Blavod Wines and Spirits plc

Consolidated Financial Statements

Year Ended 31 March 2013

Registered in England and Wales: Company No: 03727483

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Chairman's statement

In the twelve months to 31 March 2013 the Group accelerated its efforts to focus the business on achieving long term shareholder value through the development of its higher-margin wholly owned brands.

Whilst it has been challenging to change the fundamental direction of our business away from chasing turnover and being reliant on revenues from UK third party brand distribution, I believe it to be in the best interest of shareholders for the Group to now focus on increasing net profits and building on the strengths of its own brands which are all profitable. Ultimately it will lead to a simpler, lower fixed cost business model which is better able to meet the needs of our distributors and will enable us to devote more time to opening new markets and profitable opportunities for each of our wholly owned brands.

Our strategic goal is to develop a dynamic range of well positioned, well marketed premium brands both domestically and internationally that, in addition to offering strong returns, are highly attractive to larger players in our industry. There are numerous examples of brand acquisition throughout our industry; a successful brand can change hands for multiples of a company's current market valuation. This means that we will focus on achieving increased profits rather than turnover and have been shaping our business accordingly during the last year.

At the start of the financial year we announced the creation of our first new brand: RedLeg Spiced Rum. Initially launched in a relatively small test market in the UK it has subsequently expanded successfully into broader distribution following positive consumer and trade response. I am pleased to report that this brand has continued to grow in popularity during the year and although creating new to world brands takes time, once sales are established they do offer strong margins and therefore long term value to shareholders. RedLeg fulfilled its first major export order into the Australian market in March 2013 and also won a double gold medal, the highest accolade, at this year's prestigious World Spirits Competition in San Francisco. Innovation is of paramount importance in the drinks industry, so we are very pleased with the market's early reaction to a high quality product that was developed in-house at relatively low cost.

During the year we explored several ways to step change the size and breadth of our owned brands portfolio through acquisition as this would enhance shareholder value. In the summer of 2012 one such opportunity was identified and actively pursued for some time, however in the end talks were terminated as a result of several issues being identified within the target company which could not be resolved.

In October 2012 the Group successfully raised £1.2m through a private placing and also converted £0.4m of convertible loan notes into equity, with the bulk of the proceeds meeting a number of legacy obligations and financing the completion of the acquisition of the Blackwood's, Jago and Diva brands, as well as the launch of the RedLeg Spiced Rum brand and the rebranding of Blackwood's Gin and Vodka which are currently in the process of being relaunched with enhanced flavour profiles. We believe we will quickly recognise the value from bringing these brands fully under the Group's ownership.

In summary, the global market for premium spirits remains positive with a continued emphasis and interest in flavours, special editions and packaging developments for established brands. There exists a healthy gap in the market for well positioned, high quality new brands. Accordingly, the Directors and management will devote their cumulative skills and experience to development of brands that, with adequate industry and public recognition, could transform the fortunes of the Group and its shareholders.

D.Goulding

Executive Chairman

3 September 2013

Directors' report

Principal activities and business review

The Parent company acts as a holding company for the entities in the Blavod Wines and Spirits Group. The principal activity of the Group throughout the period under review was the marketing and selling of Blavod Black Vodka, Blackwood's Gin and Vodka and its new brand RedLeg Spiced Rum domestically and internationally and a number of agency brands of spirits and wines in the UK.

The results for the 2013 financial year reflect the refocusing of the business on key owned and third party brands, the launch of the new owned brand RedLeg Spiced Rum and the investment in reinstating the volumes of a key agency brand impacted by the loss of a listing in the prior year.

Subsequent events

The following events have taken place since 31 March 2013, each relates to the Group's focus on delivery of long term shareholder value through the marketing development of wholly owned brands:

Cessation of distribution agreement with Bruichladdich Distillery Brands in the UK, effective 1 July 2013

This cessation is a consequence of Blavod's strategy to focus on wholly owned brands. For the year ended 31 March 2013, sales net of duty of the Bruichladdich Distillery Brands contributed £1,044k to turnover and £184k to operating profit before financing costs.

Appointment of a UK distributor

The Group signed a three year distribution agreement with Hi-Spirits Limited on June 1st 2013 for its portfolio of owned brands, including RedLeg Spiced Rum, Blackwood's Gin and Vodka, Blavod Black Vodka, Jago's Vanilla Vodka Cream Liqueur and Diva Vodka covering UK and Ireland. Hi Spirits Limited has a strong track record with significant breadth and depth of coverage across all trade channels to enable effective distribution of our portfolio of owned brands.

This move is designed to allow the Group to focus on brand development in support of the growing network of distributors and innovation.

Overhead cost reduction

The events outlined above means that fewer staff are now required to complete customer orders in the UK and management took the decision in May 2013 to reduce the size of the workforce with the loss of seven staff members from the UK sales and distribution team which will deliver an estimated annual cost saving of £325k.

Acquisition of Blackwood's, Diva and Jago Brands

In May 2013, the Group completed the acquisition of the Blackwood's Gin and Vodka, Diva and Jago brands for a total consideration of £50k. The Group had acquired licenses to distribute these brands in May, July and October 2008 respectively. The terms of the Diva and Jago brands' licenses provided for four year licence terms, now expired, following which the Group has acquired the brands for £1 each. The terms of the Blackwood's licence provided for a profit share with the vendor from the third year post acquisition through to the end of the seventh year and also gave the Group the option to acquire the intellectual property rights at certain pre-specified dates for £1. The Group reached agreement with the vendor for an early exercise of the option for the early acquisition of Blackwood's Gin and Vodka for a cash consideration of £50k. For the year ended 31 March 2013, sales net of duty of Blackwood's Gin and Vodka contributed £305k to turnover and £107k to operating profit.

Result for the year and dividends

The operating loss attributable to shareholders for the year amounted to £619k (2012: loss of £433k). This loss comprises £299k of non recurring expenses related to the aborted acquisition and a recurring trading loss of £320k (2012: £433k) which related to ongoing activities.

The Directors' primary focus is to return the Group to a sustainable break even position and ultimately turn to profit.

Each brand is profitable however Group fixed costs required to support the historical portfolio of owned and managed brands, primarily in the UK, has been too high. Since the year end steps have been taken to significantly reduce these costs although the timing of these changes has had to align with meeting the contractual timing obligations for agency brands.

Key performance indicators

The Group monitors progress with particular reference to the following key performance indicators:

- **Contribution defined as gross margin less advertising and promotional costs**

  Contribution from owned brands increased by 29% year on year from £177k in 2012 to £229k in 2013. This was due to the Group's active withdrawal from a number of breakeven long term volume deals which had been supported by advertising and promotional expense. RedLeg is also making a positive contribution in its first year. In addition, since December 2011, Blavod Black Vodka has been produced, distributed and marketed in continental Europe under licence by Waldemar Behn GmbH. The agreement is working well; this is its first full year and net contribution has improved.

  For continuing agency brands contribution increased by 30% year on year as margins were carefully managed and volumes increased.

- **Sales volume versus prior year**

  Total volume in litres declined by 7% when taking into account agency brands that were actively managed out of the business.

  Owned brand volumes decreased 13% year-on-year. The key reasons for this included the withdrawal from unprofitable long-term arrangements with certain customers and the re-phasing of export order volumes. Both of these situations were partly offset by the successful introduction of RedLeg Spiced Rum.

  Continuing agency brands volumes increased by 19%, primarily due to improved product listings with major UK customers. The active transfer of agency brands with reduced profitability out of the business meant that combined agency brand volumes including 12 discontinued brands was down 3%.

- **Combined sales turnover versus previous year**

  For owned brands this decreased by 26% year on year, a key component of the reduction being the increase in sales through our licensing agreement with Waldemar Behn GmbH where we now capture the profit but not the related turnover within our report.

  Continuing agency brand sales net of duty increased by 8% year-on-year, with turnover lagging the volume increased due to mix change and promotional discounting to support new grocery listing.

- **Gross margin versus previous year**
  This remained constant at 23%.

  Owned brand gross profit as a percentage of sales improved from 35% to 48%. This was due to the launch of RedLeg Spiced Rum, the withdrawal from volume enhancing breakeven deals and price increases which were, and are steadily continuing to be, implemented in key markets.

  Continuing agency brand gross margin remained consistent at 18% of sales in both years.

  We also closely monitor both the level of and the value derived from our advertising and promotional costs and other administrative expenses.

  Advertising and promotional costs reduced by £140k to £177k, (2012: £317k). £37k of this reduction related to discontinued agency brands and £53k to continuing agency brands where certain non-performing price deals in the prior year were not repeated. The balance of the saving related to owned brands where the RedLeg development had been completed in the prior year, the Waldemar Behn GmbH agreement transferred advertising and promotional cost across to them and also a reduction in promotional discounts supporting break even volume deals.

  Other administrative expenses including overheads fell by 10% or £115k over the prior year to £1,011k (2012: £1,126k).

Directors
The directors of the Company who served during the year and/or up to the date of this report are as follows:

S. Bertolotti
D. Goulding
M. Quinn

Future developments
As highlighted above, the Group has historically carried a large proportion of its overheads as fixed costs. The effect of reducing overheads as highlighted in subsequent events will enable annual cost reduction in the amount of £325k. The Group will focus on further enhancing these savings in the year ahead.

Diva Vodka and Jago's Vanilla Cream Liqueur having recently come into full ownership of the Group are planned to be relaunched in the next twelve months.

Qualifying third party indemnity provision
During the financial year, a qualifying third party indemnity provision for the benefit of the directors was in force.

Principal risks and uncertainties
The management of the business and the nature of the Group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible processes are in place to monitor and mitigate such risks.

Going concern

The Group incurred a consolidated loss of £738k during the year under review, this result included £299k of non-recurring expenditure related to an aborted acquisition. The Group also made a recurring loss of £439k. Since the year end the Group has taken a number of steps to refocus and change the shape of the business in order to create sustainable profitability. These steps are outlined in note 3 of these accounts and include the outsourcing of the distribution of its owned brands in the UK to Hi-Spirits Limited, the redundancy of seven staff together with further reduction in the distribution of third party brands. These changes will reduce overhead and financing costs of the Group going forward. Whilst the directors have introduced these measures to create sustainable profitability, these circumstances create uncertainties over future trading results and cash flows until fully established.

The Group has prepared detailed three year forward forecasts for the business in its new format based on existing markets and has also reviewed the existing invoice discounting arrangement and creditor payment terms in detail. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets although these are anticipated. However, should there be significant variances in the forward forecast sales volumes within the existing markets as a result of the uncertainties arising from a change in the business model described above, the Group may be required to seek additional working capital facilities while the recent changes to the business establish themselves. In the meantime the Group is pursuing measures to conserve funds through the rephasing of some cash expenditure over the next twelve months. Other measures are being considered, which may include initiating future fund raisings, however, no commitment has been obtained for these options.

The directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Economic downturn

The success of the business is reliant on consumer spending. An economic downturn, resulting in reduction of consumer spending power, will have a direct impact on the income achieved by the Group.

In response to this risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

High proportion of fixed overheads and variable revenues

A large proportion of the Group's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs.

Senior management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented when there is an anticipated decline in revenues.

Competition

The market in which the Group operates is highly competitive. As a result there is constant downward pressure on margins and the additional risk of being unable to meet customer expectations. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

Directors' report (continued)

Failure to ensure brands evolve in relation to changes in consumer taste

The Group's products are subject to shifts in fashions and trends, and the Group is therefore exposed to the risk that it will be unable to evolve its brands to meet such changes in taste.

The Group carries out regular consumer research on an ongoing basis in an attempt to carefully monitor developments in consumer taste.

Portfolio management

A key driver of the Group's success lies in the mix and performance of the brands which form part of the group's portfolio. The Group constantly and carefully monitors the performance of each brand within the portfolio to ensure that's its individual performance is optimised together with the overall balance of performance of all brands marketed and sold by the Group.

Financial risk management

Details of the Group's financial risk management objectives and policies and its exposure to risks associated with the use of financial instruments are disclosed in note 19 to the financial statements.

Creditor payment policy

The Group does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions. At the year end the Group had creditor days of 46 (2012: 74).

Auditor

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to re-appoint Grant Thornton UK LLP as auditor will be proposed at the Annual General Meeting to be held on 30 September 2013.

Approved by the Board of Directors and signed on behalf of the board.

S.Bertolotti

Director

3 September 2013

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements under International Financial Reporting Standards as adopted by the European Union (IFRSs) and the parent company financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). 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 and profit or loss of the company and Group 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 IFRS have been followed for the consolidated financial statements and UK Accounting Standards have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- 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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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’s report on the consolidated financial statements

Independent auditor’s report to the members of Blavod Wines and Spirits plc

We have audited the group financial statements of Blavod Wines and Spirits plc for the year ended 31 March 2013 which comprise the Consolidated income statement, the Consolidated Statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB’s website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group’s affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 under the heading Basis of Preparation: Going Concern to the financial statements concerning the group’s ability to continue as a going concern.

The group incurred a net loss of £738k during the year ended 31 March 2013 and, at that date, the group had net current assets of £362k. As explained in Note 1 under the heading Basis of Preparation: Going Concern, should there be significant variances in the forward forecast sales volumes within the existing markets as a result of the uncertainties arising from a change in the business model, the group may be required to seek additional working capital facilities for which they have not yet secured a commitment.

These conditions, along with the other matters explained in Note 1 under the heading Basis of Preparation: Going Concern to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Other matter

We have reported separately on the parent company financial statements of Blavod Wines and Spirits plc for the year ended 31 March 2013. That report includes an emphasis of matter.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

3 September 2013

Consolidated income statement

for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Revenue		3,785	4,580
Cost of sales		(2,908)	(3,539)
Gross profit		**877**	**1,041**
Administrative expenses:			
Advertising and promotional costs		(177)	(317)
Other administrative expenses		(1,011)	(1,126)
Depreciation and amortization	10	(9)	(9)
Non recurring expenses	2	(299)	–
Impairment of intangible assets	11	–	(22)
Total administrative expenses		**(1,496)**	**(1,474)**
Operating (loss)	6	**(619)**	**(433)**
Finance income	8	–	47
Finance expense	8	(119)	(115)
(Loss) before tax from continuing operations		**(738)**	**(501)**
Income tax	9	–	–
(Loss) for the year		**(738)**	**(501)**
(Loss) per share			
Basic (pence per share)	4	(0.40)	(0.57)
Diluted (pence per share)	4	(0.40)	(0.57)

Consolidated statement of comprehensive income

for the year ended 31 March 2013

	2013 £'000	2012 £'000
(Loss) for the year	**(738)**	**(501)**
Other comprehensive income	–	–
Total comprehensive income for the year	**(738)**	**(501)**

The accompanying notes form an integral part of these financial statements.

Consolidated balance sheet

Company No: 03727483

as at 31 March 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	17	24
Intangible assets	11	1,418	1,403
		1,435	**1,427**
Current assets			
Inventories	12	361	334
Trade and other receivables	13	628	978
Cash and cash equivalents	14	60	77
Total current assets		**1,049**	**1,389**
Total assets		**2,484**	**2,816**
Liabilities			
Non current liabilities			
Borrowings	15	–	(375)
Derivative	15	–	(1)
		–	**(376)**
Current liabilities			
Trade and other payables	16	(428)	(874)
Finance facility liability	17	(259)	(607)
Total current liabilities		**(687)**	**(1,481)**
Total liabilities		**(687)**	**(1,857)**
Net assets		**1,797**	**959**
Equity			
Equity attributable to equity holders of the parent			
Share capital	18	1,096	878
Share premium		1,358	–
Shares to be issued		12	12
Retained (deficit)/earnings		(669)	69
Total equity		**1,797**	**959**

The financial statements were approved by the Board of Directors on 3 September 2013 and were signed on their behalf by:

D. Goulding
Director

S. Bertolotti
Director

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2013

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2011 and 1 April 2011	878	–	51	526	1,455
Share based payment charge	–	–	5	–	5
Lapsed/forfeited share options – reclassification to retained earnings	–	–	(44)	44	–
Transactions with owners	–	–	(39)	44	5
(Loss) for the year and total comprehensive income	–	–	–	(501)	(501)
Balance at 31 March 2012 and 1 April 2012	**878**	**–**	**12**	**69**	**959**
Issue of ordinary shares at a premium	218	1,358	–	–	1,576
Transactions with owners	218	1,358	–	–	1,576
(Loss) for the year and total comprehensive income	–	–	–	(738)	(738)
Balance at 31 March 2013	**1,096**	**1,358**	**12**	**(669)**	**1,797**

The accompanying notes form an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
(Loss) before tax		(738)	(501)
Adjustments for:			
Finance income		–	(47)
Finance expense		119	115
Depreciation	10	9	9
Impairment of intangible assets	11	–	22
Profit on sale of intangible assets		–	(1)
Loss on disposal of property, plant and equipment		–	1
Share-based payment		–	5
		(610)	**(397)**
Movements in working capital			
(Increase)/decrease in inventories		(27)	249
Decrease in trade and other receivables		350	510
(Decrease) in trade payables		(446)	(49)
Cash (used in)/generated by operations		**(123)**	**710**
Net finance expense		(58)	(90)
Net cash (used in)/generated by operating activities		**(791)**	**223**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(2)	(5)
Expenditure relating to the acquisition of licences and trade marks	11	(15)	(47)
Proceeds from the disposal of licences and trade marks		–	3
Net cash (used in) investing activities		**(17)**	**(49)**
Cash flows from financing activities			
Proceeds from issue of shares net of issue costs		1,139	–
Net cash (repaid to) finance facility		(348)	(133)
Net cash generated by/(used in) financing activities		**791**	**(133)**
Net (decrease)/increase in cash and cash equivalents		(17)	41
Cash and cash equivalents at beginning of year		77	36
Cash and cash equivalents at end of year	14	**60**	**77**

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2013

1 Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the twelve months ended 31 March 2013. 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 statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below.

These consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company. Unless otherwise stated, all amounts are given in round £'000s.

Blavod Wines and Spirits plc is the Group's ultimate parent company. The company is a public limited company incorporated and domiciled in the United Kingdom. The address of Blavod Wines and Spirits plc's registered office and its principal place of business is 3rd Floor, Cardinal House, 39/40 Albemarle Street, London W1S 4TE.

Going concern
The Group incurred a consolidated loss of £738k during the year under review, this result included £299k of non-recurring expenditure related to an aborted acquisition. The Group also made a recurring loss of £439k. Since the year end the Group has taken a number of steps to refocus and change the shape of the business in order to create sustainable profitability. These steps are outlined in note 3 of these accounts and include the outsourcing of the distribution of its owned brands in the UK to Hi-Spirits Limited, the redundancy of seven staff together with further reduction in the distribution of third party brands. These changes will reduce overhead and financing costs of the Group going forward. Whilst the directors have introduced these measures to create sustainable profitability, these circumstances create uncertainties over future trading results and cash flows until fully established.

The Group has prepared detailed three year forward forecasts for the business in its new format based on existing markets and has also reviewed the existing invoice discounting arrangement and creditor payment terms in detail. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets although these are anticipated. However, should there be significant variances in the forward forecast sales volumes within the existing markets as a result of the uncertainties arising from a change in the business model described above, the Group may be required to seek additional working capital facilities while the recent changes to the business establish themselves. In the meantime the Group is pursuing measures to conserve funds through the rephasing of some cash expenditure over the next twelve months. Other measures are being considered, which may include initiating future fund raisings, however, no commitment has been obtained for these options.

The directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

New Standards, amendments and interpretations
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted by the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 9 "Financial Instruments" (effective 1 January 2015)
IFRS 9 addresses the classification and measurement of financial assets and will replace IAS 39. The standard is mandatory for accounting periods commencing on or after 1 January 2015, subject to adoption by the European Union.

Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)
The Amendments to IAS 1 do not address which items are presented in other comprehensive income (OCI) but do change the structure of their presentation. The main change is a requirement for entities to group items presented in OCI into those that, in accordance with other IFRS:

(a) will not be reclassified subsequently to profit or loss;

(b) will be reclassified to profit or loss when specific conditions are met.

1 Basis of preparation and summary of significant accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2013. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Intra-Group transactions and profits are eliminated fully on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

Foreign currencies

i) Presentational currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which that subsidiary operates. The consolidated financial statements of the Group are presented in Pounds Sterling which is the Group's presentational currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Segment reporting

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker, being the executive directors. Information provided for internal reporting purposes is analysed by owned brands and managed third-party brands.

Owned brands include Blavod Black Vodka, Blackwood's Gin and Vodka and RedLeg Rum, whilst managed agency brands include Mickey Finn, Bruichladdich, Fernet Branca, Heaven Hill and Hapsburg.

The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements except that expenses relating to share-based payment are not included in arriving at the operating profit of the segments. General overheads, including staff costs, are not allocated to a specific segment as it is not possible to do so as these costs are incurred in activities associated with both operating segments.

The parent company acts as a holding company but also holds the Group's intangible assets associated with the Group's Owned brands segment. These intangible assets have therefore been allocated to that segment. General corporate expenses of the parent company are not allocated to an operating segment.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of depreciation and any provisions for impairment.

Depreciation is calculated using the straight-line method to allocate the depreciable value of property, plant and equipment to the income statement over its useful economic life as follows:

Computer equipment	20% to 33% on a straight line basis
Fixtures and fittings	12% to 33% on a straight line basis
Office equipment	14% to 20% on a straight line basis

The useful economic lives are reassessed at least annually. Material residual value estimates are updated as required, but at least annually. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

1 Basis of preparation and summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value and are accounted for on the FIFO basis. Cost is calculated as the cost of purchase of bottled products including delivery charges and non-refundable duty. Net realisable value is based on estimated selling prices less further costs of disposal.

Leased assets

Where assets are financed by leasing agreements and where the risks and rewards are substantially transferred to the Group ("finance leases") the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases and are accounted for on a straight line basis over the term of the lease.

Intangible assets

Other Intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

The Group's other intangible assets consist of expenditure on trademarks. The Group carries out an annual impairment review as the assets are considered to have an indefinite useful economic life.

Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amounts. In particular, the Group performs a discounted cash flow analysis at least annually to compare discounted estimated future operating cash flows with asset carrying values. The estimated cash flows are discounted at the estimated current market risk-free rate of interest, adjusted for the estimated risk associated with the intangible assets.

The tests are dependent on management's estimates and judgement, in particular in relation to the forecasting of future cash flows. Such estimates and judgements are subject to change as a result of changing economic conditions. Management attempts to make the most appropriate estimates but actual cash flows may be different. Where impairments are identified the loss is recognised in the income statement of the Group.

Invoice discounting facility

The Group has in place an invoice discount facility based on the value of trade receivables. Under this arrangement the Group has retained both the credit and late payment risk associated with the receivables. As the Group has retained substantially all the risk and rewards of ownership of the receivables, it continues to recognise the receivables in the balance sheet with advances from the facility provider treated as a separate liability.

The expenses associated with this facility are included within finance expense within the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are initially measured at fair value.

Financial assets and liabilities are measured subsequently as described below.

1 Basis of preparation and summary of significant accounting policies (continued)

Financial assets
Financial assets can be divided into the following categories:

- loans and receivables
- financial assets at fair value through profit and loss
- available-for-sale financial assets
- held-to-maturity investments

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in profit or loss or charged directly against equity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Group's trade and other receivables fall into this category of financial instruments.

Individual receivables are considered for impairment when they are past due at the balance sheet date or when objective evidence is received that a specific third party will default.

Financial liabilities
The Group's financial liabilities include borrowings, trade and other payables. All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in the instrument's fair value that are reported in profit or loss are included in the income statement line items "finance expense" or "finance income."

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible loan notes
Convertible loan notes are assessed in accordance with IAS 32 Financial Instruments: Presentation to determine whether the conversion element meets the fixed-for-fixed criteria. Where this is met, the instrument is accounted for as a compound financial instrument with appropriate presentation of the liability and equity components. Where the fixed-for-fixed criteria is not met, the conversion element is accounted for separately as an embedded derivative which is measured at fair value through profit or loss. In the balance sheet, this is presented separately as a derivative instrument. The residual loan element is measured at amortised cost using the effective interest rate method.

Employee benefits
Defined contribution pension scheme
Pension contributions to personal pension schemes are charged to the income statement in the period in which they occur. There is no Group pension scheme in operation.

Share-based compensation
All share-based payments granted after 7 November 2002 that had not vested by 1 April 2006, are recognised in the financial statements under IFRS 2 – share-based payments.

A fair value for equity settled share awards is measured at the date of grant. The Group measures the fair value using the Black-Scholes valuation technique to value each class of award.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed annually and the charge is adjusted to reflect actual and estimated levels of vesting.

Notes to the consolidated financial statements

for the year ended 31 March 2013

1 Basis of preparation and summary of significant accounting policies (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Shares to be issued" represents the accumulated charge for share-based payments.
- "Retained earnings" represents accumulated profits and losses from incorporation.

Warrants over equity

The Group has issued warrants over its own equity. These warrants meet the definition of an equity instrument under the 'fixed for fixed' rule of IAS 32 'Financial instruments: Presentation.' Changes in the equity instruments' fair value are not recognised in the financial statements.

Revenue recognition

Revenue comprises revenue from the sale of goods.

Revenue from the sale of goods supplied is measured by reference to consideration received or receivable by the Group. Revenue is stated excluding excise duty, and excluding VAT, and is net of rebates and trade discounts.

Revenue on goods supplied is recognised at the point of delivery.

Current and deferred tax

Current tax is the tax payable based on taxable profit for the year.

Deferred taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

1 Basis of preparation and summary of significant accounting policies (continued)

Significant judgements and estimates

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Classification of invoice discounting facilities in the cash flow statement

IAS 7 does not provide guidance on the treatment of factored debts in a cash flow statement. The invoice discounting facility factors debts with recourse, with the advances from the factor treated as financing creditors in the balance sheet. IAS 7 requires cash flows to be analysed under the standard headings according to the substance of the transactions that give rise to them. Cash inflows and outflows relating to the invoice discounting facility are assessed to be a financing cash flow. This results in operating cash flows including the cash flows from the receivables as if the factoring had not been entered into. It also results in financing cash flows as if the receivables had been financed by a loan. Management feel this method of presentation best reflects the substance of the relationship entered into.

Intangible assets

As disclosed under the intangible assets accounting policy above, the Group does not amortise its intangible assets as they are considered to have an indefinite life. Impairment reviews are carried out annually to ensure that these assets are not carried above their recoverable amount with a number of significant assumptions and estimates being made by management when performing these annual impairment reviews. These assumptions and estimates are described more fully above, under the accounting policy for intangible assets.

Recognition of deferred tax asset

The Group's management bases its assessment of the probability of future taxable income on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is usually recognised in full. However, management does not consider it appropriate to recognise a deferred tax asset where there is uncertainty over the amount of future profits.

Blackwood's Gin Licence

During the 2008/9 financial year the Group purchased the licence to distribute Blackwood's Gin. From post year 3 of the purchase to post year 7, a profit share is payable to the vendor amounting to 35% of the net profits before tax attributable to the Blackwood's products. As use of the licence is wholly within the gift of the Group, management do not consider there to be a financial liability in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Management deem the appropriate treatment in this instance is to follow 'IAS 37 Provisions, Contingent Liabilities and Contingent Assets' and assess the liability at each period end with corresponding amounts being taken to the cost of the licence. This assessment is reviewed at each period end.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses it best estimates about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Notes to the consolidated financial statements

for the year ended 31 March 2013

2 Non recurring expenses

During the year the company attempted to acquire another company in order to expand its portfolio and enhance shareholder value. The acquisition was aborted when the acquisition process was already well advanced. The company incurred £299k of fees associated with professional adviser and regulatory compliance. These costs are non recurring.

3 Subsequent events

The following subsequent events have taken place since 31 March 2013.

Cessation of distribution agreement with Bruichladdich Distillery Brands in the UK, effective 1 July 2013
This cessation is a consequence of Blavod's strategy to focus on wholly owned brands. For the year ended 31 March 2013, sales net of duty of the Bruichladdich Distillery Brands contributed £1,044k to turnover and £184k to operating profit before financing costs.

Appointment of a UK distributor
The Group signed a three year distribution agreement with Hi-Spirits Limited on June 1st 2013 for its portfolio of owned brands, including RedLeg Spiced Rum, Blackwood's Gin and Vodka, Blavod Black Vodka, Jago's Vanilla Vodka Cream Liqueur and Diva Vodka covering UK and Ireland. Hi Spirits Limited has a strong track record with significant breadth and depth of coverage across all trade channels to enable effective distribution of our portfolio of owned brands.

This move is designed to allow the Group to focus on brand development in support of the growing network of distributors and innovation.

Overhead cost reduction
The events outlined above means that fewer staff are now required to complete customer orders in the UK and management took the decision in May 2013 to reduce the size of the workforce with the loss of seven staff members from the UK sales and distribution team which will deliver an estimated annual cost saving of £325k.

Acquisition of Blackwood's, Diva and Jago Brands
In May 2013, the Group completed the acquisition of the Blackwood's Gin and Vodka, Diva and Jago brands for a total consideration of £50k. The Group had acquired licenses to distribute these brands in May, July and October 2008 respectively. The terms of the Diva and Jago brands' licenses provided for four year licence terms, now expired, following which the Group has acquired the brands for £1 each. The terms of the Blackwood's licence provided for a profit share with the vendor from the third year post acquisition through to the end of the seventh year and also gave the Group the option to acquire the intellectual property rights at certain pre-specified dates for £1. The Group reached agreement with the vendor for an early exercise of the option for the early acquisition of Blackwood's Gin and Vodka for a cash consideration of £50k. For the year ended 31 March 2013, sales net of duty of Blackwood's Gin and Vodka contributed £305k to turnover and £107k to operating profit.

4 Loss 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.

	2013	2012
(Loss) attributable to ordinary shareholders (£'000)	(738)	(501)
Weighted average number of shares (used for basic earnings per share)	185,265,555	87,758,508
Basic and diluted (loss) per share (pence)	(0.40)	(0.57)

5 Segment reporting

	Owned	Third party	Unallocated	2013 Total	Owned	Third party	Unallocated	2012 Total
Revenue	681	3,104	–	3,785	921	3,659	–	4,580
Cost of sales	(355)	(2,553)	–	(2,908)	(597)	(2,942)	–	(3,539)
Gross profit	**326**	**551**	**–**	**877**	**324**	**717**	**–**	**1,041**
Advertising and promotional costs	(97)	(80)	–	(177)	(147)	(170)	–	(317)
Contribution	**229**	**471**	**–**	**700**	**177**	**547**	**–**	**724**
Employee and director benefits expense	–	–	(606)	(606)	–	–	(676)	(676)
Impairment of non financial assets	–	–	–	–	(22)	–	–	(22)
Depreciation and amortisation of non financial assets	–	–	(9)	(9)	–	–	(9)	(9)
Other expenses	–	–	(264)	(264)	–	–	(268)	(268)
Segment operating (loss)/profit	**229**	**471**	**(879)**	**(179)**	**155**	**547**	**(953)**	**(251)**
Finance expense	–	–	(59)	(59)	–	–	(76)	(76)
Segment (loss)/profit before tax	**229**	**471**	**(938)**	**(238)**	**155**	**547**	**(1,029)**	**(327)**
Segment assets	**1,501**	**277**	**697**	**2,475**	**1,492**	**245**	**1,075**	**2,812**

All third party revenues and gross profits are earned in the UK from the distribution of agency brands. Export revenue represents 61% (2012: 49%) of owned brand revenues and 65% (2012: 70%) of owned brand gross profit. The balance of owned brand revenue and gross profit is earned in the UK.

During 2013, 31% of the Group's revenues depended on a single customer (2012: 13%). During 2013, 11% of the Group's revenues depended on a second single customer (2012: 10%).

Neither employee and director benefits expense nor depreciation and amortisation of non financial assets can be allocated to the two main segments as they are incurred in activities associated with both segments.

Additions to intangible assets in the year totalled £15k (2012: £47k) all relate to owned brands.

The totals presented for the Group's operating segments reconciled to the entity's key financial figures as presented in the financial statements as follows:

	2013	2012
Segment and Group revenues	**3,785**	**4,580**
Segment and Group gross profit	**877**	**1,041**
Segment operating (loss)/profit	(179)	(251)
Share based payment expenses	–	(5)
Other expenses not allocated to segments – non-recurring	(299)	–
Other expenses not allocated to segments – recurring	(141)	(177)
Group operating loss	**(619)**	**(433)**
Segment finance expense	(59)	(76)
Finance income not allocated to segments	–	47
Other finance expense not allocated to segments	(60)	(39)
Group (loss) before tax	**(738)**	**(501)**
Segment assets	2,475	2,812
Other assets not allocated to segments	9	4
Group assets	**2,484**	**2,816**

Notes to the consolidated financial statements

for the year ended 31 March 2013

6 Operating (loss)

Operating (loss) is stated after charging/(crediting):

	2013 £'000	2012 £'000
Depreciation – owned assets	9	9
Impairment of intangible assets	–	22
Loss on disposal of property, plant and equipment	–	1
Operating lease rental payments on land and buildings	49	37
Foreign exchange (gain)/loss	(3)	16
(Profit) on disposal of intangible fixed assets	–	(1)

During the year the Group obtained the following services from the Group's auditor at costs as detailed below:

	2013 £'000	2012 £'000
Fees payable to the Company's auditor for the audit of the annual financial statements	10	10
Fees payable to the Company's auditor and its associates for other services:		
– audit of the financial statements of the Company's subsidiaries	12	12
– other services relating to taxation – compliance and advice	10	5
Other services pursuant to legislation	16	–
	48	**27**

Fees payable to the Company's auditor, Grant Thornton UK LLP, and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Company's Group financial statements are required by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 to disclose such fees on a consolidated basis.

7 Directors and employees

	2013 £'000	2012 £'000
Staff costs		
Wages and salaries	593	606
Social security costs	36	47
Pension costs	13	61
	642	**714**

	No.	No.
Average monthly number of persons employed (including directors)	**10**	**10**

	2013 £'000	2012 £'000
Remuneration of directors		
Emoluments for qualifying services	180	212
Company pension contributions to money purchase scheme	–	51
	180	**263**

The directors of the Company are the key management personnel. The number of directors acquiring benefits under money purchase pension scheme arrangements was 0 (2012: 1).

7 Directors and employees (continued)

Individual director's emoluments and compensation

	Pension £'000	Salaries and fees £'000	2013 Total £'000	2012 Total £'000
R. Ambler	–	–	–	109
S. Bertolotti	–	71	71	82
D. Goulding	–	99	99	62
M. Quinn	–	10	10	10
Total	**–**	**180**	**180**	**263**

The pension for R. Ambler in 2012 includes £33k being compensation for loss of office.

8 Finance income and expense

	2013 £'000	2012 £'000
Finance income		
Finance income associated with derivative	–	47
	–	**47**
Finance expense		
Interest expense on convertible loan note	(60)	(39)
Finance costs associated with finance facility liability	(59)	(76)
	(119)	**(115)**

In the 2013 business year, total finance income amounted to £Nil (2012: £47k). This interest related solely to the conversion option in the convertible loan which has been accounted for as a derivative and which is classified as a financial liability at fair value through profit and loss. As disclosed in Note 15, the convertible loan note was settled in full during the year under review through conversion to equity.

In the 2013 business year, total finance expense of £119k (2012: £115k) related to interest charged on the invoice discount finance facility and borrowings, both classified as financial liabilities at amortised cost.

9 Income tax

Reconciliation of the effective tax rate

	2013 £'000	2012 £'000
(Loss) before taxation	(738)	(501)
(Loss) before tax multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%)	(177)	(130)
Effects of:		
Other expenses not deductible for tax purposes	86	11
Depreciation charge in excess of/(less than) capital allowances	1	1
Tax losses arising within the year	90	119
Other timing differences	–	(1)
Tax expense	**–**	**–**

The amount of the unrecognised deferred tax is as follows:

	2013 £'000	2012 £'000
Depreciation in excess of capital allowances	–	(5)
Other short term temporary differences	–	–
Unutilised losses	2,564	2,582
Unrecognised deferred tax	**2,564**	**2,577**

A deferred tax asset in respect of losses has not been recognised due to the uncertainty over the timing of future profits.

Notes to the consolidated financial statements

for the year ended 31 March 2013

10 Property, plant and equipment

The following tables show the significant additions and disposals of property, plant and equipment.

	Computer Equipment £'000	Fixtures and Fittings £'000	Office Equipment £'000	Total £'000
Cost				
At 1 April 2011	57	24	15	96
Additions	1	3	1	5
Disposals	(24)	(12)	(9)	(45)
At 31 March 2012	34	15	7	56
Additions	2	–	–	2
At 31 March 2013	**36**	**15**	**7**	**58**
Accumulated Depreciation				
At 1 April 2011	33	23	11	67
Charge for the year	7	1	1	9
Disposals	(23)	(13)	(8)	(44)
At 31 March 2012	17	11	4	32
Charge for the year	7	1	1	9
At 31 March 2013	**24**	**12**	**5**	**41**
Net book value				
At 31 March 2011	24	1	4	29
At 31 March 2012	17	4	3	24
At 31 March 2013	**12**	**3**	**2**	**17**

11 Intangible assets – trademarks

	2013 £'000	2012 £'000
Carrying amount		
Carrying amount beginning of year	1,920	1,875
Additions	15	47
Disposals	–	(2)
Carrying amount at end of year	**1,935**	**1,920**
Amortisation and impairment		
Carrying amount at beginning of year	517	495
Charge for year	–	22
Accumulated amortisation and impairment at end of year	**517**	**517**
Net book value	**1,418**	**1,403**

Capitalised brands are regarded as having indefinite useful economic lives and have therefore not been amortised. These brands are protected by trademarks, which are renewable indefinitely, in all of the major markets in which they are sold. There are not believed to be any legal, regulatory or contractual provisions that limit the useful lives of these brands. The nature of the premium drinks industry is that obsolescence is not a common issue, with indefinite brand lives being commonplace. Accordingly the directors believe that it is appropriate that the brands are treated as having indefinite lives for accounting purposes.

Impairment testing: To ensure that brands with indefinite useful lives are not carried above their recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations. These calculations are performed annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. The value in use calculations are based on discounted forecast cash flows and terminal values.

11 Intangible assets – trademarks (continued)

Cash flows are forecast for each brand for the next financial year in the Group's annual financial plan, which is approved by the board and reflects management's expectations of sales volume growth, operating costs and margin based on past sales volume experience and external sources of information.

The discount rate used for the value in use calculations is the estimated current market risk-free rate of interest, adjusted for the estimated risk associated with the intangible assets, giving a discount rate of 10%. Value-in-use calculations cover a ten year period as, as noted above, the nature of the premium drinks industry is such that obsolescence is not a common issue. Management have prepared detailed forecasts for each individual brand name for the next three years, which take into account both historic sales and the committed changes to the business subsequent to the balance sheet date, further details of which are set out in Note 3. Higher level forecasts have been prepared which assume 5% growth in years 4 and 5 for each brand name. No growth has been assumed in years 6 to 10 for each brand name.

Any impairment write downs are charged to other administrative expenses in the income statement. In the year ended 31st March 2013 there was no impairment. In the prior year there was an impairment in the amount of £22k. This was in relation to the Jago brand name which had suffered impairment following a reduction in sales during the prior year. The directors recognised an impairment charge of £22k for the year ended 31 March 2012, which reduced the carrying value of the Jago brand name to £Nil.

It remains possible that changes in assumptions could also arise in excess of those indicated in the table above. The principal trademarks of the company are Blavod Black Vodka and Blackwood's Gin. The net book values of Blavod Black Vodka and Blackwood's Gin were £604k (2012: £600k) and £770k (2012: £770k) respectively at the end of the financial year.

Sensitivity to change in key assumptions: Impairment testing is dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to the cash flows and the expected long term growth rates. For all brands with an indefinite life management has concluded that no reasonably possible change in the key brand assumptions on which it has determined the recoverable amounts would cause their carrying values to exceed their recoverable amounts.

The table below shows the impairment charge that would be required if the assumptions in the calculation of their value in use were changed:

	5% increase in discount rate £'000	**10% decrease in Long term growth rate £'000**
Blackwood's	–	–
Other brands	–	–

12 Inventory

	2013 £'000	**2012 £'000**
Finished goods	**361**	**334**

In 2013, a total of £2,908k of inventories was included in the income statement as an expense (2012: £3,539k).

Notes to the consolidated financial statements

for the year ended 31 March 2013

13 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	695	989
Less provision for impairment of trade receivables	(90)	(47)
Net trade receivables	605	942
Prepayments and accrued income	23	36
	628	**978**

The carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £90k (2012: £47k) has been recorded accordingly. The impaired trade receivables are mostly due from customers that are experiencing difficult market conditions, or the amounts owing are subject to further discussion.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2013 £'000	2012 £'000
Not more than 3 months	105	90
More than 3 months, but not more than 6 months	49	20
More than 6 months, but not more than 1 year	1	–
More than 1 year	–	–
	155	**110**

14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents at the end of the period as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	2013 £'000	2012 £'000
Cash and cash equivalents	**60**	**77**

15 Borrowings and derivative

	2013 £'000	2012 £'000
Borrowings	–	375
Derivative	–	1

On 8 October 2009 the Group issued a 6% convertible unsecured loan note with which it raised funds totalling £400k.

The convertible loan note contains within it three option conversion periods during which the loan note holder has the option to convert the loan notes at share options prices as follows: 5p per share 8 October 2009 to 30 September 2010; 5.5p per share 1 October 2010 to 30 September 2011 and 6p per share 1 October 2011 to 30 September 2014.

The Group recorded the convertible loan note with an initial loan value of £319k and derivative of £81k. The derivative element was valued using the Black-Scholes valuation model. The significant inputs into the 2012 valuation model were volatility of 60% and a risk free rate of 3%.

As disclosed in Note 18 below, on 19 October 2012, the group converted the convertible loan note and accrued interest at that date into 58,344,000 ordinary shares of 0.1 pence per share in Blavod Wines and Spirits plc.

16 Trade and other payables

	2013 £'000	2012 £'000
Trade payables	368	715
Other payables including taxation and social security	15	10
Accruals	45	149
	428	**874**

All amounts detailed above are payable within one year. The fair values of trade and other payables are not materially different from those disclosed above.

17 Finance facility liability

	2013 £'000	2012 £'000
Finance facility liability	**259**	**607**

The Group holds a contract with a leading invoice discounting house to provide a substantial finance facility based on the value of the trade receivables. The facility is secured via a fixed charge over the assets of the Group's principal trading subsidiary, Blavod Drinks Limited.

18 Share capital

(a) Share capital

	2013		2012	
Allotted and fully paid	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 1.0p each	–	–	87,758,508	878
Ordinary shares of 0.1p each	306,102,507	306	–	–
Deferred shares of 0.9p each	87,758,508	790	–	–

On 16 October 2012, the Company undertook a share division whereby each existing Ordinary share of 1 pence per share was converted into 1 Ordinary share of 0.1 pence per share and 1 deferred share of 0.9 pence per share. On the date of division, 87,758,508 Ordinary shares of 1 pence per share were allotted and fully paid.

The Ordinary shares confer the right to receive a dividend, the right to one vote per share and the right to participate in a distribution on a winding up of the company or a return of capital.

The deferred shares confer no right to receive any dividend or other distribution, no right to participate in income or profit of the Company, no right to receive notice or speak or vote at a general meeting, confer the right to receive the amount paid up on the nominal value of each deferred share on a winding up of the Company only after repayment of £100,000,000 per ordinary share; confer no right to transfer, no right to mortgage, pledge, charge or otherwise encumber shares, confer no right to a share certificate and the Company has the right to purchase all deferred shares for an aggregate consideration of £1.

On 19 October 2012, the Company allotted 160,000,000 Ordinary shares of 0.1 pence per share for consideration of 0.75 pence per share. The premium of £1.04m arising on this share allotment has been credited to the share premium account.

On 19 October 2012, the Company converted a convertible loan note of £400k plus accrued interest of £38k into 58,344,000 Ordinary shares of 0.1 pence per share for a consideration of 0.75 pence per share. The premium of £379k arising on this conversion has been credited to the share premium account.

Costs directly attributable to the shares issued on 19 October 2012 have been debited to the share premium account and total £61k.

(b) Share options
Certain employees hold options to subscribe for Ordinary shares in the Company under the share option schemes approved by the Directors on 9 July 2002. The number of shares subject to options, the period in which they were granted and the period in which they may be exercised are given below.

18 Share capital (continued)

The total expenses recognised for the period arising from share based payments are as follows:

	2013 £'000	2012 £'000
Equity-settled share-based payment expense	–	5

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Date of grant	No. of shares	Vesting conditions	Contractual life of options
15 March 2005	1,000,000	3 years	10 years
4 July 2008	2,965,000	100% Vested under EMI Scheme	10 years
4 July 2008	900,000	3 years	10 years
	4,865,000		

The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Weighted average exercise price pence	Number of options	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	5.00	595,000	6.40	2,595,000
Lapsed during the period	5.00	(170,000)	9.70	(750,000)
Forfeited during the period	–	–	5.00	(1,250,000)
Outstanding at the end of the period	**5.0**	**425,000**	**5.00**	**595,000**
Exercisable at the end of the period	5.0	425,000	5.00	595,000

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price per share	Shares 2013	Shares 2012
2018	5.00	425,000	595,000
		425,000	**595,000**

The weighted average remaining contractual life for the options granted is 5.25 years (2012: 6.25 years).

The weighted average fair value of options granted during 2005, following the Group's transition to IFRS, determined using the Black-Scholes valuation model, was 8.41 pence. The significant inputs into the 2005 model were a weighted average share price of 18.31 pence at grant date, the exercise price shown above, volatility of 50%, an expected option life of five years, and an annual risk-free interest rate of 5%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last fifty days.

3,865,000 options were issued during 2009, replacing 2,190,000 which were forfeited. The weighted average fair value of options granted during 2009, determined using the Black-Scholes valuation model, was 2 pence. The significant inputs were a weighted average share price of 4 pence at grant date, an exercise price of 5 pence per share, volatility of 60%, an expected option life of five years and an annual risk-free interest rate of 4.91%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

Warrants

The following hold warrants over the share capital of the Company:

	No. of Warrants	Equivalent Shares	Conversion price
Laurus Master Fund Limited	2,250,000	2,250,000	18.5p

19 Financial instruments

The principal financial assets of the Group are bank balances and cash, trade and other receivables. The main purpose of these financial instruments is to raise finance for the Group's operations. Its principal financial liabilities are trade and other payables that arise directly from its operations and trade finance facilities. All financial assets are classified as loans and receivables.

Credit risk analysis

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below. All classes relate to financial assets classified as loans and receivables.

	2013 £'000	2012 £'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	60	77
Trade and other receivables	605	942

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a likely reduction in the recoverability of the cash flows. The Group has no significant concentration of risk, with exposure spread over a large number of third parties and customers.

The credit risk on liquid funds is limited because the third parties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk analysis

The Group's funding strategy is to ensure a mix of financing methods offering flexibility and cost effectiveness to match the requirements of the Group. The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures. In order to ensure continuity of funding, the Group seeks to arrange funding ahead of business requirements and maintain sufficient un-drawn committed borrowing facilities.

During the 2008/9 year, a contract was arranged with a leading invoice discounting house to provide a substantial finance facility based on the value of the trade receivables. This facility has continued in the current year and can be renewed thereafter as required.

In the 2009/10 year the Group issued a convertible loan note with which it raised a further £400k. This loan note was converted into shares on 19 October 2012 as part of the company's refinancing, further details are provided in Note 18 above.

As at 31 March 2013, the Group's liabilities have contractual maturities which are summarised below:

	Current				Non-current	
	within 6 months		6 to 12 months		1 to 5 years	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Finance facility	259	607	–	–	–	–
Trade payables	368	715	–	–	–	–
Borrowings	–	–	–	–	–	460
Total financial liabilities at amortised cost	**627**	**1,322**	**–**	**–**	**–**	**460**
Totals	**627**	**1,322**	**–**	**–**	**–**	**460**

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date. As disclosed in note 15 the borrowings comprise a convertible loan note with interest payable at 6% per annum.

The Group adopted the amendments to IFRS 7 Improving Disclosures about Financial Instruments effective from 1 April 2009.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either as prices or derived from prices; and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable basis).

19 Financial instruments (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The only financial instrument which the Group has issued which is classified as a financial liability at fair value through profit and loss is a derivative, further details of which are disclosed in Note 15. This instrument is classified under Level 3 above.

The instrument had a value at the beginning of the year of £1k (2012: £48k) with a fair value gain of £1k (2012: £47k) being recognised during the year through profit and loss as a component of "finance income". The closing balance was £Nil (2012: £1k)

Changing inputs to the Level 3 valuations to reasonable possible alternative assumptions would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

20 Capital management

The Group's capital structure consists of equity share capital (see Note 18). In the prior year it also included a 6% convertible unsecured loan note. The loan note was issued in October 2009 to raise funds for working capital. This loan note, in the amount of £400k was (together with accrued, unpaid interest totaling £38k) converted into equity on 19 October 2012 as part of the Company's refinancing, further details are provided in Note 18 to the attached consolidated finance statements. In addition, in October 2012, the Company allotted 160,000,000 ordinary shares which raised £1.2m before issue costs.

The Group has also put in place an invoice discount facility, which is secured via a fixed charge over the assets of the Group's principal trading subsidiary, Blavod Drinks Limited.

The purpose of the invoice discount facility is to provide the Group with working capital and to bridge the period between payment of suppliers and receipt of funds from customers. Note 8 to the Group financial statements sets out the cost of the facility. The amount of the facility available for draw down is variable and is based on the level of accounts receivable balances which are available.

21 Financial commitments – operating leases

Operating lease commitments relate to the rental of office space.

	Land and buildings	
	2013 £'000	**2012 £'000**
Total minimum operating lease payments due:		
Within one year	49	49
One to five years	139	184
	188	**233**

22 Related party transactions

The contribution from related parties has been included, where appropriate, as follows:

In the prior year one of the directors of the Group had provided a personal guarantee in the amount of £50k with respect to the finance facility liability. This personal guarantee was released in January 2012.

Landlord: The landlord charged the group £70k, (2012: £47k) in respect of rent and associated costs. The landlord is Raymond Estates Limited which is considered to be a related party due to a common director. The amount due to Raymond Estates Limited at 31 March 2013 was £Nil (2012: £10k).

Auditor's report on the parent company financial statements

Independent auditor's report to the members of Blavod Wines and Spirits plc

We have audited the parent company financial statements of Blavod Wines and Spirits plc for the year ended 31 March 2013 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 Summary of Significant Accounting Policies: Going Concern to the financial statements concerning the group's ability to continue as a going concern.

As explained in Note 2 under the heading Summary of Significant Accounting Policies: Going Concern, the company is reliant on financial support from other group companies. Should there be significant variances in the forward forecast sales volumes within the existing markets as a result of the uncertainties arising from a change in the business model, the group may be required to seek additional working capital facilities for which they have not yet secured a commitment.

These conditions, along with the other matters explained in Note 2 under the heading Summary of Significant Accounting Policies: Going Concern to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Other matter

We have reported separately on the group financial statements of Blavod Wines and Spirits plc for the year ended 31 March 2013. That report includes an emphasis of matter.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

3 September 2013

Parent company balance sheet

Company No: 03727483

as at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	4	–	–
Intangible assets	5	1,418	1,403
		1,418	1,403
Current assets			
Debtors	6	7	3
Total current assets		7	3
Creditors: amounts falling due within one year	7	(969)	(1,667)
Net current (liabilities)		**(962)**	**(1,664)**
Creditors: amounts falling due after more than one year	8	**–**	**(400)**
Net assets/(liabilities)		**456**	**(661)**
Capital and reserves			
Called up share capital	9	1,096	878
Share premium	9	1,358	–
Shares to be issued	10	12	12
Profit and loss account	10	(2,010)	(1,551)
Shareholders' funds/(deficit)	11	**456**	**(661)**

The financial statements were approved by the Board of Directors on 3 September 2013 and were signed on their behalf by:

D. Goulding
Director

S. Bertolotti
Director

The accompanying notes form an integral part of these financial statements.

Notes to the parent company financial statements

for the year ended 31 March 2013

1 Basis of preparation

The financial statements are for the twelve months ended 31 March 2013. They have been prepared in accordance with applicable United Kingdom accounting standards. The financial statements have been prepared under the historical cost convention.

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account for the Company has not been included in these financial statements. Blavod Wines and Spirits plc reported a loss of £459k (2012: loss of £213k). The company has taken advantage of the exemption in Financial Reporting Standard No 8 “Related Party Disclosures” and has not disclosed transactions with Group companies.

The Companies Act 2006 requires intangible assets to be amortised systematically over their useful economic lives. Management consider the Company’s brands to have an indefinite useful life and have invoked the true and fair override. A policy of non-amortisation has therefore been adopted to ensure the accounts show a true and fair view. Intangible assets are reviewed annually for impairment. An impairment charge in the amount of £Nil (2012: £22k) was recorded in the year. Had intangible assets been amortised over a period of 20 years the charge would have been 102k (2012: £96k).

2 Summary of significant accounting policies

Going Concern
The Company is reliant on financial support from other Group companies.

The Group incurred a consolidated loss of £738k during the year under review, this result included £299k of non-recurring expenditure related to an aborted acquisition. The Group also made a recurring loss of £439k. Since the year end the Group has taken a number of steps to refocus and change the shape of the business in order to create sustainable profitability. These steps are outlined in note 3 to the consolidated financial statements and include the outsourcing of the distribution of its owned brands in the UK to Hi-Spirits Limited, the redundancy of seven staff together with further reduction in the distribution of third party brands. These changes will reduce overhead and financing costs of the Group going forward. Whilst the directors have introduced these measures to create sustainable profitability, these circumstances create material uncertainties over future trading results and cash flows until fully established.

The Group has prepared detailed three year forward forecasts for the business in its new format based on existing markets and has also reviewed the existing invoice discounting arrangement and creditor payment terms in detail. These forecasts have been prepared on a prudent basis without reliance on major new customers and markets although these are anticipated. However, should there be significant variances in the forward forecast sales volumes within the existing markets as a result of the uncertainties arising from a change in the business model described above, the Group may be required to seek additional working capital facilities while the recent changes to the business establish themselves. In the meantime the Group is pursuing measures to conserve funds through the rephasing of some cash expenditure over the next twelve months. Other measures are being considered, which may include initiating future fund raisings, however, no commitment has been obtained for these options.

The directors have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the Group and Company’s ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Fixed asset investments
The Company’s investments in Group companies are stated at cost less provisions for impairment. Any impairment is charged to the profit and loss account as it arises.

Intangible assets
The Company’s intangible assets consist of expenditure on licences. These assets are not amortised as the useful economic life of these assets is considered to be indefinite.

Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amount. In particular, the Company performs a discounted cash flow analysis at least annually to compare discounted estimated future operating cash flows with asset carrying values. The estimated cash flows are discounted at the estimated current market risk-free rate of interest adjusted for the estimated risk associated with the intangible asset.

Financial Instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Notes to the parent company financial statements

for the year ended 31 March 2013

2 Summary of significant accounting policies (continued)

Taxation

Current 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 taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share-based compensation

All share-based payments granted after 7 November 2002 that had not vested by 1 April 2006, are recognised in the financial statements under FRS 20 – share-based payments.

A fair value for equity settled share awards is measured at the date of grant. The Group measures the fair value using the Black-Scholes valuation technique to value each class of award.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed annually and the charge is adjusted to reflect actual and estimated levels of vesting.

3 Audit fees

Included in other operating expenses is remuneration to the auditor for audit services as follows:

	2013 £'000	**2012 £'000**
Fees payable to the Company's auditor for the audit of the Company's financial statements	10	10

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as this information has been disclosed in the consolidated financial statements of the Company.

4 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2012 and 31 March 2013	33
Provision for Impairment	
At 1 April 2012 and 31 March 2013	33
Net Book Value	
At 1 April 2012 and at 31 March 2013	**–**

Investments comprise the following principal subsidiary companies:

Name of Company	**Nature of Business**	**%**	**Country of Incorporation**
Blavod Drinks Limited	Marketing and sale of spirits and wines	100	England & Wales
Blavod Properties Limited	Intellectual property holding company	100	England & Wales
RedLeg Rum Company Limited	Dormant	100	England & Wales

5 Intangible assets – trademarks

	2013 £'000
Carrying amount	
Carrying amount beginning of year	1,425
Additions	15
Disposals	–
Carrying amount at end of year	**1,440**
Amortisation and impairment	
Carrying amount at beginning of year	22
Charge for year	–
Accumulated amortisation and impairment at end of year	**22**
Net book value	
– at 31 March 2013	**1,418**
– at 31 March 2012	1,403

Each year the directors perform an impairment review. No impairment was identified in any brand as a result of this review. In the prior year this identified that the Jago brand name had suffered impairment following a reduction in sales during the year. The directors recognised an impairment charge of £22k for the year ended 31 March 2012 which reduced the carrying value of the Jago brand to £Nil.

6 Debtors

	2013 £'000	2012 £'000
Prepayments	7	3
	7	**3**

7 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to subsidiary undertakings	929	1,605
Accruals and deferred income	40	62
	969	**1,667**

8 Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Convertible loan note	**–**	**400**

As disclosed in Note 9 below, on 19 October 2012, the Company converted the convertible loan note and accrued interest at that date into 58,344,000 ordinary shares of 0.1 pence per share in Blavod Wines and Spirits plc.

Notes to the parent company financial statements

for the year ended 31 March 2013

9 Called up share capital

Share capital

Allotted and fully paid	2013 Number of shares	2013 £'000	2012 Number of shares	2012 £'000
Ordinary shares of 1.0p each	–	–	87,758,508	878
Ordinary shares of 0.1p each	306,102,507	306	–	–
Deferred shares of 0.9p each	87,758,508	790	–	–

On 16 October 2012, the Company undertook a share division whereby each existing Ordinary share of 1 pence per share was converted into 1 Ordinary share of 0.1 pence per share and 1 deferred share of 0.9 pence per share. On the date of division, 87,758,508 Ordinary shares of 1 pence per share were allotted and fully paid.

The Ordinary shares confer the right to receive a dividend, the right to one vote per share and the right to participate in a distribution on a winding up of the company or a return of capital.

The deferred shares confer no right to receive any dividend or other distribution, no right to participate in income or profit of the Company, no right to receive notice or speak or vote at a general meeting, confer the right to receive the amount paid up on the nominal value of each deferred share on a winding up of the Company only after repayment of £100,000,000 per ordinary share; confer no right to transfer, no right to mortgage, pledge, charge or otherwise encumber shares, confer no right to a share certificate and the Company has the right to purchase all deferred shares for an aggregate consideration of £1.

On 19 October 2012, the Company allotted 160,000,000 Ordinary shares of 0.1 pence per share for consideration of 0.75 pence per share. The premium of £1.04m arising on this share allotment has been credited to the share premium account.

On 19 October 2012, the Company converted a convertible loan note of £400k plus accrued interest of £37,580 into 58,344,000 Ordinary shares of 0.1 pence per share for a consideration of 0.75 pence per share. The premium of £379k arising on this conversion has been credited to the share premium account.

Costs directly attributable to the shares issued on 19 October 2012 have been debited to the share premium account and total £61k.

10 Reserves

	Share premium £'000	Shares to be issued £'000	Profit and loss account £'000
At 1 April 2012	–	12	(1,551)
Premium arising on share issue	1,358	–	–
(Loss) for the financial year	–	–	(459)
At 31 March 2013	**1,358**	**12**	**(2,010)**

11 Reconciliation of movement in shareholders' funds/(deficit)

	2013 £'000	2012 £'000
(Loss) for the financial year	(459)	(213)
Shares issued in the year	1,576	–
Shares to be issued	–	5
Net increase/(decrease) in shareholders' funds	1,117	(208)
Shareholders' (deficit) at 1 April	(661)	(453)
Shareholders' funds/(deficit) at 31 March	**456**	**(661)**

12 Share based payments

Details of share options and warrants issued by the Company are set out in Note 18 to the consolidated financial statements.

Directors and advisers

Directors	D. Goulding (Executive Chairman) S. Bertolotti M. Quinn (Non-executive)
Secretary	S. Bertolotti
Registered Office	3rd Floor, Cardinal House 39/40 Albemarle Street London W1S 4TE
Company's registered number	England and Wales 03727483
Auditor	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP
Bankers	Barclays Bank Plc 50 Pall Mall London SW1A 1QA
Nominated Adviser	SPARK Advisory Partners Limited 33 Glasshouse Street London W1B 5DG
Broker	SI Capital Limited 1 High Street Godalming Surrey GU7 1AZ
Registrars	Share Registrars Ltd Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Solicitors	Ronaldsons LLP 55 Gower Street London WC1E 6HQ
Tax Adviser	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP

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