receivables	339	(103)
(Decrease) in trade payables	(51)	(65)
Cash generated / (used) by operations	318	(328)
Net finance expense	(117)	(90)
Net cash generated / (used in) operating activities	163	(324)
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(18)

Expenditure relating to the acquisition of licences and trade marks	(69)	(152)
Net cash (used by) investing activities	(80)	(170)
Cash flows from financing activities		
Net cash (repaid to) / received from finance facility	(165)	160
Proceeds from convertible loan note	-	400
Net cash (used in)/received from financing activities	(165)	560
Net (decrease) / increase in cash and cash equivalents	(82)	66
Cash and cash equivalents at beginning of year	118	52
Cash and cash equivalents at end of year	36	118

Notes

1. Basis of preparation

The consolidated financial statements are for the twelve months ended 31 March 2011. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information contained in this document does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The figures for the year ended 31 March 2011 have been extracted from the audited statutory financial statements. The financial statements for the year ended 31 March 2011 received an unqualified auditors' report which did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Earnings per share

The calculation of the basic (loss) per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The diluted (loss) per share is identical to the basic (loss) per share as the exercise of convertible loan instruments, warrants and options would be anti-dilutive as the market value of shares is less than the exercise price of the convertible loan instruments, warrants and options granted.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2011	2010
(Loss) attributable to ordinary shareholders (£'000)	(173)	(15)
Weighted average number of shares (used for basic earnings per share)	87,758,508	87,758,508
Basic and diluted (loss) per	(0.20)	(0.02)

share (pence)

3. Annual report

Copies of the published accounts of the Company will be sent to all shareholders on or around 13 June 2011 and will be available from that the Company's registered office and will be located on:

http://www.blavodwinesandspirits.com/investors/accounts

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