Company registered number: 02053090

Licensed Wholesale Company Limited
Annual report and financial statements
for the year ended 30 September 2018

Licensed Wholesale Company Limited

Contents

Board of directors and advisers

Officers and professional advisors

Directors
R M Gray
E K Mukadam

Secretary
P D Sumner

Company number
02053090

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Unit 3
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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 auditor
Royce Peeling Green Limited
The Copper Room
Deva Centre
Trinity Way
Manchester
M3 7BG

Strategic report for the year ended 30 September 2018

The directors present their Strategic report on the group for the year ended 30 September 2018.

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 directors are delighted with the trading results of the last twelve months for the year ended 30 September 2018. Over this period the company has achieved aggressive sales growth with an increase in sales of £62.6m (25.3%) to £310.3m, this has come through both organic growth and acquisitions.

The business continues to be healthy generating net profit of £8.0m, approximately 2.6% of turnover with net assets of £48.9m which has increased by £8.0m on last year.

Future developments
LWC continued to achieve strong sales and margin growth for the first quarter of 2018/ 2019 with both exceeding forecast, which gives the Directors confidence that budgeted expectations will be met. The focus of the business remains heavily on managing the margins and cost base of the company, as well as putting in strategies to mitigate any potential threats from Brexit, exchange rate risk and credit risk.

LWC is committed to the future growth of the business with continues investment in both the infrastructure of the company and investment in people. LWC has acquired new premises in Eastbourne with the purchase of HT White and is operating out of a new site in Leeds. The business continues to be acquisitive in nature.

The Management constantly review the cash flow of the business on a daily, weekly and monthly basis to ensure all financial commitments and obligations are met.

Financial key performance indicators
Our key performance indicators are included in weekly analysis and monthly management accounts and include revenue and margin per depot, sales and product mix analysis, service levels, cost control and the monthly balance sheet.

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 business operates within a fast paced market with the key risks being competition, liquidity of the customer base, product availability, employee retention, exchange rate fluctuations and uncertainties around Brexit.

The directors acknowledge the uncertainty around Brexit and has put in place strategies to minimise any risk to the company.

Strategic report for the year ended 30 September 2018 (continued)

Financial risk management

The company is exposed to a number of financial risks that include the effect on Brexit, credit risk, exchange rate and liquidity. The business remains debt free (excluding related party funding) 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 current policies of ensuring that all appropriate credit check are performed on all potential new and existing customers are monitored in line with company policies.

Credit risk

The company'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.

Liquidity risk

The business remains in a strong position being largely debt free with healthy cash balances. Management review cash balances on a daily, weekly and monthly basis to ensure the company is able to meet all its financial obligations and cash flow forecasts are prepared on an annual basis.

This report was approved by the board on 29 May 2019 and signed on its behalf.

E K Mukadam
Director

Directors' report for the year ended 30 September 2018

The directors' present their report and the audited consolidated financial statements for the year ended 30 September 2018.

Statement of directors' responsibilities

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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), including financial reporting standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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.

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 R M Gray and E K Mukadam.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Directors' report for the year ended 30 September 2018 (continued)

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

Matters covered in the Strategic Report
As permitted by paragraph 1A of schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report on Page 2 to 3. These matters relate to Risks and Future Developments.

Going concern
The financial statements have been prepared on a going concern basis.

The directors have a reasonable expectation that the group and company have adequate resources to continue operation for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The directors believe that the group and company is well placed to manage its business risks successfully.

Independent auditor
The auditor, Royce Peeling Green Limited, will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

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 auditors are unaware; and
- that directors have 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 auditors are aware of that information.

This report was approved by the board on 29 May 2019 and signed by its order

Mukadam

E K Mukadam
Director

Independent auditor's report to the members of Licensed Wholesale Company Limited

Opinion
We have audited the financial statements of Licensed Wholesale Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Group and Company Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements section of our report.* We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely for the company's members, as a body, and 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 of assume responsibility to anyone other than the company and its members as a body for our audit work, for this report or the opinions we have formed.

Royce Peeling Green Limited

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

The Copper Room
Deva Centre
Trinity Way
Manchester M3 7BG

Date: 3 June 2019

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2018

	Note	2018	2017
		£	£
Turnover	3	310,301,623	247,672,039
Cost of sales		(255,884,016)	(202,745,942)
Gross profit		54,417,607	44,926,097
Administrative expenses		(43,796,164)	(34,492,459)
Operating profit	4	10,621,443	10,433,638
Interest receivable and similar income		-	-
Interest payable and similar charges	7	(280,906)	(206,517)
Profit on ordinary activities before taxation		10,340,537	10,227,121
Tax on profit on ordinary activities	8	(2,300,935)	(2,077,063)
Profit for the financial year		8,039,602	8,150,058

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

The notes on pages 14 to 29 form part of these financial statements.

Consolidated balance sheet

as at 30 September 2018

	Note		2018		2017
		£	£	£	£
Fixed assets					
Goodwill	11		7,841,460		1,991,925
Tangible assets	10		31,711,270		24,447,299
Investments	12		1,889,515		1,889,515
			41,442,245		28,328,739
Current assets					
Stocks	15	21,029,624		16,049,071	
Debtors	16	31,175,266		26,408,411	
Cash at bank and in hand		168,248		3,053,768	
		52,373,138		45,511,250	
Creditors: amounts falling due within one year	17	(42,149,767)		(29,206,435)	
Net current assets			10,223,371		16,304,815
Total assets less current liabilities			51,665,616		44,633,554
Creditors: amounts falling due after more than one year	18		(2,728,996)		(3,736,536)
Net assets			48,936,620		40,897,018
Capital and reserves					
Called up share capital	20		45,334		45,334
Capital redemption reserve			21,335		21,335
Profit and loss account			48,869,951		40,830,349
Total shareholders' funds			48,936,620		40,897,018

The financial statements were approved by the board of directors and authorised for issue on 29 May 2019 and are signed on its behalf by:

E K Mukadam
Director

Company registered number: 02053090

The notes on pages 14 to 29 form part of these financial statements.

Company balance sheet

as at 30 September 2018

	Note	2018	2017
		£	£
Fixed assets			
Investments	12	1,875,098	1,875,098
Current assets			
Debtors (includes £7,522,113 falling due after more than one year)	16	7,522,113	7,522,113
Cash at bank and in hand		113,867	113,867
Net assets		9,511,078	9,511,078
Capital and reserves			
Called up share capital	20	45,334	45,334
Capital redemption reserve		21,335	21,335
Profit and loss account		9,444,409	9,444,409
Total shareholders' funds		9,511,078	9,511,078

The financial statements were approved by the board of directors and authorised for issue on 29 May 2019 and are signed on its behalf by:

E K Mukadam
Director

Company registered number: 02053090

The notes on pages 14 to 29 form part of these financial statements.

Statements of Changes in Equity

as at 30 September 2018

Consolidated	Share capital £	Share premium account £	Profit & loss £	Total £
At 1 October 2016	45,334	21,335	32,680,291	32,746,960
Total comprehensive income for the period	-	-	8,150,058	8,150,058
At 30 September 2017	45,334	21,335	40,830,349	40,897,018
At 1 October 2017	45,334	21,335	40,830,349	40,897,018
Total comprehensive income for the period	-	-	8,039,602	8,039,602
At 30 September 2018	45,334	21,335	48,869,951	48,936,620

Company	Share capital £	Share premium account £	Profit & loss £	Total £
At 1 October 2016	45,334	21,335	8,514,799	8,581,468
Total comprehensive income for the period	-	-	929,610	929,610
At 30 September 2017	45,334	21,335	9,444,409	9,511,078
At 1 October 2017	45,334	21,335	9,444,409	9,511,078
Total comprehensive income for the period	-	-	-	-
At 30 September 2018	45,334	21,335	9,444,409	9,511,078

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.

The notes on pages 14 to 29 form part of these financial statements.

Consolidated cash flow statement

for the year ended 30 September 2018

	Note	2018 £	2018 £	2017 £	2017 £
Operating activities					
Net cash inflow from operations	21	15,429,634		11,966,936	
Taxation		(2,074,869)		(1,961,889)	
Net cash flow from operating activities			13,354,765		10,005,047
Investing activities					
Payments to acquire tangible fixed assets		(8,599,196)		(9,722,846)	
Payments to acquire business and assets		(120,000)		(75,000)	
Purchase of subsidiary		(13,548,978)		-	
Cash acquired with subsidiary		2,314,867		-	
Receipts from sales of tangible fixed assets		736,735		715,287	
Net cash flow from investing activities			(19,216,572)		(9,082,559)
Net cash flow before financing			(5,861,807)		922,408
Financing activities					
Non-bank loan repayments		(800,000)		(2,096,665)	
New loans		3,000,000		4,000,000	
Finance lease repayments		(159,111)		(765,523)	
Interest paid		(280,906)		(206,517)	
Net cash flow from financing			1,759,983		931,295
Net cash flow for the year			(4,101,824)		1,853,783
Cash and cash equivalents					
At the beginning of the year			3,053,768		1,199,985
At the end of the year	22		(1,048,056)		3,053,768

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

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.

The principal activities of the group continue to be the retailing and wholesaling of wines, spirits and beers, and the production of own brand products.

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 with the early of the FRS 102 triennial review 2017 amendment in full.

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 £.

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.

1.2. 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 ('the subsidiaries') drawn up to 30 September each year. Intercompany transactions and balances between group companies and therefore eliminated in full.

The consolidated results of the parent company and its subsidiaries have been prepared using acquisition accounting.

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.

Notes to the financial statements for the year ended 30 September 2018

1. Accounting policies (continued)

1.5. Business combinations and goodwill

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.

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

Assets held under finance leases are depreciated over the shorter of the lease term and their useful life.

Tangible assets are assessed for impairment when an indication of impairment exists at the reporting date.

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 group 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.

Notes to the financial statements for the year ended 30 September 2018

1. Accounting policies (continued)

1.8. *Investments in subsidiary and associate undertakings*

Interests in subsidiaries, associates and jointly controlled entities are initially measured at the transaction price 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 group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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 group 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 consolidated balance sheet when the group 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.

Notes to the financial statements for the year ended 30 September 2018

1. Accounting policies (continued)

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.

Derecognition of Financial Assets

Financial assets are derecognised 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 group 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 statement of comprehensive income 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Notes to the financial statements for the year ended 30 September 2018

1. Accounting policies (continued)

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 charges 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.

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

The group operates defined contribution pension schemes, the assets of which are held separately from these of the group in independently administered funds.

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 2018. 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.

Notes to the financial statements for the year ended 30 September 2018

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.

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/overiders
Provision for purchase rebates and overiders 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. Revenue

	2018	2017
	£	£
Turnover		
From principal activities, entirely in the UK	310,301,623	247,672,039
Sale of Goods	310,301,623	247,672,039

Notes to the financial statements for the year ended 30 September 2018

4. Operating profit

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

	2018	2017
	£	£
Fees payable to the group's auditor for the audit of the group's financial statements	32,000	32,358
Amortisation – intangible fixed assets	861,705	301,447
Depreciation of tangible fixed assets:		
- owned by the group	2,475,645	1,739,331
- held under finance leases	66,537	136,152
Operating lease rentals:	331,430	398,058
(Profit)/loss on sale of tangible assets	(291,022)	23,979
Cost of stocks recognised as an expense	255,884,016	202,745,942

5. Employees

Group staff costs, including directors' remuneration, were:	2018	2017
	£	£
Wages and salaries	24,966,822	19,241,109
Social security costs	2,384,306	1,741,178
Other pension costs	322,953	422,043
	27,674,081	21,404,330

The average monthly number of employees, including the directors, during the year was:	2018	2017
	No.	No.
Directors	2	2
Head Office	66	60
Depots	812	662
	880	724

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 charged to the profit and loss account during the year was £322,953 (2017: £422,043). As at the reporting date, amounts payable of £2,173 (2017: £9,101) had not been paid over to the scheme.

6. Directors' Emoluments

	2018	2017
All Directors	£	£
Remuneration	274,706	269,368
Highest Paid Director		
Remuneration	274,706	264,368
Pension scheme contributions	-	-

No directors are accruing retirement benefits under any defined benefit schemes (2017: none).

Notes to the financial statements for the year ended 30 September 2018

7. Interest payable and similar charges

	2018	2017
	£	£
Net interest on financial liabilities measured at amortised cost:		
On other loans	160,319	44,292
On finance leases and hire purchase contracts	120,587	162,225
	280,906	206,517

8. Tax on profit on ordinary activities

	2018	2017
	£	£
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	2,235,108	2,174,995
Adjustments in respect of prior periods	16,258	(6,743)
Total current tax	2,251,366	2,168,252
Deferred tax		
Origination and reversal of timing differences	58,862	(84,785)
Effect of increased tax rate on opening liability	8,448	(6,404)
Adjustment in respect of prior periods	(17,741)	-
Total deferred tax (see note 16)	49,569	(91,189)
Total tax expense included in profit or loss	2,300,935	2,077,063

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:

	2018	2017
	£	£
Profit on ordinary activities before taxation	10,340,537	10,227,121
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 – 19.5%)	1,964,702	1,994,289
Effects of:		
Fixed assets differences	29,781	-
Amortisation of goodwill	163,724	-
Expenses not deductible for tax purposes	19,499	59,482
Utilisation of tax losses	(18,996)	-
Adjustments in respect of prior periods	(1,483)	(6,743)
Other	143,708	30,035
Tax charge for the year	2,300,935	2,077,063

9. 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 (2017: £929,610).

Notes to the financial statements for the year ended 30 September 2018

10. Tangible fixed assets

Group	Land and buildings Freehold £	Land and buildings Leasehold £	Plant & machinery £	Motor vehicles £	Fixtures, fittings & equipment £	Total £
Cost						
At 1 October 2017	17,641,448	2,916,895	2,179,710	7,520,654	4,968,128	35,226,835
Acquisition	1,230,416	-	133,348	199,840	54,754	1,618,358
Additions	2,852,686	798,071	260,586	2,741,636	1,980,528	8,633,507
Disposals	(422,450)	-	(38,689)	(822,801)	-	(1,283,940)
At 30 September 2018	21,302,100	3,714,966	2,534,955	9,639,329	7,003,410	44,194,760
Depreciation						
At 1 October 2017	170,793	561,090	1,581,023	4,522,932	3,943,698	10,779,536
Charge for the year	136,922	75,946	315,139	1,478,390	535,785	2,542,182
On disposals	(7,604)	-	(38,689)	(791,934)	-	(838,227)
At 30 September 2018	300,111	637,036	1,857,473	5,209,388	4,479,483	12,483,490
Net book value						
At 30 September 2018	21,001,990	3,077,930	677,482	4,429,941	2,523,927	31,711,270
At 30 September 2017	17,470,655	2,355,805	598,687	2,997,722	1,024,430	24,447,299

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

	2018 £	2017 £
Plant and machinery	-	31,293
Motor vehicles	36,567	78,434
	36,567	109,727
Depreciation charge for the year in respect of leased assets	66,537	136,152

11. Goodwill

Group	Goodwill £
Cost	
At 1 October 2017	3,720,029
Acquisiton	6,591,240
Additions	120,000
At 30 September 2018	10,431,269
Accumulated amortisation	
At 1 October 2017	1,728,104
Charge for the year	861,705
At 30 September 2018	2,589,809
Net book value	
At 30 September 2018	7,841,460
At 30 September 2017	1,991,925

12. Investments

Group	Other £	Related Undertakings £	Total £
Cost			
At 1 October 2017	14,417	1,875,098	1,889,515
Disposals	-	-	-
At 30 September 2018	14,417	1,875,098	1,889,515
Net book value			
At 30 September 2018	14,417	1,875,098	1,889,515
At 30 September 2017	14,417	1,875,098	1,889,515

Company	Subsidiary undertakings £	Related Undertakings £	Total £
Cost			
At 1 October 2017	-	1,875,098	1,875,098
Disposals	-	-	-
At 30 September 2018	-	1,875,098	1,875,098
Net book value			
At 30 September 2018	-	1,875,098	1,875,098
At 30 September 2017	-	1,875,098	1,875,098

Notes to the financial statements for the year ended 30 September 2018

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 £230,928 (2017: £578,120) during the period ended 5 April 2018 with an aggregate capital and reserves of £5,641,188 (2017: £5,631,021) 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	Principal Activity	Holding	Country of Incorporation
LWC Drinks Limited	Ordinary	Drinks wholesale	100%	England & Wales
Middleton Wholesale Limited ‡	Ordinary	Drinks wholesale	100%	England & Wales
HT White & Company Limited ‡	Ordinary	Drinks wholesale	100%	England & Wales
Wines in Cornwall Limited	Ordinary	Dormant	100%	England & Wales
Burdett Wines Limited	Ordinary	Dormant	100%	England & Wales

‡ This investment is held by LWC Drinks Limited

13. Acquisition

On 23 October 2017, LWC Drinks Limited acquired 100% of issued share capital of HT White & Company Limited.

	Book Value	Fair Value
	£	£
Tangible fixed assets	1,652,669	1,652,669
Stocks	3,422,877	3,422,877
Debtors	2,699,664	2,699,664
Creditors	(3,132,339)	(3,132,339)
Provisions	-	-
Cash and cash equivalents	2,314,867	2,314,867
		6,957,738
Goodwill		6,591,240
Total consideration		13,548,978

	£
Satisfied by:	
Cash	13,548,978

	£
Contribution by the acquired business for the reporting period since acquisition:	
Turnover	30,137,315
Profit before tax	1,175,762

Notes to the financial statements for the year ended 30 September 2018

14. Financial Instruments

	Group		Company	
	2018	2017	2018	2017
Carrying amount of financial assets	£	£	£	£
Debt instruments measured at amortised cost	30,428,937	25,603,895	7,522,113	7,522,113
Equity instruments measured at cost less impairment	14,420	14,420	-	-
Carrying amount of financial liabilities				
Measured at amortised cost	35,896,437	33,959,520	-	-

15. Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Finished goods and goods for resale	21,029,624	16,049,071	-	-

16. Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Due after more than one year				
Amounts owed by group undertakings	-	-	7,522,113	7,522,113
Other debtors	98	-	-	-
Due within one year				
Trade debtors	27,190,375	21,899,074	-	-
Amounts owed by related parties	3,375	3,375	-	-
Corporation tax	-	-	-	-
Other debtors	3,070,314	3,680,394	-	-
Prepayments and accrued income	759,039	623,934	-	-
Deferred tax asset (see note 21)	152,065	201,634	-	-
	31,175,266	26,408,411	7,522,113	7,522,113

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.

Notes to the financial statements for the year ended 30 September 2018

17. Creditors: Amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank loans and overdrafts	1,216,305	-	-	-
Net obligations under finance leases and hire purchase contracts	286,115	237,686	-	-
Trade creditors	23,479,833	16,176,207	-	-
Amounts owed to related parties	4,431,114	1,432,576	-	-
Directors' loans	419,075	24,514	-	-
Corporation tax	1,158,731	982,234	-	-
Other taxation and social security	6,607,290	6,253,682	-	-
Other creditors	1,152,211	1,351,444	-	-
Accruals and deferred income	3,399,093	2,748,092	-	-
	42,149,767	29,206,435	-	-

The invoice discounting facility is secured by way of a fixed and floating charge over the group's property and assets. Included within bank loans and overdrafts at 30 September 2018, was £290,974 (2017: £2,028,248 (cash at bank and in hand)) 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.

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	887,334	1,094,874	-	-
Amounts owed to related parties	1,841,662	2,641,662	-	-
	2,728,996	3,736,536	-	-

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Less than one year	289,138	361,953	-	-
Between one and five years	678,480	721,095	-	-
Over five years	848,100	1,017,720	-	-
	1,815,718	2,100,768	-	-
Less future finance charges	(642,269)	(768,208)	-	-
	1,173,449	1,332,560	-	-

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

Notes to the financial statements for the year ended 30 September 2018

19. Deferred taxation

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
At beginning of year	(201,634)	(249,855)	-	-
Exceptional charge	-	139,410	-	-
Charge during year (P&L)	49,569	(91,189)	-	-
Adjustment in respect of previous periods	-	-	-	-
At end of year	(152,065)	(201,634)	-	-

The deferred taxation balance is made up of as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Excess of depreciation over taxation allowances	146,643	166,714	-	-
Other timing differences	5,422	34,920	-	-
	152,065	201,634	-	-

20. Called up share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
35,001 (2017: 35,001) Ordinary Class A shares of £1 each	35,001	35,001
5,000 (2017: 5,000) Ordinary Class B shares of £1 each	5,000	5,000
5,333 (2016: 5,333) Ordinary Class C shares of £1 each	5,333	5,333
	45,334	45,334

All classes of ordinary share have identical rights.

21. Net cash flow from operating activities

	2018	2017
	£	£
Operating profit	10,621,443	10,433,638
Amortisation of intangible fixed assets	861,705	301,448
Depreciation of tangible fixed assets	2,542,182	1,875,483
(Profit)/ loss on disposal of tangible fixed assets	(291,022)	23,979
(Increase)/ decrease in stocks	(1,557,676)	215,779
(Increase) in debtors	(2,116,760)	(1,293,629)
Increase in creditors	5,369,762	410,238
Net cash inflow from operating activities	15,429,634	11,966,936

Notes to the financial statements for the year ended 30 September 2018

22. Analysis of changes in net debt

	At 30 September 2017	Cash Flow	Other non-cash changes	At 30 September 2018
	£	£	£	£
Cash at bank and in hand	3,053,768	(2,885,520)	-	168,248
Bank loan and overdrafts	-	(1,216,305)	-	(1,216,305)
Cash and cash equivalents	3,053,768	(4,101,824)	-	(1,048,056)
Debt:				
Finance leases	(1,332,560)	159,111		(1,173,449)
Debt due within one year	-	(3,000,000)	-	(3,000,000)
Debt falling due after more than one year	(3,400,000)	800,000	-	(2,600,000)
Net debt	(1,678,792)	(6,142,713)	-	(7,821,505)

23. 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. The amount outstanding under these facilities at 30 September 2018 was £203,913 (2017: £205,700).

24. 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:

	2018	2017
Group	£	£
Within one year	487,260	435,410
Between two and five years	1,315,597	1,102,100
In over five years	1,768,333	100,000
	3,571,190	1,637,510

Notes to the financial statements for the year ended 30 September 2018

25. Related party transaction

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

	2018	2017
	£	£
Aggregate compensation	274,706	269,368

During the year, LWC Drinks Limited borrowed £3,000,000 (2017: £nil) from Dorbiere Limited. LWC Drinks Limited also sold goods and services to Dorbiere Limited amounting to £4,655,025 (2017: £4,776,772). 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 2018 LWC Drinks Limited owed Dorbiere Limited £3,679,741 (2017: £424,944) in respect of these loan balances disclosed under other creditors.

At 30 September 2018, LWC Drinks Limited owed £34,999 (2017: £36,263) to Dorbiere Directors Pension Benefit Scheme and £27,668 (2017: £27,783) to Mukadam Gray Partnership LLP. LWC Drinks Limited also owed £2,600,000 (2017: £3,400,000) to the Dorbiere Directors Pension Benefit Scheme in respect of a commercial loan. This loan is repayable over a period of 4 years at an interest rate of base plus 1%.

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.

26. Adoption of the FRS 102 Triennial Review 2017

The policies applied under the entity's previous accounting framework (FRS 102) are not materially different to FRS 102 Triennial Review 2017 and have not impacted on equity or profit or loss.

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.