

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.**

If you have sold or otherwise transferred all of your Existing Ordinary Shares, please immediately forward this document together with the accompanying Form of Proxy as soon as possible to the relevant purchaser or transferee (or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee). However, such documents should not be forwarded to, or transmitted in or into, any jurisdiction where to do so might violate the relevant laws and regulations in that jurisdiction. If you have sold or transferred only part of your holding of Existing Ordinary Shares you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or accompanying Form of Proxy comes should inform themselves about, and observe, such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Subject to the Resolutions being passed at the General Meeting, application will be made to the London Stock Exchange for the Placing Shares and Debt Conversion Shares to be admitted to trading on AIM. The Placing Shares and Debt Conversion Shares are expected to be admitted to AIM and to commence trading at 8.00 a.m. on 19 October 2012.

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# **Blavod Wines and Spirits plc**

*(Incorporated and registered in England and Wales registered number 03727483)*

**Proposed Placing of 160,000,000 Placing Shares at 0.75 pence per share**

**Proposed Debt Conversion**

**Proposed Capital Reorganisation**

**and**

**Notice of General Meeting**

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**This document should be read in conjunction with the accompanying Form of Proxy and the Notice of General Meeting set out at the end of this document. You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter from the Independent Director which is set out on pages 8 to 13 of this document and which recommends you to vote in favour of all of the Resolutions to be proposed at the General Meeting.**

Notice of a General Meeting of the Company to be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB at 11:00 a.m. on 16 October 2012 is set out on pages 14 and 15 of this document. The accompanying Form of Proxy for use at the General Meeting should be completed in accordance with the instructions printed thereon and returned as soon as possible to the Company's registrar, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL by no later than 11:00 a.m. on 12 October 2012. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

Nplus1 Brewin LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and joint broker to the Company in connection with the Proposals. Simple CFDs Limited trading under the name Simple Investments, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as joint broker to the Company in connection with the Proposals. Nplus1 Brewin LLP and Simple Investments are acting exclusively for the Company and no-one else in connection with the Proposals and will not be responsible to any other person (whether or not a recipient of this document) for providing the protections afforded to their clients nor for providing advice in relation to the contents of this document nor the Proposals nor any other matter referred to herein. Neither Nplus1 Brewin LLP nor Simple Investments have authorised the contents of this document for any purpose and, without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Nplus1 Brewin LLP or Simple Investments as to any of the contents or the completeness of this document.

This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in the Company nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract therefor.

Certain statements contained in this document are or may constitute "**forward looking statements**". Such forward looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, among others, changes in the equity or credit markets, changes in interest rates, legislative and regulatory changes, changes in taxation regimes, and general economic and business conditions, particularly in the United Kingdom.

Copies of this document will be available, free of charge, to the public for a period of one month from the date of this document at the Company's registered office, the address of which is on page 4 of this document, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and are also available on the Company's website at [www.blavodwinesandspirits.com](http://www.blavodwinesandspirits.com).

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	28 September 2012
Latest time and date for receipt of Forms of Proxy in respect of the General Meeting	11:00 a.m. on 12 October 2012
Time and date of the General Meeting	11:00 a.m. on 16 October 2012
Admission and dealings in the Placing Shares and Debt Conversion Shares expected to commence on AIM	8.00 a.m. on 19 October 2012
Expected date for CREST accounts to be credited in respect of the New Ordinary Shares in uncertificated form (where applicable)	19 October 2012
Despatch of definitive share certificates for the New Ordinary Shares (where applicable) on or around	23 October 2012

*Each of the times and dates in the above timetable is subject to change. Changes to the above timetable will be notified through a Regulatory Information Service and/or to Shareholders as appropriate. All references to times in this document are to London times unless otherwise stated.*

## KEY STATISTICS

Placing Price	0.75p
Gross proceeds of the Placing receivable by the Company	£1.2 million
Net proceeds of the Placing receivable by the Company	approximately £1.1 million
Number of Existing Ordinary Shares in issue as at the date of this document	87,758,508
Number of Placing Shares to be issued pursuant to the Placing	160,000,000
Number of Debt Conversion Shares to be issued pursuant to the Debt Conversion	58,344,000
Total number of New Ordinary Shares	218,344,000
Number of Ordinary Shares in issue following Admission	306,102,508
Number of Deferred Shares in issue following Admission	87,758,508
Placing Shares expressed as a percentage of the Enlarged Share Capital at Admission	52.27 per cent.
Debt Conversion Shares expressed as a percentage of the Enlarged Share Capital at Admission	19.06 per cent.
New Ordinary Shares expressed as a percentage of the Enlarged Share Capital at Admission	71.33 per cent.

*(Note: The above assumes no further issues of Existing Ordinary Shares or Ordinary Shares on or before Admission)*

ISIN	GB0030164023
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## DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Donald Colin Goulding ( <i>Executive Chairman</i> ) Sarah Elizabeth Bertolotti ( <i>Finance Director</i> ) Mark Philip Wyndham Quinn ( <i>Non-Executive Director</i> )
Company Secretary	Sarah Elizabeth Bertolotti
Registered Office	3rd Floor, Cardinal House 39/40 Albemarle Street London W1S 4TE
Nominated Adviser and Joint Broker	Nplus1 Brewin LLP 12 Smithfield Street London EC1A 9LA
Joint Broker	Simple Investments 1 High Street Goldalming Surrey GU7 1A2
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Solicitors to the Company	Maclay Murray & Spens LLP One London Wall London EC2Y 5AB
Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Company website as at the date of this document	<a href="http://www.blavodwinesandspirits.com">www.blavodwinesandspirits.com</a>

## DEFINITIONS

*The following definitions apply throughout this document and the Form of Proxy, unless the context otherwise requires:*

<b>“Act”</b>	the Companies Act 2006, as amended;
<b>“Admission”</b>	the admission of the Placing Shares and the Debt Conversion Shares to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“AIM”</b>	the AIM market of the London Stock Exchange;
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange;
<b>“Articles”</b>	the articles of association to be adopted at the General Meeting;
<b>“Board” or “Directors”</b>	the directors of the Company, whose names are set out on page 4 of this document;
<b>“Capital Reorganisation”</b>	the proposed reorganisation of the share capital of the Company as described in paragraph 7 of the letter from the Independent Director on pages 10 and 11 of this document;
<b>“Company”</b>	Blavod Wines and Spirits plc;
<b>“CREST”</b>	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No 3875)) for the paperless settlement of trades and the holding of uncertificated securities, operated by Euroclear UK & Ireland Limited, in accordance with the same regulations;
<b>“Debt Conversion”</b>	the proposed conversion by certain holders of £400,000 of Loan Notes (and accrued, unpaid interest totalling £37,580) into 58,344,000 New Ordinary Shares pursuant to the Debt Conversion Agreements;
<b>“Debt Conversion Agreements”</b>	the conditional agreements dated on or about 27 September 2012 between the Company and certain lenders relating to the Debt Conversion, further details of which are set out in paragraph 5 of the letter from the Independent Director on page 10 of this document;
<b>“Debt Conversion Shares”</b>	the 58,344,000 New Ordinary Shares which are to be issued pursuant to the Debt Conversion;
<b>“Deferred Shares”</b>	the deferred shares of 0.9p each in the capital of the Company arising pursuant to the Capital Reorganisation;
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company on Admission, following the issue of the Placing Shares and the Debt Conversion Shares;
<b>“Existing Ordinary Shares”</b>	the ordinary shares of 1p each in the capital of the Company in issue at the date of this document;
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting;

<b>“Financial Services Authority”</b>	the UK Financial Services Authority;
<b>“General Meeting”</b>	the general meeting of the Company convened for 11:00 a.m. on 16 October 2012 (or any adjournment or postponement thereof);
<b>“Group”</b>	Blavod Wines and Spirits plc and its subsidiaries;
<b>“Independent Director”</b>	Sarah Bertolotti (Finance Director), being the independent director not participating in the Placing or Debt Conversion;
<b>“Loan Notes”</b>	the up to £500,000 convertible unsecured 6 per cent. loan notes 2014 constituted by the Company pursuant to the Loan Note Instrument;
<b>“Loan Note Instrument”</b>	the loan note instrument constituting the Loan Notes, dated 8 October 2006;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“New Ordinary Shares”</b>	the new Ordinary Shares to be issued pursuant to the Placing and Debt Conversion;
<b>“N+1 Brewin”</b>	Nplus1 Brewin LLP, nominated adviser and joint broker to the Company;
<b>“Notice of General Meeting”</b>	the notice of General Meeting, set out at the end of this document;
<b>“Ordinary Shares”</b>	ordinary shares of 0.1p each in the capital of the Company arising pursuant to the Capital Reorganisation;
<b>“pence”, “p”, “pounds” or “£”</b>	pounds sterling, the legal currency of the United Kingdom;
<b>“Placing”</b>	the placing by the Company of the Placing Shares pursuant to the conditional Subscription Agreements;
<b>“Placing Price”</b>	0.75p per Placing Share;
<b>“Placing Shares”</b>	160,000,000 New Ordinary Shares which are to be placed in accordance with the terms of the Subscription Agreements;
<b>“Proposals”</b>	the Placing, the Debt Conversion and the Capital Reorganisation;
<b>“Regulatory Information Service”</b>	a regulatory information service approved by the Financial Services Authority and which is on the list of regulatory information service providers maintained by it;
<b>“Resolutions”</b>	the resolutions numbered 1 to 4 set out in the Notice of General Meeting;
<b>“Shareholders” or “Members”</b>	holders of Existing Ordinary Shares and, following Admission, holders of Ordinary Shares;
<b>“Subscription Agreements”</b>	the conditional direct subscription letters dated on or about 27 September 2012 between the Company and Don Goulding (Executive Chairman), Mark Quinn (non-executive Director) and certain investors relating to the Placing;
<b>“Substantial Shareholder”</b>	has the same meaning as defined in the AIM Rules;

**“uncertificated”** or  
**“in uncertificated form”**

a share or shares recorded on the register of members as being held in uncertificated form in CREST, entitlement to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;

**“Uncertificated Securities Regulations”**

the Uncertificated Securities Regulations 2001 (SI 2001 No. 3875), as amended; and

**“United Kingdom”** or **“UK”**

the United Kingdom of Great Britain and Northern Ireland.

## LETTER FROM THE INDEPENDENT DIRECTOR OF BLAVOD WINES AND SPIRITS PLC

(Incorporated and registered in England and Wales with registered number 03727483)

### Directors

Donald Colin Goulding (*Executive Chairman*)  
Sarah Elizabeth Bertolotti (*Finance Director*)  
Mark Philip Wyndham Quinn (*Non-Executive Director*)

### Registered Office

3rd Floor, Cardinal House  
39/40 Albemarle Street  
London W1S 4TE

28 September 2012

### To Shareholders

Dear Shareholder

## **Proposed Placing of 160,000,000 Placing Shares at 0.75 pence per share Proposed Debt Conversion Proposed Capital Reorganisation and Notice of General Meeting**

### 1. Introduction

The Company today announced the conditional Placing of 160,000,000 New Ordinary Shares at a price of 0.75p per share and the conditional conversion of £400,000 of debt (together with accrued, unpaid interest totalling £37,580) owed by the Company under the Loan Note Instrument into, in aggregate, 58,344,000 New Ordinary Shares. Upon Admission, the proceeds available for the Company, pursuant to the Placing, net of commission and expenses will be approximately £1.1 million.

Both the Placing and the Debt Conversion are conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to grant the Board authority to allot the Placing Shares and Debt Conversion Shares and to disapply statutory pre-emption rights which would otherwise apply to the allotment of such shares. The Placing and Debt Conversion are also conditional upon Admission.

The proposed Placing Price is less than the nominal value of the Existing Ordinary Shares. The Company is not permitted under the Act to issue new shares at less than their nominal value, so in order to raise additional funds, the Company needs to reorganise its share capital to reduce the nominal value of its ordinary shares.

**The purpose of this document is to explain the background to and reasons for the Proposals, to explain why the Independent Director considers the Proposals to be in the best interests of the Company and its Shareholders as a whole and why the Independent Director recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

**Set out at the end of this document is a notice convening a General Meeting to be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB at 11:00 a.m. on 16 October 2012, at which resolutions to enable the Placing, the Debt Conversion and the Capital Reorganisation to take place will be proposed.**

### 2. Background to, and reasons for, the Proposals

The Company reported in its annual report for the year ended 31 March 2012 that it has continued to concentrate its efforts on developing premium brands, expanding into new markets and controlling costs. During the current financial year, the Directors believe that the Group has accelerated its efforts to achieve growth by, *inter alia*, restructuring the management team and consolidating its brand portfolio, further details of which are set out in paragraph 3 below.

Over recent months, the Company has been in discussions with a number of potential sources for funding. The Board subsequently received several offers of funding from existing Shareholders and, after due and careful deliberation, concluded that such offers were in the best interests of the Company and the



Shareholders as a whole. The principal objectives of the Placing are to provide for the continued development of the Group's existing product line and for working capital.

**The Placing and the Debt Conversion are conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting.**

**Shareholders should be aware that if any of the Resolutions are not approved at the General Meeting, the Placing will not proceed and the Company will not have sufficient working capital to fund its operations. Furthermore, in the absence of immediate alternative additional funding, the Company could become insolvent imminently, potentially leading to the total loss of shareholder value.**

### 3. Trading update

The Company made the following trading update on 6 September 2012:

“The changes made by the Board between October 2011 and April 2012 have had a positive effect on the performance of the Group as can be seen by the improved performance of both owned and agency brands.

Several management changes were made, as well as improvements to enable faster processing of orders and the installation of systems to improve the level of management information. At the same time the portfolio of agency brands was reduced with a focus on fewer more profitable brands which simplified the business considerably and lessened the working capital requirements of the Group. As a result, those agency brands which were retained grew by 50 per cent. A greater focus was also placed on developing high quality UK accounts, reducing the Group's credit risk. At the same time, the Group has improved both its debt collection and stock management.

In the period, we have achieved significant success with our owned Blavod brands, such as Blackwood's Gin and third party owned brands such as Bruichladdich Malt Whisky, in becoming more widely available through new listings in a number of UK pub chains and the major multiples. We also achieved a successful launch of our own brand drink RedLeg Spiced Rum, which has rapidly become popular as a result of a number of original and innovative marketing initiatives.

RedLeg was one of the best selling spirits at three music festivals this summer in the South of England, and was successfully cross marketed with a newly launched soft drinks brand in bars. Other innovative marketing initiatives have included RedLeg sponsored “jamming” nights which have been sold out and the production of a RedLeg Cocktail book for bar staff.

The Group has also successfully focused on improving the performance in export markets and these included rationalising stock levels in the USA and Spain and opening new markets in four territories in Asia. Sales in continental Europe have increased by 25 per cent. year on year following the agreement signed with Waldemar Behn GmbH last year.”

### 4. The Placing

The Company has conditionally raised, in aggregate, £1,200,000 (before expenses) by means of the Placing. The intended use of the monies raised is set out in paragraph 6 below.

The Placing Shares will rank in full for all dividends and otherwise, *pari passu* with the Ordinary Shares from the date of Admission. The Subscription Agreements confirming the agreement of certain investors to subscribe for the Placing Shares pursuant to the Placing have been issued and returned to the Company.

The Placing Shares will represent approximately 52.27 per cent. of the Enlarged Share Capital following Admission. The Enlarged Share Capital following Admission will be 306,102,508 Ordinary Shares. It is expected that the Placing Shares will be admitted to trading on AIM on 19 October 2012. The Placing is conditional, *inter alia*, upon:

- the approval of all of the Resolutions at the General Meeting;
- the Debt Conversion; and
- Admission.

## 5. The Debt Conversion

On 8 October 2006, the Company issued Loan Notes in order to raise £400,000. The Loan Notes are repayable in full on 30 September 2014, including any accrued but unpaid interest.

In accordance with the terms of the Loan Note Instrument, the interest on the Loan Notes accrues from day to day on the principal amount at the rate of 6 per cent. per annum (less income tax at the applicable rate) and is payable by equal half-yearly instalments in arrears on 31 March and 30 September in each year. If the Company fails to make any payment of interest or principal when due, default interest of 10 per cent. per annum compounded by six monthly rests accrues on the amount of any unpaid interest or principal from (and including) the due date until the date on which the overdue monies are remitted to the holders of the Loan Notes. In the case of non-payment of principal, the default interest accrues instead of, and not in addition to, the interest at the rate of 6 per cent. per annum.

Given the Board's continued objective to develop the Company's working capital and to strengthen the balance sheet, the Company has entered into conditional Debt Conversion Agreements dated on or around 27 September 2012 under which holders of the Loan Notes will convert a total of £400,000 of Loan Notes (together with accrued interest totalling £37,580) into 58,344,000 New Ordinary Shares, fully paid, at the Placing Price.

The Debt Conversion will enable the Company to avoid having to make further payments of interest on the Loan Notes and there will be no requirement to repay, in cash, to the holders of the Loan Notes, the value of the Loan Notes on the repayment date (i.e. 30 September 2014).

The Debt Conversion Shares will rank in full for all dividends and otherwise *pari passu* with the Ordinary Shares from the date of Admission.

The Debt Conversion Shares will represent approximately 19.06 per cent. of the Enlarged Share Capital following Admission. It is expected that the Debt Conversion Shares to be issued pursuant to the Debt Conversion Agreements will be admitted to trading on AIM on 19 October 2012. The Debt Conversion is conditional, *inter alia*, upon:

- the approval of all of the Resolutions at the General Meeting;
- the Placing; and
- Admission.

On the basis that the Debt Conversion is approved, there will be no outstanding Loan Notes in issue pursuant to the Loan Note Instrument.

## 6. Use of proceeds

The proceeds of the Placing will be used as follows:

● Working capital and restructuring	£0.78 million
● Brand marketing	£0.26 million
● New brand development	£0.10 million
● Expenses	£0.06 million
<b>Total</b>	<b>£1.2 million</b>

## 7. Capital Reorganisation

The Placing Price represents a discount to the current 1p nominal value of an Existing Ordinary Share. However, the Act prohibits the issue of shares at a price below their nominal value and, accordingly, a share capital reorganisation will be necessary in order to undertake the Placing and to issue and allot the Debt Conversion Shares pursuant to the Debt Conversion Agreements. It is therefore proposed to reorganise the share capital of the Company by subdividing each issued Existing Ordinary Share into one Ordinary Share of 0.1p and one Deferred Share of 0.9p.

**Save for the dilution which will result from the issue of the Placing Shares and the Debt Conversion Shares, the interests of existing Shareholders (both in terms of their economic interest and voting rights) will not be diluted by the implementation of the Capital Reorganisation.**

As at the date of this document, there are 87,758,508 Existing Ordinary Shares in issue. Resolution 3 will be proposed at the General Meeting for the purpose of the Capital Reorganisation and Resolution 4 will be proposed to approve the adoption of the Articles as referred to below.

The Ordinary Shares will have the same rights (including voting and dividend rights) as each Existing Ordinary Share has at present. No new share certificates will be issued in respect of the Ordinary Shares and share certificates in respect of Existing Ordinary Shares will be valid and will continue to be accepted as evidence of title for the Ordinary Shares. The ISIN and SEDOL numbers for the Ordinary Shares will be the same as for the Existing Ordinary Shares.

In order to effect the Capital Reorganisation, the Company proposes to adopt the Articles which will consist of the existing articles of association of the Company amended solely to include the rights of the Deferred Shares. These rights will be minimal thereby rendering the Deferred Shares effectively valueless.

The rights attaching to the Deferred Shares can be summarised as follows:

- they do not entitle holders to receive any dividend or other distribution or to receive notice or speak or vote at general meetings of the Company;
- on a return of assets on a winding up, they only entitle the holder to the amounts paid up on such shares after the repayment of £100 million per Ordinary Share;
- they are not freely transferable;
- the creation and issue of further shares will rank equally or in priority to the Deferred Shares;
- the passing of a resolution of the Company to cancel the Deferred Shares or to effect a reduction of capital shall not constitute a modification or abrogation of their rights; and
- the Company shall have the right at any time to purchase all of the Deferred Shares for an aggregate consideration of £1.00.

No application will be made to the London Stock Exchange for the Deferred Shares to be admitted to trading on AIM or any other stock exchange. No share certificates will be issued for any Deferred Shares. There are no immediate plans to purchase or to cancel the Deferred Shares, although the Directors propose to keep the situation under review.

A copy of the revised Articles proposed to be adopted by Resolution 4 will be available for inspection at the General Meeting and will be made available free of charge on the Company's website at [www.blavodwinesandspirits.com](http://www.blavodwinesandspirits.com).

## **8. Related Party Transactions and Directors' shareholdings**

Don Goulding, who is the Executive Chairman and Mark Quinn, who is a Non-Executive Director of the Company, together with Howard Raymond, who is a Substantial Shareholder, have all agreed to subscribe for Placing Shares pursuant to the Placing as set out below. Don Goulding's and Howard Raymond's agreement to subscribe for Placing Shares constitute related party transactions pursuant to the AIM Rules.

Name	Holding prior to the Placing and Debt Conversion		Proposed participation in the Placing	Holding subsequent to the Placing and Debt Conversion	
	Number of Existing Ordinary Shares currently held	% of Existing Ordinary Shares in issue	Number of Placing Shares conditionally subscribed for	Total number of Ordinary Shares	Percentage of Enlarged Share Capital
Don Goulding	–	–	10,000,000	10,000,000	3.27%
Mark Quinn	1,500,000	1.71%	2,000,000	3,500,000	1.14%
Howard Raymond	14,050,000	16.01%	33,333,333	47,383,333	15.48%

Furthermore, Peter Webb, who is also a Substantial Shareholder of the Company, has agreed to convert £200,000 of Loan Notes (together with £19,619 of accrued, unpaid interest) issued to him into New Ordinary Shares pursuant to the Debt Conversion as set out below. This constitutes a related party transaction pursuant to the AIM Rules.

Name	Holding prior to the Debt Conversion and Placing		Number of Debt Conversion Shares conditionally subscribed for	Holding subsequent to the Debt Conversion and Placing	
	Number of Existing Ordinary Shares currently held	% of Existing Ordinary Shares in issue	Number of Debt Conversion Shares conditionally subscribed for	Total number of Ordinary Shares	Percentage of Enlarged Share Capital
Peter Webb	9,274,000	10.57%	29,282,533	38,556,533	12.60%

**The allotments of the New Ordinary Shares to Don Goulding, Howard Raymond and Peter Webb are classified as related party transactions for the purposes of the AIM Rules. The Independent Director, having consulted with N+1 Brewin, as nominated adviser to the Company, considers the terms of Don Goulding's and Howard Raymond's participation in the Placing and Peter Webb's participation in the Debt Conversion to be fair and reasonable insofar as Shareholders are concerned. In providing advice to the Independent Director, N+1 Brewin has taken into account the commercial assessment of the Independent Director.**

#### 9. Admission and dealings

Application will be made to the London Stock Exchange for the Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. Both the Placing Shares and Debt Conversion Shares, when issued, will rank *pari passu* in all respects with the Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that Admission will become effective, and that dealings in the Ordinary Shares on AIM will commence, at 8.00 a.m. on 19 October 2012.

#### 10. General Meeting

A notice convening the General Meeting to be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB at 11:00 a.m. on 16 October 2012 is set out at the end of this document.

At the General Meeting, the Resolutions will be proposed to grant the Directors the authority to allot the Placing Shares and the Debt Conversion Shares without first offering them to existing Shareholders on a pre-emptive basis. The Directors believe that raising new funds by way of the Placing is the most appropriate method of funding the Company at the present time.

The Directors appreciate that it would be normal when a company issues a material number of new shares for cash for that issue to be fully pre-emptive, incorporating an offer to all Shareholders. However, in view of the Company's current working capital requirements, the Directors believe it would not be in the

Shareholders' best interests to incur the significant additional expense and time that would be required for such an offer to Shareholders to be implemented.

The Directors have therefore concluded that seeking a general authority from Shareholders to issue the New Ordinary Shares other than on a pre-emptive basis is the most flexible and cost effective method available to the Company.

The Resolutions which will be put to the existing Shareholders at the General Meeting are as follows:

#### **Ordinary Resolution**

1. conditional upon the passing of resolution 3 below, to grant power to the Directors to allot and issue the New Ordinary Shares and an additional 102,034,170 Ordinary Shares (being one-third of the Enlarged Share Capital);

#### **Special Resolutions**

2. conditional upon the passing of resolution 1, to disapply the pre-emption rights in respect of the allotment and issue of the New Ordinary Shares and an additional 30,610,250 Ordinary Shares (being 10 per cent. of the Enlarged Share Capital of the Company);
3. conditional upon the passing of resolution 4 below, to approve the Capital Reorganisation; and
4. conditional upon the passing of resolution 3 above, to approve the adoption of the Articles.

#### **11. Irrevocable undertakings**

The Company has received irrevocable undertakings from certain of the Directors and Shareholders to vote in favour of all of the Resolutions, who in aggregate have a beneficial interest in respect of 19,880,000 Existing Ordinary Shares representing approximately 22.65 per cent. of the existing issued share capital of the Company.

#### **12. Action to be taken**

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are requested to complete the Form of Proxy and to return it to the Company's Registrar by post or, during normal business hours only, by hand, at Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, as soon as possible but in any event so as to arrive not later than 11:00 a.m. on 12 October 2012. Unless the Form of Proxy is received by this date and time, it will be invalid. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person if you so wish. **Shareholders who hold their shares through a nominee should instruct their nominee to submit the Form of Proxy on their behalf.**

#### **13. Importance of vote**

The Placing and Debt Conversion are conditional, *inter alia*, upon the passing of all of the Resolutions at the General Meeting.

**Shareholders should be aware that if any of the Resolutions are not approved at the General Meeting, the Placing will not proceed and the Company will not have sufficient working capital to fund its operations. Furthermore, in the absence of immediate alternative additional funding, the Company could become insolvent imminently, potentially leading to the total loss of shareholder value.**

#### **14. Recommendation**

**The Independent Director considers the Proposals to be in the best interests of the Company and Shareholders as a whole and accordingly, the Independent Director recommends that you vote in favour of all of the Resolutions to be proposed at the General Meeting, as she intends to do so in respect of her entire beneficial or controlled holding representing 0.14 per cent. of the Existing Ordinary Shares in issue.**

Yours faithfully

Sarah Bertolotti  
Independent Director

# BLAVOD WINES AND SPIRITS PLC

*(Incorporated and registered in England and Wales with registered number 03727483)*

## NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Blavod Wines and Spirits plc (the “**Company**”) will be held at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB on 16 October 2012 at 11:00 a.m. to consider and, if thought fit, to pass the following resolutions. Resolution 1 will be proposed as an ordinary resolution and resolutions 2 to 4 will be proposed as special resolutions.

1. That, subject to and conditional upon the passing of resolution 2 below, in substitution for any existing authorisation under section 551 of the Companies Act 2006 (the “**Act**”) but without prejudice to the exercise of any such authorisation prior to the date of this resolution, the directors be and hereby generally and unconditionally authorised for the purposes of that section, to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares in the Company:
  - 1.1 up to an aggregate nominal amount of £160,000 in connection with the Placing (as defined and described in the circular relating to the Company of even date (the “**Circular**”));
  - 1.2 up to an aggregate nominal amount of £58,344 in connection with the Debt Conversion (as defined and described in the Circular); and
  - 1.3 (otherwise than pursuant to sub-paragraphs 1.1 and 1.2 above) up to an aggregate nominal amount of £102,034.17,

such authorisation to expire at midnight on 15 January 2013 or, if earlier, at the conclusion of the next annual general meeting of the Company unless previously renewed, revoked or varied by the Company in general meeting, save that the Company may at any time before the expiry of this authorisation make an offer or agreement which would or might require shares to be allotted or relevant rights to be granted after the expiry of this authorisation and the directors of the Company may allot shares or grant relevant rights in pursuance of any such offer or agreement as if the authorisation conferred hereby had not expired.

2. That, subject to and conditional upon the passing of resolution numbered 1 above (“**Section 551 Resolution**”) and in substitution for any existing power under sections 570 and 573 of the Act but without prejudice to the exercise of any such power prior to the date of this resolution, the directors of the Company are empowered in accordance with those sections to allot equity securities (within the meaning of section 560(1), (2) and (3) of the Act) either pursuant to the Section 551 Resolution or by way of a sale of treasury shares, in each case as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities:
  - 2.1 up to the aggregate nominal amount referred to in resolution 1.1 above;
  - 2.2 up to the aggregate nominal amount referred to in resolution 1.2 above;
  - 2.3 in connection with an offer to all holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to the respective numbers of ordinary shares held by them (and to holders of any other equity securities as required by the rights of those securities) (but subject to such exclusions, limits or restrictions or other arrangements as the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and
  - 2.4 (otherwise than pursuant to sub-paragraphs 2.1 to 2.3 above) up to an aggregate nominal amount of £30,610.25,

such power shall expire when the Section 551 Resolution is revoked or would (if not renewed) expire, but so that this power shall enable the Company to make an offer or agreement before such expiry

which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if such expiry had not occurred.

3. That, subject to and conditional upon the passing of resolution 4 below, all of the issued ordinary shares of 1 pence each in the issued share capital of the Company (the “**Existing Ordinary Shares**”) each be sub-divided and converted into (i) one ordinary share of 0.1 pence each in the capital of the Company, having the same rights and restrictions (save as to nominal value) as the Existing Ordinary Shares, and (ii) one deferred share of 0.9 pence each in the capital of the Company, having the rights and being subject to the restrictions set out in the draft new articles of association to be adopted pursuant to resolution 4 (the “**New Articles**”).
4. That, subject to and conditional upon the passing of resolution 3 above, the draft New Articles produced to the meeting be and are hereby adopted to the exclusion of and in substitution for the existing articles of association of the Company.

By order of the Board dated 28 September 2012

Sarah Bertolotti  
*Company Secretary*

*Registered Office*  
3rd Floor, Cardinal House  
39/40 Albermarle Street  
London W1S 4TE

Notes:

1. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.
2. A form of proxy accompanies this notice and instructions are shown on the form. If you have not received one, or if you require additional proxy forms, please contact the Company's registrars (see Note 7).
3. To be valid, your form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be returned by any of the following methods to the Company's registrars, Share Registrars Limited:
  - by post in the pre-paid envelope provided, courier or by hand to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL; or
  - by emailing a scanned copy to [proxies@shareregistrars.uk.com](mailto:proxies@shareregistrars.uk.com); or
  - by fax to 01252 719232,so as to be received no later than 48 hours before the time for holding the meeting, excluding weekends and public holidays (i.e. 11:00 a.m. on 12 October 2012).
4. If you appoint a proxy, this will not prevent you attending the meeting and voting in person if you wish to do so. Your proxy appointment will automatically be terminated if you vote in person.
5. Any corporation which is a member can authorise one or more person(s) to act as its representative(s) at the meeting.
6. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, to have the right to attend and vote at the meeting a member must first have his or her name entered in the Company's register of members by no later than 6:00 p.m. on 12 October 2012 or, if this meeting is adjourned, at 6:00 p.m. on the day two days prior to the adjourned meeting (excluding weekends and public holidays). Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.
7. If you have any queries about the meeting, please contact the Company's registrars, Share Registrars Limited, on telephone number 01252 821390 or email them at [enquiries@shareregistrars.uk.com](mailto:enquiries@shareregistrars.uk.com). The helpline cannot provide advice on the merits of the transaction nor give any financial, legal or tax advice.
8. No director has a service contract with the Company but copies of directors' letters of appointment will be available for inspection for at least 15 minutes prior to the meeting and during the meeting.

