

Company registered number: 02053090

Licensed Wholesale Company Limited
Annual report and financial statements
for the year ended 30 September 2016

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Licensed Wholesale Company Limited

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Licensed Wholesale Company Limited

Board of directors and advisers

Officers and professional advisers

Directors

R M Gray
E K Mukadam

Secretary

P D Sumner

Company number

02053090

Registered office

Unit 3
Stainburn Road
Openshaw
Manchester
M11 2DN

Bankers

National Westminster Bank Plc
6th Floor
1 Spinningfields
Manchester
M3 3EB

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
West Yorkshire
LS11 5DR

Independent auditors

Royce Peeling Green Limited
The Copper Room
Deva Centre
Trinity Way
Manchester
M3 7BG

Licensed Wholesale Company Limited

Strategic report for the year ended 30 September 2016

The directors present their Strategic report on the group for the year ended 30 September 2016.

Principal activities

The principal activity of the group during the year was retailing and wholesaling wines, spirits and beers, and the production of own brand products.

Business review and results

The profit for the financial year amounted to £5,941,100 (2015: £6,730,672).

As at 30 September 2016 the group has net assets of £32,746,960 (2015: £26,805,860).

The directors are delighted with the results for the twelve months to September 2016 and the year end balance sheet position, generating a healthy increase in turnover reflecting continued organic growth and growth by acquisition.

Future developments

A positive start to 2016/17 with the business exceeding budgeted revenue in the first half giving the directors confidence that budget expectations for the twelve months to September 2017 will be achieved. There is, however, a significant challenge on margin and market conditions following Brexit (exchange rates).

LWC Drinks Limited is committed to further investment in people and continued growth, and has recently invested £9m in three new sites in Leyland, Northampton and Calne (Wiltshire).

Principal risks and uncertainties

The execution of business strategy combined with the day-to-day management of the business are subject to a number of business and financial risks.

Business risk

The key business risks affecting the group are typically competition from other wholesalers, liquidity of the customer base, product availability and development, employee retention and ever changing levels and types of demand.

Financial risk management

The group's operations expose it to a variety of financial risks that includes the effect of changes in credit risk, liquidity risk and the brexit impact on exchange rates. The business remains debt free and continues to generate healthy cash balances due to its constant focus on cash conversion, thus mitigating the threat of liquidity and interest risk. The business continues with its policy of ensuring appropriate credit checks are performed on all potential customers prior to contracts being signed.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the directors are implemented by the finance department of the group.

The main risks arising from the group's operations are credit risk, interest rate risk and liquidity risk.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved by overdraft and invoice discounting facilities. The business remains debt free with a healthy cash balance. Management review cash balances on a daily, weekly and monthly basis to ensure the group is able to meet all obligations with respect to financial liabilities and cash forecasts are prepared on an annual basis.

Licensed Wholesale Company Limited

Strategic report for the year ended 30 September 2016 (continued)

Interest rate risk

The group finances its operations through a mixture of retained profits, directors' and related party loans, a bank overdraft and an invoice discounting facility. The interest rate exposure of the financial assets and liabilities of the group as at 30 September 2016 is shown below. Trade debtors and creditors are included as these do not attract interest and are therefore subject to fair value interest rate risk.

The group has a rolling invoice discounting facility of £4.0m which is reviewed annually.

Fixed rate - Finance lease and hire purchase contracts

Floating rate - Cash, bank overdraft and certain finance lease and hire purchase contracts

Zero rate - Cash, trade debtors, trade creditors, directors' and related party loans

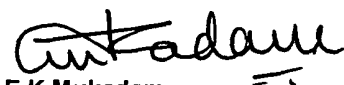
Credit risk

The group's principal financial assets are cash and trade debtors. The principal credit risk arises from its trade and other debtors. Trade debtors are managed in respect of credit and cash flow risk by policies that require appropriate credit checks on potential customers before sales are made.

Financial key performance indicators

Key Performance Indicators (KPI's) continue to be monthly management accounts, revenue and margin by Depot, strict cost control combined with the rigorous monitoring of cash, debtors and creditors.

This report was approved by the board on 28th April 2017 and signed on its behalf.



E K Mukadam
Director

Licensed Wholesale Company Limited

Directors' report for the year ended 30 September 2016

The directors' present their report and the audited consolidated financial statements for the year ended 30 September 2016.

Activities and review of the Business

These matters are described in the Strategic report on page 2 and 3.

Results and dividends

The results for the year are set out on page 8. The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signing the financial statements were E K Mukadam and R M Gray.

Employee involvement

The policy of good employee relations continued throughout the year. The group maintains a policy of regular consultation and discussion with its employees on a wide range of issues that are likely to affect their interests and ensure that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Independent auditors

PricewaterhouseCoopers LLP resigned as auditors to the company in October 2016 and Royce Peeling Green Limited were appointed by the directors to fill the vacancy arising. In accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Disclosure of information to auditor

Each of directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor's are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor are aware of that information.

Licensed Wholesale Company Limited

Directors' report for the year ended 30 September 2016 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on 28th April 2017 and signed by its order



P D Sumner
Secretary

Licensed Wholesale Company Limited

Independent auditors' report to the members of Licensed Wholesale Company Limited

We have audited the financial statements of Licensed Wholesale Company Limited for the year ended 30 September 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, the directors are responsible for the preparation of the 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its profit for the year then ended;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Licensed Wholesale Company Limited

Independent auditors' report to the members of Licensed Wholesale Company Limited (continued)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Royce Peeling Green Limited

Mr Martin Chatten (Senior Statutory Auditor)
for and on behalf of Royce Peeling Green Limited

28 April 2017
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Chartered Accountants
Statutory Auditor

The Copper Room
Deva Centre
Trinity Way
Manchester
M3 7BG

Licensed Wholesale Company Limited

Consolidated Statement of Comprehensive Income for the year ended 30 September 2016

	Note	2016 £	2015 £
Turnover	3	215,314,591	185,011,554
Cost of sales		<u>(175,489,336)</u>	<u>(150,489,726)</u>
Gross profit		39,825,255	34,521,828
Administrative expenses		<u>(29,546,091)</u>	<u>(25,782,606)</u>
Exceptional charges	4	<u>(2,060,072)</u>	-
Operating profit	5	8,219,092	8,739,222
Interest payable and similar charges	8	<u>(217,972)</u>	<u>(248,564)</u>
Profit on ordinary activities before taxation		8,001,120	8,490,658
Tax on profit on ordinary activities	9	<u>(2,060,020)</u>	<u>(1,759,986)</u>
Profit for the financial year		<u>5,941,100</u>	<u>6,730,672</u>

This statement has been prepared on the basis that all operations are continuing operations.

Licensed Wholesale Company Limited

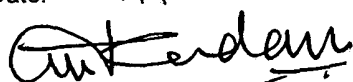
Consolidated balance sheet as at 30 September 2016

	Note	2016	2015
		£	£
Fixed assets			
Intangible assets	13	2,293,372	1,025,375
Tangible assets	11	17,339,202	14,380,703
Investments	14	1,893,797	1,890,097
		<u>21,526,371</u>	<u>17,296,175</u>
Current assets			
Stocks	17	16,264,850	14,608,319
Debtors (includes £704,589 falling due after more than one year)	18	25,882,163	20,788,891
Cash at bank and in hand		1,199,985	6,043,161
		<u>43,346,998</u>	<u>41,440,371</u>
Creditors: amounts falling due within one year	19	<u>(29,982,019)</u>	<u>(28,587,626)</u>
Net current assets		<u>13,364,979</u>	<u>12,852,745</u>
Total assets less current liabilities		<u>34,891,350</u>	<u>30,148,920</u>
Creditors: amounts falling due after more than one year	20	<u>(2,144,390)</u>	<u>(3,343,060)</u>
Net assets		<u>32,746,960</u>	<u>26,805,860</u>
Capital and reserves			
Called up share capital	22	45,334	45,334
Capital redemption reserve		21,335	21,335
Profit and loss account		32,680,291	26,739,191
Total shareholders' funds		<u>32,746,960</u>	<u>26,805,860</u>

The financial statements were approved by the board of directors and authorised for issue on 28th April 2017 and are signed on its behalf by:

E K Mukadam
Director

Date: 28/4/17



Company registered number: 02053090

Licensed Wholesale Company Limited

Company balance sheet as at 30 September 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	14	1,875,100	1,875,100
Current assets			
Debtors (includes £6,706,368 falling due after more than one year)	18	<u>6,706,368</u>	<u>6,706,368</u>
Net assets		<u>8,581,468</u>	<u>8,581,468</u>
Capital and reserves			
Called up share capital	22	45,334	45,334
Capital redemption reserve		21,335	21,335
Profit and loss account		<u>8,514,799</u>	<u>8,514,799</u>
Total shareholders' funds		<u>8,581,468</u>	<u>8,581,468</u>

The financial statements were approved by the board of directors and authorised for issue on 28th April 2017 and are signed on its behalf by:

E K Mukadam
Director

Date 28/4/17



Company registered number: 02053090

Licensed Wholesale Company Limited

Statements of Changes in Equity as at 30 September 2016

Consolidated	Share capital £	Share premium account £	Profit & loss £	Total £
At 1 October 2014	45,334	21,335	20,008,519	20,075,188
Total comprehensive income for the period	-	-	6,730,672	6,730,672
At 30 September 2015	45,334	21,335	26,739,191	26,805,860
At 1 October 2015	45,334	21,335	26,739,191	26,805,860
Total comprehensive income for the period	-	-	5,941,000	5,941,100
At 30 September 2016	45,334	21,335	32,680,291	32,746,960

Company	Share capital £	Share premium account £	Profit & loss £	Total £
At 1 October 2014	45,334	21,335	8,514,799	8,581,468
Total comprehensive income for the period	-	-	-	-
At 30 September 2015	45,334	21,335	8,514,799	8,581,468
At 1 October 2015	45,334	21,335	8,514,799	8,581,468
Total comprehensive income for the period	-	-	-	-
At 30 September 2016	45,334	21,335	8,514,799	8,581,468

The group and company reserves comprise the following:

Share premium account contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits or losses net of dividends paid.

Licensed Wholesale Company Limited

Consolidated cash flow statement for the year ended 30 September 2016

	Note	2016		2015	
		£	£	£	£
Operating activities					
Net cash inflow from operations	23	6,145,567		9,894,917	
Interest paid		(13,226)		(3,515)	
Taxation		(2,099,000)		(1,935,707)	
Net cash flow from operating activities			4,033,341		7,955,695
Investing activities					
Payments to acquire tangible fixed assets		(4,400,715)		(1,948,036)	
Payments to acquire business and assets		(181,250)		(1,108,742)	
Purchase of subsidiary		(2,200,000)		-	
Cash acquired with subsidiary		362,391		-	
Receipts from sales of tangible assets		89,575		42,108	
Finance lease interest		(207,497)		(245,049)	
Interest received		2,751		-	
Net cash flow from investing activities			(6,534,745)		(3,259,719)
Net cash flow before financing			(2,501,404)		4,695,976
Financing activities					
Non bank loan repayments		(1,737,338)		(1,718,783)	
New loans		-		-	
Finance lease repayments		(604,434)		(802,199)	
Net cash flow from financing			(2,341,772)		(2,520,982)
(Decrease)/ increase in cash in the year			(4,843,176)		2,174,994

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

Company information

Licensed Wholesale Company Limited is a company limited by shares incorporated in England and Wales. Its registered office is Unit 3, Stainburn Road, Openshaw, Manchester, M11 2DN.

1. Accounting policies

1.1. Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland', and with the Companies Act 2006.

The financial statements have been prepared on a going concern basis, under the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

These financial statements for the year ended 30 September 2016 are the group's first financial statements prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 October 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

1.2. Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3. Basis of consolidation

The financial statements consolidate the financial statements of Licensed Wholesale Company Limited and all of its subsidiary undertakings ('subsidiaries') drawn up to 30 September each year.

In accordance with section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account; its result for the year is shown in note 10.

1.4. Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably

1.5. Intangible fixed assets and amortisation

Goodwill represents the excess of the cost of acquisition of businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6. Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% straight line
Land and buildings Leasehold	over the period of the lease
Plant and machinery	20 - 25% straight line
Fixtures, fittings & equipment	14 - 33% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7. Impairment of Fixed Assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.8. Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

1. Accounting policies (continued)

1.9. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10. Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11. Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic Financial Assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other Financial Assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of Financial Assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

Derecognition of Financial Assets

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic Financial Liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from related parties, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial assets

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12. Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred Tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

1.14. Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15. Retirement Benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rental payable from operating leases, including any lease incentives are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17. Auditors Limitation of Liability

The company has entered into a liability limitation agreement with Royce Peeling Green Limited, the statutory auditor for the year ended 30 September 2016. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and has been approved by the shareholders.

2. Judgements and key sources of estimation uncertainty

In the application of the group accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation and amortisation

The depreciation and amortisation expense is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the periods in which the asset will be used. Judgments are made as to the estimated useful life of the assets; these are regularly reviewed to reflect the changing environment.

Stock provision

The provision is based on a review of old/ slow moving stock lines and the estimated realisation of that stock. The estimated realisation is based on past experience and subsequent recovery after the year end. These judgements are regularly reviewed to reflect the changing environment.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

Bad debt and customer loan provision

The bad debt and customer loan provision is based on a review of old/ slow paying customer balances/ loans and the estimated recoverability of those balances. Estimated recoverability is based on past experience and subsequent recovery after the year end. These judgements are regularly reviewed to reflect the changing environment.

Purchase rebates/overrides

Provision for purchase rebates and overrides are based on estimated amounts due based on quantities purchased during the year. The estimated recoverability is based on past experience and amounts subsequently recovered after the year end. These judgements are regularly reviewed to reflect the changing environment.

3. Turnover and other revenue

	2016 £	2015 £
Turnover		
From principal activities, entirely in the UK	215,314,591	185,011,554
Other significant income		
Interest receivable	2,751	-
Property rental income	1,044,162	1,044,162

4. Exceptional charges

	2016 £	2015 £
Exceptional charges	2,060,072	-

Exceptional charges relate to an agreement with HM Revenue & Customs to settle a liability following a disagreement over the treatment of historic remuneration payments. All amounts due have been settled during and subsequent to the year end and are fully reflected in these financial statements

5. Operating profit

The operating profit is stated after charging/ (crediting):

	2016 £	2015 £
Fees payable to the company's auditor for the audit of the company's financial statements	31,750	35,500
Amortisation – intangible fixed assets	221,484	127,958
Depreciation of tangible fixed assets:		
- owned by the group	1,354,003	851,763
- held under finance leases	256,538	691,799
Operating lease rentals:		
- plant and machinery	168,016	266,261
- other operating leases	265,081	135,083
Profit on sale of tangible assets	(52,246)	(26,988)
Cost of stocks recognised as an expense	175,489,336	150,489,726

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

6. Employees

Group staff costs, including directors' remuneration, were:

	2016	2015
	£	£
Wages and salaries	16,547,632	13,939,853
Social security costs	1,456,534	1,134,151
Other pension costs	227,103	167,289
	<u>18,231,269</u>	<u>15,241,293</u>

The average monthly number of employees, including the directors, during the year was:

	2016	2015
	No.	No.
Directors	2	2
Head Office	52	46
Depots	<u>615</u>	<u>551</u>
	<u>669</u>	<u>599</u>

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group. The annual contributions payable are charged to the profit and loss account during the year.

7. Directors' Emoluments

	2016	2015
	£	£
All Directors		
Salary, bonus and benefits in kind	<u>405,754</u>	<u>246,988</u>
Highest Paid Director		
Salary, bonus and benefits in kind	<u>400,754</u>	<u>241,988</u>
Pension contributions	<u>-</u>	<u>-</u>

No directors are accruing retirement benefits under any defined benefit schemes (2015: none).

8. Interest payable and similar charges

	2016	2015
	£	£
Net interest on financial liabilities measured at amortised cost:		
Interest receivable	(2,751)	-
On other loans	13,226	3,515
On finance leases and hire purchase contracts	<u>207,497</u>	<u>245,049</u>
	<u>217,972</u>	<u>248,564</u>

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

9. Tax on profit on ordinary activities

	2016 £	2015 £
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	2,101,275	1,883,586
Adjustments in respect of prior periods	-	(98,687)
Total current tax	2,101,275	1,784,899
Deferred tax		
Origination and reversal of timing differences	(76,226)	(98,078)
Effect of increased tax rate on opening liability	1,801	2,386
Adjustment in respect of prior periods	33,170	70,779
Total deferred tax (see note 16)	(41,255)	(24,913)
Tax on profit on ordinary activities	2,060,020	1,759,986

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit on ordinary activities before taxation	8,001,120	8,490,658
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20%)	1,600,224	1,698,132
Effects of:		
Fixed assets differences	-	-
Expenses not deductible for tax purposes	24,359	44,923
Exceptional items	456,275	-
Adjustments in respect of prior periods	-	(27,907)
Other	(20,838)	44,838
Tax charge for the year	2,060,020	1,759,986

10. Retained profit for the year

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The parent company's profit for the financial year was £nil (2015: £Nil).

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

11. Tangible fixed assets

Group	Land and buildings Freehold	Land and buildings Leasehold	Plant & machinery	Motor vehicles	Fixtures, fittings & equipment	Total
Cost	£	£	£	£	£	£
At 1 October 2015	8,613,515	3,616,174	1,504,422	5,701,865	3,851,773	23,287,749
Acquisition	-	-	205,654	-	-	205,654
Additions	1,887,706	114,971	236,612	1,523,579	637,847	4,400,715
Disposals	-	-	(23,000)	(421,810)	-	(444,810)
At 30 September 2016	10,501,221	3,731,145	1,923,688	6,803,634	4,489,620	27,449,308
Accumulated depreciation						
At 1 October 2015	24,872	723,749	1,149,842	3,716,218	3,292,365	8,907,046
Charge for the year	64,630	44,964	182,635	1,008,514	309,798	1,610,541
On disposals	-	-	(8,146)	(399,335)	-	(407,481)
At 30 September 2016	89,502	768,713	1,324,331	4,325,397	3,602,163	10,110,106
Net book value						
At 30 September 2016	10,411,719	2,962,432	599,357	2,478,237	887,457	17,339,202
At 30 September 2015	8,588,643	2,892,425	354,580	1,985,647	559,408	14,380,703

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016 £	2015 £
Property	x	x
Plant and machinery	93,886	156,472
Motor vehicles	157,748	707,574
	<u>251,634</u>	<u>864,046</u>
Depreciation charge for the year in respect of leased assets	<u>256,538</u>	<u>691,799</u>

12. Capital commitments

Amounts contracted for but not provided in the group financial statements:

	2016 £	2015 £
Land & buildings	<u>7,246,604</u>	<u>-</u>

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

13. Intangible fixed assets

	Goodwill £
Group	
Cost	
At 1 October 2015	2,230,548
Additions	1,489,481
At 30 September 2016	3,720,029
Accumulated amortisation	
At 1 October 2015	1,205,173
Charge for the year	221,484
At 30 September 2016	1,426,657
Net book value	
At 30 September 2016	2,293,372
At 30 September 2015	1,025,375

14. Investments

Group	Other £	Related undertakings £	Total £
Cost			
At 1 October 2015	14,999	1,875,098	1,890,097
Additions	3,700	-	3,700
At 30 September 2016	18,699	1,875,098	1,893,797
Net book value			
At 30 September 2016	18,699	1,875,098	1,893,797
At 30 September 2015	14,999	1,875,098	1,890,097
Company	Subsidiary undertakings £	Related undertakings £	Total £
Cost			
At 1 October 2015	2	1,875,098	1,875,100
Additions	-	-	-
At 30 September 2016	2	1,875,098	1,875,100
Net book value			
At 30 September 2016	2	1,875,098	1,875,100
At 30 September 2015	2	1,875,098	1,875,100

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

The company holds more than 20% of the members' capital in Mukadam Gray Partnership LLP but lacks significant influence over the operating and financial policies, therefore is accounted for as an investment.

Mukadam Gray Partnership LLP made a gain of £312,963 (2015: £231,800) during the year ended 30 September 2016 with an aggregate capital and reserves of £5,052,902 (2015: £4,739,939) at this date.

The directors believe that the carrying value of investments is supported by their underlying net assets.

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Business	Holding	Country of registration
LWC Drinks Limited	Ordinary	Drinks wholesale	100%	England & Wales
Licensed Wholesale Property Limited	Ordinary	Dormant	100%	England & Wales
LWC Trading Limited	Ordinary	Dormant	100%	England & Wales
Middleton Wholesale Limited ‡	Ordinary	Drinks wholesale	100%	England & Wales

‡ This investment is held by LWC Drinks Limited

15. Trade and asset purchases

On 1 June 2016 LWC Drinks Limited acquired Middleton Wholesale Limited.

	Book Value £	Fair Value £
Tangible fixed assets	209,354	209,354
Stocks	336,705	336,705
Debtors	699,871	699,871
Creditors	(892,997)	(892,997)
Provisions	(4,805)	(4,805)
Cash and cash equivalents	362,391	362,391
		<u>710,519</u>
Goodwill		1,489,481
		<u>2,200,000</u>
Total consideration		
Satisfied by:		£
Cash		<u>2,200,000</u>
Contribution by the acquired business for the reporting period since acquisition:		£
Turnover		2,591,096
Profit after tax		<u>68,513</u>

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

16. Financial Instruments

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	25,006,504	20,283,895	6,706,368	6,706,368
Equity instruments measured at cost less impairment	<u>1,893,797</u>	<u>1,890,097</u>	<u>1,875,100</u>	<u>1,875,100</u>
Carrying amount of financial liabilities				
Measured at amortised cost	<u>26,980,495</u>	<u>27,067,084</u>	<u>-</u>	<u>-</u>

17. Stocks

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Finished goods and goods for resale	<u>16,264,850</u>	<u>14,608,319</u>	<u>-</u>	<u>-</u>

18. Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Due after more than one year				
Amounts owed by group undertakings	-	-	6,706,368	6,706,368
Other debtors	704,589	1,452,974	-	-
Due within one year				
Trade debtors	20,124,352	15,770,394	-	-
Amounts owed by related parties	449,068	449,913	-	-
Corporation tax	8,448	8,448	-	-
Other debtors	3,720,047	2,602,166	-	-
Prepayments and accrued income	625,804	435,806	-	-
Deferred tax asset (see note 21)	249,855	69,190	-	-
	<u>25,882,163</u>	<u>20,788,891</u>	<u>6,706,368</u>	<u>6,706,368</u>

Amounts owed by group undertakings are unsecured and interest free and repayable on demand. Whilst the amounts owed by group undertakings are repayable on demand it has been confirmed that this repayment will not be within 12 months of the balance sheet date.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

19. Creditors: Amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	298,544	500,355	-	-
Trade creditors	16,751,722	14,634,885	-	-
Amounts owed to related parties	3,258,187	5,130,230	-	-
Directors' loans	38,575	13,651	-	-
Corporation tax	941,407	916,569	-	-
Other taxation and social security	4,291,767	3,947,033	-	-
Other creditors	978,414	1,164,719	-	-
Accruals and deferred income	3,423,433	2,280,184	-	-
	<u>29,982,019</u>	<u>28,587,626</u>	<u>-</u>	<u>-</u>

The invoice discounting account is secured by way of a fixed and floating charge over the company's property and assets. Included within cash in hand at 30 September 2016, was (£40,009) (2015: £1,628,343) in respect of the invoice discounting facility.

Amounts owed to group undertakings and related parties are unsecured, interest free and repayable on demand. Loans are provided by Dorbiere Limited, a related entity, to the customers of LWC Drinks Limited. LWC Drinks Limited maintains all risks in relation to these loan balances and as such these have been included within the company balance sheet.

20. Creditors: Amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	1,799,539	2,039,969	-	-
Amounts owed to related parties	344,753	1,303,091	-	-
Other creditors	98	-	-	-
	<u>2,144,390</u>	<u>3,343,060</u>	<u>-</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Less than one year	493,034	649,986	-	-
Between one and five years	1,166,385	1,407,000	-	-
Over five years	1,770,208	2,022,627	-	-
	<u>3,429,627</u>	<u>4,079,613</u>	<u>-</u>	<u>-</u>
Less future finance charges	<u>(1,331,544)</u>	<u>(1,539,289)</u>	<u>-</u>	<u>-</u>
	<u>2,098,083</u>	<u>2,540,324</u>	<u>-</u>	<u>-</u>

Finance lease and hire purchase contracts are secured on the assets to which they relate.

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

21. Deferred taxation

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
At beginning of year	(69,190)	(44,277)	-	-
Exceptional charge	(139,410)	-	-	-
Charge during year (P&L)	(41,255)	(95,692)	-	-
Adjustment in respect of previous periods	-	70,779	-	-
At end of year	<u>(249,855)</u>	<u>(69,190)</u>	<u>-</u>	<u>-</u>

The deferred taxation balance is made up of as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Excess of depreciation over taxation allowances	75,525	41,610	-	-
Other timing differences	174,330	27,580	-	-
	<u>249,855</u>	<u>69,190</u>	<u>-</u>	<u>-</u>

22. Called up share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
25,001 (2015: 25,001) Ordinary Class A shares of £1 each	25,001	25,001
15,000 (2015: 15,000) Ordinary Class B shares of £1 each	15,000	15,000
5,333 (2015: 5,333) Ordinary Class C shares of £1 each	5,333	5,333
	<u>45,334</u>	<u>45,334</u>

All classes of ordinary share have identical rights.

23. Net cash flow from operating activities

	2016	2015
	£	£
Operating profit	8,219,092	8,739,222
Amortisation of intangible fixed assets	221,484	127,958
Depreciation of tangible fixed assets	1,610,541	1,543,562
Profit on disposal of tangible fixed assets	(52,246)	(26,994)
Increase in stocks	(1,319,826)	(75,465)
Increase in debtors	(4,212,736)	(8,712,841)
Increase in creditors	1,679,258	8,299,475
Net cash inflow from operating activities	<u>6,145,567</u>	<u>9,984,917</u>

Licensed Wholesale Company Limited

Notes to the financial statements for the year ended 30 September 2016

24. Guarantees and contingent liabilities

The group's bank borrowing facilities are secured by way of cross-guarantee between the following related parties: Dorbiere Limited, Robinrate Limited, Dorbiere Property Limited and by a first legal charge over a number of the properties owned by these entities. The group has similarly cross guaranteed the bank borrowings of those entities.

There is a charge over credit balances by way of cash, amounting to £nil (2015: £345,000), set aside in a separate bank account.

25. Operating lease commitments

Lessee

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£	£
Group		
Within one year	443,709	415,124
Between two and five years	1,462,509	782,675
In over five years	175,000	250,890
	<u>2,081,218</u>	<u>1,448,689</u>

26. Related party transactions

The remuneration of key management personnel, who are also directors, is as follows:

	2016	2015
	£	£
Aggregate compensation	<u>405,754</u>	<u>246,988</u>

During the year, LWC Drinks Limited purchased goods and services amounting to £Nil (2015: £106,042) from Dorbiere Limited. LWC Drinks Limited also sold goods and services to Dorbiere Limited amounting to £4,631,924 (2015: £4,613,384). These companies are related through common control.

Loans are provided by Dorbiere Limited to the customers of LWC Drinks Limited. LWC Drinks Limited maintains all risks in relation to these loan balances and as such these have been included within the company balance sheet.

At 30 September 2016 LWC Drinks Limited owed Dorbiere Limited £1,218,146 (2015: £2,443,207) in respect of these loan balances disclosed under other creditors.

At 30 September 2016, LWC Drinks Limited owed £509,871 to Dorbiere Limited (2015: £376,282), £5,190 (2015: £7,293) to Dorbiere Directors Pension Benefit Scheme, £696,665 (2015: £1,076,665) to the LWC Property SSAS and £826,783 (2015: £1,226,783) to Mukadam Gray Partnership LLP.

Amounts owed to Dorbiere Limited, Dorbiere Directors Pension Benefit Scheme, LWC Property SSAS and Mukadam Gray Partnership LLP are included in amounts due to related parties due within one year.

27. Controlling party

The ultimate controlling parties continue to be John Edwards Trust, R M Gray and E K Mukadam by virtue of their shareholdings in Licensed Wholesale Company Limited.