Blavod Wines and Spirits plc

Consolidated Financial Statements

Year Ended 31 March 2012

Registered in England and Wales: Company No: 03727483

Contents

Chairman's statement

Introduction

The year to 31 March 2012 was one of significant change as the Group accelerated its efforts to achieve growth following a disappointing performance in the first half of the financial year Our team has responded positively to the strategy we pursued to achieve this growth which included restructuring the senior management team and consolidating the brand portfolio As a result, I'm pleased to report that the performance of the Group improved significantly against all key performance measures in the second half of the financial year We ended the year with results in line with market expectations

Sales net of duty were £4,580k (2011 £5,725k) and the operating loss for the year was £433k (2011 loss £56k)

These results reflect the full year impact of the loss of two key agency brands (Cockspur and DBR wines) and the loss of a brand listing in a major UK retailer which was subsequently regained in the second half of the year

For those continuing brands not mentioned above we have achieved solid sales growth with our owned brands increasing 5% (23% increase in UK) and combined agency brands increasing 25% in a UK spirits market which is relatively flat

Also included in the results is a stock write off of £19k and an impairment in the carrying value of our intangible fixed assets of £22k, both relate to one of our own brands, Jago's, which requires a more flexible manufacturing solution Once we have achieved this we intend to re-launch and reinstate the brand value of this premium product

Financing

As indicated in the Interim Results the board has sought additional capital to meet medium term cash requirements, brand marketing and to strengthen the balance sheet Whilst this has taken time to put in place, discussions are ongoing and nearing finalisation We expect to make additional announcements in due course

Blavod Owned brands

The Group's owned brands sales revenue increased by 5% and brand contribution increased 7% as we widened distribution and improved brand activation in the UK and internationally In the UK our sales revenue grew by 23% as we improved our organisational focus in a highly competitive market Contribution was maintained at 19%

The increase in contribution relative to revenues was due primarily to a reduction in marketing spend following last year's one-off costs relating to the repackaging design of Blavod Black Vodka On a like for like basis marketing spend and support was maintained year on year however it was better invested and resulted in greater impact to sales

With volumes increasing in other parts of the world we have taken the opportunity to rebalance the inventories held by our distributors in our major export markets of USA and Spain In both instances year end stock levels were reduced compared to prior year to normalise inventory relative to depletions Both markets continue to grow despite challenging market conditions

The Group now exports to 29 markets having opened four new markets in Asia and Latin America in the year In addition, in December the Group signed a production, marketing and distribution agreement with Waldemar Behn GmbH to cover Duty Free and nominated domestic markets in continental and eastern Europe for Blavod Black Vodka I am pleased to report to you that this is working well with volume sales in continental Europe growing 25% year on year during the first six months of this agreement

RedLeg spiced Caribbean Rum was successfully developed and launched in March 2012 This is the first new product entirely developed by the Group in several years and is a premium quality drink with premium packaging Despite its launch having a relatively small budget, RedLeg is already building a following amongst consumers and trade customers Promotional activity has included tastings and music nights in bars in Brighton, Sussex where we are focusing our initial efforts as well as cross marketing with the launch of a new Caribbean style soft drink, made by a third party, at music festivals and this has worked well in attracting consumers to both brands

Chairman's statement (continued)

Agency brands

Sales revenues in this division declined by 24% mainly due to the discontinuation of two key agency brands agreements during part of the year as well as the loss of a major UK retail listing in the previous year

Overall, sales on continuing brands increased by 25% after adjusting for the brand impacted by the prior year delisting

Agency brands are an important part of our UK business and to our growth strategy, however it had become clear to the Directors that the Group was overstretched with too many brands – often with very different distribution strategies It was therefore decided between December 2011 and April 2012 to narrow these down to provide greater focus and concentration on what the Directors believe to be the core brands

Organisation

During the year we have undertaken several important steps to contain costs and improve the operational efficiency of the Group

People costs were reduced by 7% following organisational changes in senior management and during the course of the year debtor days were reduced from 89 in 2011 to 75 in 2012 This has greatly improved our working capital management and is largely as a result of the improvements in processes and systems After the year end we successfully migrated to a new transaction system which will improve administration efficiency and future reporting quality These overhead cost reductions were offset by a number of non-recurring costs The registered office moved in December 2011 resulting in one off costs of £20k Our inventory levels have been reduced from £583k to £334k as we reduced the number of agency brands

At the same time, we have invested in the management of our major customers, improving geographical coverage, gaining new listings for many of our brands and have enlarged our customer base in the UK

Outlook

The board and management are confident that our focus on brand building activities and quality distribution expansion on a narrower product portfolio will continue to grow both the owned and agency brands ahead of the market

Although market conditions remain difficult we are building from a relatively small base and have an experienced team which is able to seize the many opportunities which exist and offset the obvious challenges As we have demonstrated this year we are capable of launching new products with limited resources and opening up into new markets to gain customers and believe this sets us up well for the future

The UK market remains intensely competitive and highly price sensitive as consumers buy a greater share of their purchases on promotion and because we have such a wide distribution base across our brand portfolio we are very well positioned to work with our customers to grow our mutual businesses

D Goulding

Chairman

4 September 2012

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2012

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 and Blackwood's Gin worldwide and a number of agency brands of spirits and wines in the UK

The results for the 2012 financial year reflect the refocusing of the business on key owned and third party brands, the launch of the new owned brand RedLeg Rum and the investment in reinstating the volumes of a key agency brand impacted by the loss of a listing in the prior year

Result for the year and dividends
The loss attributable to shareholders for the year amounted to £501k (2011 loss of £173k)

Key performance indicators
The directors have monitored the performance of the Group with particular reference to the following key performance indicators for each of our brands

- Sales volume versus prior year - continuing brand volumes on owned brands increased 6% year on year and on agency brands excluding the brand impacted by the loss of a listing in the prior year increased by 25% The customer base for the brand in question has been re-established with first quarter trading showing year on year improvement

- Sales value net of duty versus previous year – continuing brand sales net of duty on owned brands increased 5% year on year and on agency brands excluding the brand impacted by the loss of a listing in the prior year increased by 25%

- Gross margin versus previous year – continuing brand gross margin was flat for owned brands reflecting the sales mix between domestic and export, agency brands excluding the brand impacted by the loss of a listing in the prior year experienced a 27% increase year on year

- Contribution defined as gross margin less advertising and promotional costs is a key management indicator For continuing owned brands this percentage moved from 19% to 25% year on year For agency brands excluding the brand impacted by the loss of a listing in the prior year this moved from 14% to 15% year on year

The reduced volumes of the brand impacted by the loss of a listing in the prior year following aggressive competitor reductions, as detailed in last year's report continued to impact through the first half of 2012 In the second half of the year these positions improved with new customer propositions taking effect

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 were held at £317k (2011 £336k) as the Group reinvested in certain agency brands Other administrative expenses were in line with prior year at £1,126k (2011 £1,120k)

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

R Ambler resigned 28 October 2011
S Bertolotti
D Goulding
M Quinn

Directors' report (continued)

Future developments
The Group's future developments are outlined in the Chairman's Statement

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

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

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

Capital Management

The Group's capital structure consists of equity share capital (see Note 18) and a 6% convertible unsecured loan note The loan note was issued in October 2009 to raise funds for working capital 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

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 74 (2011 61 as restated)

Going concern

These financial statements have been prepared on a going concern basis The Group incurred a consolidated loss of £501k during the year under review, principally as a result of the loss of certain agency brands and also reduced volumes in one continuing agency brand As a result year on year gross profit decreased although management continued to control overhead costs effectively A number of positive steps have been taken during the year to improve future profitability and performance These include ceasing to manage certain third party brands, this took up a significant amount of management time without contributing substantially to profitability, the launch of the owned brand, RedLeg Rum, in March 2012, and the regaining of the volumes on the key agency brand listing lost in 2011 In addition, management is pleased with the performance of the Group during the first quarter of 2013 Nonetheless, management is currently investigating several potential sources of finance to support the Group's working capital needs and plans going forward Should these not come to fruition, or insufficient finance be raised, which is contrary to management's current expectations, there is a material uncertainty that the group will be able to continue as a going concern

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 25 September 2012

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

S Bertolotti
Director

4 September 2012

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

In so far as each of the directors 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 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 2012 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 6, 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 2012 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 concerning the company's ability to continue as a going concern The group incurred a net loss of £501,000 during the year ended 31 March 2012 and, at that date, the group had net current liabilities of £92,000 Furthermore, management is currently investigating several potential sources of finance to support the Group's working capital needs and plans going forward and there is no certainty that the required finance will be secured 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 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 group financial statements are prepared is consistent with the group financial statements

Auditor's report on the consolidated financial statements (continued)

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 2012 That report includes an emphasis of matter

Grant Thornton UK LLP

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

4 September 2012

Consolidated income statement

for the year ended 31 March 2012

	Note	2012 £'000	2011 restated £'000
Revenue		4,580	5,725
Cost of sales		(3,539)	(4,319)
Gross profit		1,041	1,406
Advertising and promotional costs		(317)	(336)
Other administrative expenses		(1,126)	(1,120)
Depreciation and amortization	10	(9)	(6)
Impairment of intangible fixed assets	11	(22)	–
Total administrative expenses		(1,474)	(1,462)
Operating loss	6	(433)	(56)
Finance income	8	47	13
Finance expense	8	(115)	(130)
(Loss) before tax from continuing operations		(501)	(173)
Income tax	9	–	–
(Loss) for the year		(501)	(173)
(Loss) per share			
Basic (pence per share)	4	(0 57)	(0 20)
Diluted (pence per share)	4	(0 57)	(0 20)

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	2012 £'000	2011 £'000
(Loss) for the year	(501)	(173)
Other comprehensive income	–	–
Total comprehensive income for the year	(501)	(173)

The accompanying notes form an integral part of these financial statements

Consolidated balance sheet

as at 31 March 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	24	29
Intangible assets	11	1,403	1,380
		1,427	**1,409**
Current assets			
Inventories	12	334	583
Trade and other receivables	13	978	1,488
Cash and cash equivalents	14	77	36
Total current assets		**1,389**	**2,107**
Total assets		**2,816**	**3,516**
Liabilities			
Non current liabilities			
Borrowings	15	(375)	(350)
Derivative	15	(1)	(48)
		(376)	**(398)**
Current liabilities			
Trade and other payables	16	(874)	(923)
Finance facility liability	17	(607)	(740)
Total current liabilities		**(1,481)**	**(1,663)**
Total liabilities		**(1,857)**	**(2,061)**
Net assets		**959**	**1,455**
Equity			
Equity attributable to equity holders of the parent			
Share capital	18	878	878
Shares to be issued		12	51
Retained earnings		69	526
Total equity		**959**	**1,455**

The financial statements were approved by the Board of Directors on 4 September 2012 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 2012

	Share capital £'000	Shares to be issued £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2010 and 1 April 2010	878	717	21	1,616
Share based payment charge	–	12	–	12
Lapsed/forfeited share options – reclassification to retained earnings	–	(678)	678	–
Transactions with owners	–	(666)	678	12
(Loss) for the year	–	–	(173)	(173)
Balance at 31 March 2011 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	–	–	(501)	(501)
Balance at 31 March 2012	**878**	**12**	**69**	**959**

The accompanying notes form an integral part of these financial statements

Consolidated cash flow statement

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Operating (loss)		(433)	(56)
Adjustments for			
Depreciation	10	9	6
Impairment of intangible fixed assets	11	22	–
Profit on sale of intangible fixed assets	11	(1)	–
Loss on disposal of property, plant and equipment	10	1	–
Share-based payment		5	12
		(397)	**(38)**
Movements in working capital			
Decrease in inventories		249	30
Decrease in trade receivables		510	339
(Decrease) in trade payables		(49)	(51)
Cash generated by operations		**710**	**318**
Net finance expense	8	(90)	(117)
Net cash generated by operating activities		**223**	**163**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(5)	(11)
Expenditure relating to the acquisition of licences and trade marks	11	(47)	(69)
Proceeds from the disposal of licences and trade marks		3	–
Net cash (used by) investing activities		**(49)**	**(80)**
Cash flows from financing activities			
Net cash (repaid to) finance facility		(133)	(165)
Net cash (used in) financing activities		**(133)**	**(165)**
Net increase/(decrease) in cash and cash equivalents		41	(82)
Cash and cash equivalents at beginning of year		36	118
Cash and cash equivalents at end of year	14	**77**	**36**

The accompanying notes form an integral part of these financial statements

Notes to the consolidated financial statements

for the year ended 31 March 2012

1 Basis of preparation

The consolidated financial statements are for the twelve months ended 31 March 2012 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

These financial statements have been prepared on a going concern basis The Group incurred a consolidated loss of £501k during the year under review, principally as a result of the loss of certain agency brands and also reduced volumes in one continuing agency brand As a result year on year gross profit decreased although management continued to control overhead costs effectively A number of positive steps have been taken during the year to improve future profitability and performance These include ceasing to manage certain third party brands, this took up a significant amount of management time without contributing substantially to profitability, the launch of the owned brand, RedLeg Rum, in March 2012, and the regaining of the volumes on the key agency brand listing lost in 2011 In addition, management is pleased with the performance of the Group during the first quarter of 2013 Nonetheless, management is currently investigating several potential sources of finance to support the Group's working capital needs and plans going forward Should these not come to fruition, or insufficient finance be raised, which is contrary to management's current expectations, there is a material uncertainty that the Group will be able to continue as a going concern

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

Notes to the consolidated financial statements

for the year ended 31 March 2012

2 Summary of significant accounting policies

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2012 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 The Group was considered to have a single operating segment in prior years, being the marketing and sale of spirits and agency brands Segment information is provided in Note 5 to the financial statements and prior year information has been re presented for consistency with the operating segment information provided for the year under review

The Group operates two operating segments – Owned brands and managed agency brands Owned brands include Blavod Black Vodka and Blackwood's Gin, 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

2 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 Group's weighted average cost of capital

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

2 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 note
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

2 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
- "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 and management fee income

Revenue from the sale of goods supplied is measured by reference to consideration received or receivable by the Group With effect from 1st April 2011, revenue is stated excluding excise duty, and excluding VAT, and is net of rebates and trade discounts In prior years revenue has been stated including excise duty, but excluding VAT, and was net of rebates and trade discounts The reason for, and effect of, this change are disclosed in note 3

Revenue on goods supplied is recognised at the point of delivery

Management fee income is recognised when the services are performed and the income can be measured reliably and is expected to be received by the Group There is no management fee income during the year ended 31 March 2012

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

2 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

Inventories

Inventories are measured at the lower of cost and net realisable value In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made

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

3 Prior year restatement

In pnor years, the Group reported both turnover and cost of sales gross of excise duty With effect from 1 Apnl 2011 the Group has presented both revenue and cost of sales net of excise duty as this presentation is considered to more fairly reflect the income and associated expense generated by the Group The amount of duty in the year ended 31 March 2011 was £1,491k and the effect of this pnor year restatement is to reduce both turnover and cost of sales by this amount This pnor year restatement has no impact on the gross profit margin, consolidated balance sheet, consolidated cash flow statement or consolidated statement of changes in equity as previously reported IAS 1 (revised) "Presentation of financial statements" requires presentation of a comparative balance sheet at the beginning of the first comparative period in some circumstances, including when a change in accounting policy is applied Management considers that this is not necessary as the 2010 balance sheet is the same as that previously published

4 Earnings per share

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

	2012	**2011**
(Loss) attributable to ordinary shareholders (£'000)	(501)	(173)
Weighted average number of shares (used for basic earnings per share)	87,758,508	87,758,508
Basic and diluted (loss) per share (pence)	(0 57)	(0 20)

Notes to the consolidated financial statements

for the year ended 31 March 2012

5 Segment reporting

	Owned	Third party	Unallocated	2012 Total	Owned	Third party	Unallocated	2011 Total
Revenue	921	3,659	–	4,580	879	4,846	–	5,725
Cost of sales	(597)	(2,942)	–	(3,539)	(535)	(3,784)	–	(4,319)
Gross profit	**324**	**717**	**–**	**1,041**	**344**	**1,062**	**–**	**1,406**
Advertising and promotional costs	(147)	(170)	–	(317)	(179)	(157)	–	(336)
Contribution	**177**	**547**	**–**	**724**	**165**	**905**	**–**	**1,070**
Employee and director benefits expense	–	–	(676)	(676)	–	–	(726)	(726)
Impairment of non financial assets	(22)	–	–	(22)	–	–	–	–
Depreciation and amortisation of non financial assets	–	–	(9)	(9)	–	–	(6)	(6)
Other expenses	–	–	(268)	(268)	–	–	(211)	(211)
Segment operating (loss)/profit	**155**	**547**	**(953)**	**(251)**	**165**	**905**	**(943)**	**127**
Finance expense	–	–	(76)	(76)	–	–	(92)	(92)
Segment (loss)/profit before tax	**155**	**547**	**(1,029)**	**(327)**	**165**	**905**	**(1,035)**	**35**
Segment assets	**1,492**	**245**	**1,075**	**2,812**	**1,482**	**481**	**1,553**	**3,516**

All third party revenues and gross profits are earned in the UK from the distribution of agency brands Export revenue represents 49% (2011 56%) of owned brand revenues and 70% (2011 73%) of owned brand gross profit The balance of owned brand revenue and gross profit is earned in the UK

During 2012, 13% of the Group's revenues depended on a single customer (2011 17% as restated) During 2012, 10% of the Group's revenues depended on a second single customer (2011 13%)

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 £47k (2011 £69k) 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

	2012	2011
Segment and Group revenues	**4,580**	**5,725**
Segment and Group gross profit	**1,041**	**1,406**
Segment operating (loss)/profit	(251)	127
Share based payment expenses	(5)	(12)
Other expenses not allocated to segments	(177)	(171)
Group operating loss	**(433)**	**(56)**
Segment finance expense	(76)	(92)
Finance income not allocated to segments	47	13
Other finance expense not allocated to segments	(39)	(38)
Group (loss) before tax	**(501)**	**(173)**
Segment assets	2,812	3,516
Other assets not allocated to segments	4	–
Group assets	**2,816**	**3,516**

In the years under review other expenses not allocated to segments consist of head office corporate expense

6 Operating (loss)

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

	2012 £'000	2011 £'000
Depreciation – owned assets	9	6
Impairment of intangible fixed assets	22	–
Loss on disposal of property, plant and equipment	1	–
Operating lease rental payments on land and buildings	37	30
Foreign exchange loss	16	6
(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

	2012 £'000	2011 £'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	5	5
	27	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 2005, regulation 5(1) to disclose such fees on a consolidated basis

7 Directors and employees

	2012 £'000	2011 £'000
Staff costs		
Wages and salaries	606	653
Social security costs	47	56
Pension costs	61	61
	714	770

	No	No
Average monthly number of persons employed (including directors)	10	12

	2012 £'000	2011 £'000
Remuneration of directors		
Emoluments for qualifying services (including bonus)	212	182
Company pension contributions to money purchase scheme	51	32
Share-based payment	–	8
	263	222

The directors of the Company are the key management personnel The number of directors acquiring benefits under money purchase pension scheme arrangements was 1 (2011 1)

Notes to the consolidated financial statements

for the year ended 31 March 2012

7 Directors and employees (continued)

Individual director's emoluments and compensation

	Pension £'000	Salaries and fees £'000	2012 Total £'000	2011 Total £'000
R Ambler	51	58	109	131
W Banks	–	–	–	8
S Bertolotti	–	82	82	39
C Campbell	–	–	–	8
D Goulding	–	62	62	11
W Phillips	–	–	–	9
M Quinn	–	10	10	8
Total	51	212	263	214

The pension for R Ambler in 2012 includes £33k (2011 £Nil) being compensation for loss of office

Share Options

	At start of year	At end of year	Price paid	Exercise price	Date from which exercisable	Expiry date
R Ambler	1,250,000	–	–	0 05	05 Jul-11	02-Jul-18
W Banks	350,000	–	–	0 05	05 Jul-11	02-Jul-18
C Campbell	350,000	–	–	0 05	05-Jul-11	02-Jul-18

8 Finance income and expense

	2012 £'000	2011 £'000
Finance income		
Finance income associated with derivative	47	13
	47	13
Finance expense		
Interest expense on convertible loan note	(39)	(37)
Finance costs associated with finance facility liability	(76)	(93)
	(115)	(130)

In the 2012 business year, total finance income amounted to £47k (2011 £13k) 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

In the 2012 business year, total finance expense of £115k (2011 £130k) 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

	2012 £'000	2011 £'000
(Loss) before taxation	(501)	(173)
(Loss) before tax multiplied by standard rate of corporation tax in the UK of 26% (2011 28%)	(130)	(48)
Effects of·		
Other expenses not deductible for tax purposes	11	9
Depreciation charge in excess of/(less than) capital allowances	1	(1)
Tax losses arising within the year	119	43
Other timing differences	(1)	(3)
Tax expense	–	–

The amount of the unrecognised deferred tax is as follows

	2012 £'000	2011 £'000
Depreciation in excess of capital allowances	(5)	(4)
Other short term timing differences	–	2
Unutilised losses	2,582	2,677
Unrecognised deferred tax	2,577	2,675

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

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 2010	47	24	14	85
Additions	10	–	1	11
At 31 March 2011	57	24	15	96
Additions	1	3	1	5
Disposals	(24)	(12)	(9)	(45)
At 31 March 2012	**34**	**15**	**7**	**56**
Accumulated Depreciation				
At 1 April 2010	28	23	10	61
Charge for the year	5	–	1	6
At 31 March 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**
Net book value				
At 31 March 2010	19	1	4	24
At 31 March 2011	24	1	4	29
At 31 March 2012	**17**	**4**	**3**	**24**

Notes to the consolidated financial statements

for the year ended 31 March 2012

11 Intangible assets – trademarks

	2012 £'000	2011 £'000
Carrying amount		
Carrying amount beginning of year	1,875	1,806
Additions	47	69
Disposals	(2)	–
Carrying amount at end of year	**1,920**	**1,875**
Amortisation and impairment		
Carrying amount at beginning of year	495	495
Charge for year	22	–
Accumulated amortisation and impairment at end of year	**517**	**495**
Net book value	**1,403**	**1,380**

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

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 Group's weighted average cost of capital Management have prepared a detailed 10 year forecast using a growth rate of 5% in years 1 5 and no growth in subsequent years, the growth rate being determined by reference to historic sales

The pre tax discounts rates and growth rates used for impairment testing are as follows

	2012
Weighted average cost of capital	10%
Long term growth rate years 1 5	5%

Any impairment write downs are charged to other administrative expenses in the income statement In the year ended 31st March 2012 there was an impairment in the amount of £22k (2011 £Nil) The directors have performed an impairment review which has identified that the Jago brand name has suffered impairment following a reduction in sales during the year The directors have recognised an impairment charge of £22k for the year ended 31 March 2012, which reduces the carrying value of the Jago brand name to £Nil

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

11 Intangible assets – trademarks (continued)

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

	1% decrease in discount rate £'000	1% decrease in long term growth rate £'000
Blackwood's	–	–
Other brands	–	–

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 £600k (2011 £588k) and £770k (2011 £747k) respectively at the end of the financial year

12 Inventory

	2012 £'000	2011 £'000
Finished goods	**334**	**583**

In 2012, a total of £3,539k of inventories was included in the income statement as an expense (2011 £4,319k as restated)

13 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	989	1,443
Less provision for impairment of trade receivables	(47)	(47)
Net trade receivables	942	1,396
Prepayments and accrued income	36	92
	978	**1,488**

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 £47k (2011 £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

	2012 £'000	2011 £'000
Not more than 3 months	90	102
More than 3 months, but not more than 6 months	20	62
More than 6 months, but not more than 1 year	–	88
More than 1 year	–	14
	110	**266**

Notes to the consolidated financial statements

for the year ended 31 March 2012

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

	2012 £'000	2011 £'000
Cash and cash equivalents	77	36

15 Borrowings and derivative

	2012 £'000	2011 £'000
Borrowings	375	350
Derivative	1	48

On 8 October 2009 the Group issued a 6% convertible unsecured loan note with which it raised funds totalling £400,000

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 £319,000 and derivative of £81,000 The derivative element has been 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%

16 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	715	720
Other payables including taxation and social security	10	33
Accruals	149	170
	874	923

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

	2012 £'000	2011 £'000
Finance facility liability	607	740

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

	2012 £'000	2011 £'000
Authorised		
105,000,000 ordinary shares of 1p each	1,050	1,050
Allotted, issued and fully paid		
87,758,508 (2011 87,758,508) ordinary shares of 1p each	878	878

(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

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

	2012 £'000	2011 £'000
Equity settled share based payment expense	5	12

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

	2012		2011	
	Weighted average exercise price pence	Number of options	Weighted average exercise price pence	Number of options
Outstanding at the beginning of the period	6 40	2,595,000	17 11	5,615,000
Lapsed during the period	9 70	750,000	75 00	700 000
Forfeited during the period	5 00	1,250,000	12 00	2,320,000
Outstanding at the end of the period	**5 00**	**595,000**	**6 40**	**2,595,000**
Exercisable at the end of the period	5 00	595,000	6 40	2,595,000

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 2012	Shares 2011
2012	75 00	–	50,000
2018	5 00	595,000	2,545,000
		595,000	**2,595,000**

The weighted average remaining contractual life for the options granted is 6 25 years (2011 – 7 25 years)

Notes to the consolidated financial statements

for the year ended 31 March 2012

18 Share capital (continued)

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

	2012 £'000	2011 £'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	77	36
Trade and other receivables	942	1,396

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

19 Financial instruments (continued)

As at 31 March 2012, 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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Finance facility	607	740	–	–	–	–
Trade payables	715	720	–	–	–	–
Borrowings	–	–	–	–	460	484
Total financial liabilities at amortised cost	**1,322**	**1,460**	**–**	**–**	**460**	**484**
Totals	**1,322**	**1,460**	**–**	**–**	**460**	**484**

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 these liabilities comprise a convertible loan note with interest payable at 6% per annum

IFRS 7 Improving Disclosures about Financial Instruments

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)

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 £48k (2011 £60k) with a fair value gain of £47k (2011 £12k) being recognised during the year through profit and loss as a component of "finance income" The closing balance was £1k (2011 £48k)

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 Financial commitments – operating leases

	Land and buildings	
	2012 £'000	2011 £'000
Total minimum operating lease payments due		
Within one year	59	30
One to five years	98	23
	157	**53**

Notes to the consolidated financial statements

for the year ended 31 March 2012

21 Related party transactions

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

Director's guarantee one of the directors of the Group has provided a personal guarantee in the amount of £50k (2011 £50k) with respect to the finance facility liability This personal guarantee was released in January 2012

Landlord The Group moved to its registered office at 3rd Floor, Cardinal House, 39/40 Albemarle Street, London during the year under review The landlord is Raymond Estates Limited which is considered to be a related party due to a common director

DBR Wines Limited DBR Wines Limited was considered to be a related party in the prior year due to a common director for part of that year A management fee was receivable for sales, marketing and administration services provided by the Group in the year ended 31 March 2011 The total fee receivable was £221k and £41k was owed to the Group at 31 March 2011

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 2012 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 6, 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 2012,
- 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 under the heading Summary of significant accounting policies/Going concern concerning the company's ability to continue as a going concern The group incurred a net loss of £501,000 during the year ended 31 March 2012 and, at that date, the group had net current liabilities of £92,000 Furthermore, management is currently investigating several potential sources of finance to support the Group's working capital needs and plans going forward and there is no certainty that the required finance will be secured 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 2012 That report includes an emphasis of matter

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

4 September 2012

Parent company balance sheet

Company No 03727483

as at 31 March 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	4	–	–
Intangible assets	5	1,403	1,380
		1,403	1,380
Current assets			
Debtors	6	3	9
Total current assets		3	9
Creditors amounts falling due within one year	7	(1,667)	(1,442)
Net current (liabilities)		**(1,664)**	**(1,433)**
Creditors amounts falling due after more than one year	8	**(400)**	**(400)**
Net (liabilities)		**(661)**	**(453)**
Capital and reserve			
Called up share capital	9	878	878
Shares to be issued	10	12	51
Profit and loss account	10	(1,551)	(1,382)
Shareholders' (deficit)	11	**(661)**	**(453)**

The financial statements were approved by the Board of Directors on 4 September 2012 and were signed on their behalf by

SE Bertolotti

D Goulding
Director

D. Goulding

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 2012

1 Basis of preparation

The financial statements are for the twelve months ended 31 March 2012 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 £213k (2011 loss of £183k) 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 £22k (2011 £Nil) was recorded in the year Had intangible assets been amortised the charge would have been £96k (2011 £93k)

2 Summary of significant accounting policies

Going Concern

The Company is reliant on financial support from other Group companies

These financial statements have been prepared on a going concern basis The Group incurred a consolidated loss of £501k during the year under review, principally as a result of the loss of certain agency brands and also reduced volumes in one continuing agency brand As a result year on year gross profit decreased although management continued to control overhead costs effectively A number of positive steps have been taken during the year to improve future profitability and performance These include ceasing to manage certain third party brands, this took up a significant amount of management time without contributing substantially to profitability, the launch of the owned brand, RedLeg Rum, in March 2012, and the regaining of the volumes on the key agency brand listing lost in 2011 In addition, management is pleased with the performance of the Group during the first quarter of 2013 Nonetheless, management is currently investigating several potential sources of finance to support the Group's working capital needs and plans going forward Should these not come to fruition, or insufficient finance be raised, which is contrary to management's current expectations, there is a material uncertainty that the Group will be able to continue as a going concern

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 Group's weighted average cost of capital

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

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

Notes to the parent company financial statements

for the year ended 31 March 2012

2 Summary of significant accounting policies (continued)

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

	2012 £'000	2011 £'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 2011 and 31 March 2012	33
Provision for Impairment	
At 1 April 2011 and 31 March 2012	33
Net Book Value	
– at 1 April 2011 and at 31 March 2012	**–**

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

5 Intangible assets – trademarks

	2012 £'000
Carrying amount	
Carrying amount beginning of year	1,380
Additions	47
Disposals	(2)
Carrying amount at end of year	**1,425**
Amortisation and impairment	
Carrying amount at beginning of year	–
Charge for year	22
Accumulated amortisation and impairment at end of year	**22**
Net book value	
– at 31 March 2012	**1,403**
– at 31 March 2011	1,380

The directors have performed an impairment review which has identified that the Jago brand name has suffered impairment following a reduction in sales during the year The directors have recognised an impairment charge of £22k for the year ended 31 March 2012 which reduces the carrying value of the Jago brand to £Nil

6 Debtors

	2012 £'000	2011 £'000
Prepayments	3	9
	3	**9**

7 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed to subsidiary undertakings	1,605	1,382
Accruals and deferred income	62	60
	1,667	**1,442**

8 Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Convertible loan note	**400**	**400**

9 Called up share capital

Share capital

	2012		2011	
Authorised	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 1p each	105,000,000	1,050	105,000,000	1,050
Allotted and fully paid	**Number of shares**	**£'000**	**Number of shares**	**£'000**
Ordinary shares of 1p each	87,758,508	878	87,758,508	878

Notes to the parent company financial statements

for the year ended 31 March 2012

10 Reserves

	Shares to be issued £'000	Profit and loss account £'000
At 1 April 2011	51	(1,382)
Share-based payment charge	5	–
Reserves transfer on lapsed/forfeited shares	(44)	44
(Loss) for the financial year	–	(213)
At 31 March 2012	**12**	**(1,551)**

11 Reconciliation of movement in shareholders' (deficit)

	2012 £'000	2011 £'000
(Loss) for the financial year	(213)	(183)
Shares to be issued	5	12
Net (increase) in shareholders' (deficit)	(208)	(171)
Shareholders' (deficit) at 1 April	(453)	(282)
Shareholders' (deficit) at 31 March	**(661)**	**(453)**

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	Nplus1 Brewin LLP 12 Smithfield Street London EC1A 9LA
Broker	Nplus1 Brewin LLP 12 Smithfield Street London EC1A 9LA
Registrars	Share Registrars Ltd Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Solicitors	Maclay, Murray & Spens 1 London Wall London EC2Y 5AB
Tax Adviser	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP

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