

HALEWOOD ARTISANAL SPIRITS PLC

**Annual Report and Financial Statements
For the 52 week period ended 26 June 2021**

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HALEWOOD ARTISANAL SPIRITS PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

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HALEWOOD ARTISANAL SPIRITS PLC
COMPANY INFORMATION

DIRECTORS	Mrs J M Halewood Mr I A Douglas Mr S A Hainsworth Mr A W Robinson Mr J A Bradbury Mr T S Keevil (appointed 5 October 2021)
COMPANY SECRETARY	Mr A W Robinson
REGISTERED OFFICE	1 st Floor 159-165 Great Portland Street London England W1W 5PA
COMPANY REGISTRATION	03699814
BANKERS	National Westminster Bank plc 22 Castle Street Liverpool L2 0UP Investec Bank PLC 30 Gresham Street London EC2V 7QP
AUDITOR	Deloitte LLP Statutory Auditor The Hanover Building Corporation Street Manchester M4 4AH

HALEWOOD ARTISANAL SPIRITS PLC STRATEGIC REPORT

BUSINESS REVIEW

Halewood Artisanal Spirits PLC (Halewood or The Group, as the context requires) revenues declined by 1% driven by declines in UK from sale and delisting of low margin brands, disruption from COVID-19, exiting of contract bottling at H&A Prestige Bottling Limited (H&A) offset by growth in South Africa. This resulted in a reduction of Adjusted EBITDA of 18% in the financial period.

The Group reacted to COVID-19 by stopping investment in international expansion and reducing capital projects and embarked upon a restructuring strategy to remove low margin brands. Sales of the core brands remained resilient, with significant growth in Russian vodka and spiced rum. Halewood focused on driving down costs and investing in online distribution. On Trade and Global Travel Retail channels were badly affected although recently the trading environment has improved. During 2021, the Group consolidated bottling at the Chorley site, whilst facilitating a closure of the Huyton bottling facility in October 2020. The Huyton site was sold in March 2021.

Whitley Neill Gin remains the UK's number one premium gin and dominates the flavoured gin category. In the UK, Halewood has delisted lines particularly in the low margin carbonated 'Ready to Drink' category with increasing focus on artisanal spirits driving a 5% growth in Gross Profit. Halewood successfully sold over 20 heritage brands with the notable sale of Lambrini, Eisberg and El Dorado. International expansion in South Africa, Russia, China and Australia remains on track, whilst investment in North America has been scaled back.

During the year H&A has exited contract packing and the site has become a production site for Halewood.

South Africa, despite a prolonged shutdown due to government restrictions for COVID-19, has performed strongly. The portfolio in South Africa targets the market with well-priced products and has seen growth in these products particularly Belgravia Gin.

A key objective for the Group is to generate growth in earnings before interest, taxation, depreciation, amortisation and other one-off costs (adjusted EBITDA) period on period. The following table summarises turnover and adjusted EBITDA for each of the last 2 periods:

	2021 £'000	2020 £'000
Turnover	396,790	401,524
Operating profit	20,303	5,535
Depreciation	6,615	6,846
Amortisation	1,707	2,131
Sales of asset and brand	(25,361)	-
Legal Costs	2,483	
Restructuring and COVID-19 related costs	11,932	7,159
Adjusted EBITDA	17,678	21,671

Key performance indicators

The directors consider the key performance indicators of the Group to be Gross Margin and operating cash flows which are documented on pages 14 to 20, plus adjusted EBITDA documented above. The Gross Margin and cash flow targets were met for the period, but the adjusted EBITDA was not met due to the factors noted above. Future targets are based on delivering a reduced cost base and continued growth of core brands.

The Group monitors closely cash flow from operating activities. During the period, the cash outflow from operating activities amounted to £1,499k (2020: inflow £12,162k) as the business paid back the deferred excise tax liability from the period March 2020 to June 2020 as part of the COVID-19 package of support from the UK government. Proceeds from the sale of the Huyton site the Group repaid its term loan to Investec.

HALEWOOD ARTISANAL SPIRITS PLC

STRATEGIC REPORT

FUTURE OUTLOOK

The Group is focused on cash generation and has benefitted from a rapid restructuring programme, working capital rationalisation and continues to identify disposal opportunities of non-core assets.

With a category management approach to artisanal spirits with products at multiple price points combined with operating in core geographical growth markets (UK, Australia, China, South Africa, and Russia), the Group expects to mitigate risk from competition, changes in consumers' tastes, COVID-19 and the impact of global disruptions to the supply chain. The COVID-19 pandemic will continue to disrupt our business for the next 12 months. Our strategy to meet this challenge is to continue to rationalise our brand portfolio to remove low margin brands, 3rd party contracts and small business units that are either working capital intensive and/or low margin which exposes them to a higher susceptibility of an inflationary environment due to a lack of pricing power. In addition, we are incentivising our customers to trade under bond and operate with shorter credit terms, in return for zero or lower price increases resulting in improved working capital and lower bank borrowing. We are reducing our raw material stocks and finished goods whilst disposing of any long-term whisky stocks that are no longer required. Our purchasing and production strategy is to continue to source lower cost raw materials and products from emerging markets where Halewood has subsidiaries, to mitigate inflationary pressures in mature markets. In the UK, we continue to monitor changes in consumer behaviour and buying patterns and have tailored our trade marketing programmes in the Grocers to gain additional promotional shelf space whilst investing in our own on-line business.

SECTION 172 (1) STATEMENT

This Statement contains an overview of how the directors have performed their duty to promote the success of Halewood as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

DECISION MAKING

Halewood's Operational Framework sets out the principles of good governance to which the Group is required to adhere, together with its corporate values, policies and processes.

The Group produces a long-term strategic plan, a detailed financial forecast for the current year and a rolling 12 month forward financial view. The directors of each respective Group company contribute towards this process, and are also responsible, in conjunction with the Company's directors, for identifying and managing principal and emerging risks in such businesses. In so doing the directors have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the short term and the long-term reputation of the Company and its businesses.

EMPLOYEES

Employee engagement is a primary focus for the directors of the Company – connecting employees to the Group's strategy and purpose, empowering them to contribute to improving business performance and creating an environment in which everyone can fulfil their potential. The Group keeps employees informed about what is happening through the Halewood intranet, email, and leadership blogs and briefings.

FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the Group's success. The Group has close relationships with its customers, suppliers and industry partners, which help us to create best-in-class products.

HALEWOOD ARTISANAL SPIRITS PLC STRATEGIC REPORT

The Group's supplier relationships are often long-term and the directors meet with key suppliers and work with the Group's procurement function to develop deeper relationships with businesses in the supply chain and develop strategic relationships with key suppliers.

THE COMMUNITY AND THE ENVIRONMENT

The directors recognise the importance of leading a Group that not only generates value for shareholders but also contributes to wider society. The Group looks to ensure that we build and nurture mutually beneficial relationships between our business, our people and local stakeholders. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to our Group and our employees, allowing us to make a positive difference and have an impact where it counts.

The Group is committed to reducing the environmental impact of our operations and products, minimising our environmental footprint and, in turn, decreasing our operational costs. Some of the Group's initiatives are described in the energy efficiency initiatives summary on page 7 below.

MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Group aims to be a leader in business conduct, which helps us to earn and maintain stakeholder trust and sustain business success. The directors consider it fundamental to maintain a culture focused on embedding responsible business behaviours. All employees of the Group are expected to act in accordance with the requirements of the Group's policies and values at all times. As well as being the right thing to do, this reduces the risk of compliance failure and supports us in attracting and retaining high-calibre employees.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to competition from other operators, COVID-19 and post-Brexit disruption.

COVID-19 risk

The market continues to be affected in many of our operating countries by the ongoing impact of COVID-19. We have more recently in the UK seen an increase of On Trade activity, as the restrictions were eased and some decline in sales through Grocers that increased during the lockdown period. These impacts have broadly balanced for the main UK business, and we expect that to continue to be the case going forward. The Group has reopened its bars that had been closed during the lockdown periods. The South African Government has introduced lockdowns, the last of which ended on 25th July 2021. The South African business has reacted by continuing to develop products that are attractive to customers and consumers and have led to growth once the lockdown period ended and managed down its cost base.

Post Brexit risk

The Group has managed the impact of the post Brexit disruption to trading and supply chain as the UK adjusts to its new trading relationship with the European Union (EU) by increased stock holdings of core materials sourced from the EU and diversified its supply base to reduce reliance, where possible, upon EU based supplies. International customers are placing orders earlier to ensure product arrives in time.

Competitor risk

Competitor risk manifests itself in the form of competing brands in the same category, all competing for the consumers spend. The Group ensures that there is a constant pipeline of new products to bring to market and that it is investing in current brands to seek to mitigate this risk.

Consumer buying patterns risk

Consumer buying patterns risk occurs as over time consumers switch from one alcoholic beverage category to another, or one channel to another or one price point to another. The Group mitigates this risk by making sure that its brands have strong provenance, it has brands across multiple categories, price points and availability across channels.

HALEWOOD ARTISANAL SPIRITS PLC

STRATEGIC REPORT

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, and it has implemented policies that require appropriate credit checks on potential customers before services are provided and credit insurance put in place where appropriate.

Taxation risk

As a producer and distributor of alcoholic beverages the Group is exposed to the taxation risk associated with these products. In order to mitigate the risk, the Group maintains a portfolio of products within different alcohol duty classifications. In addition, the Group is represented on various trade bodies.

Interest rate risk

The Group has interest bearing liabilities, which are linked to LIBOR, and does not consider itself to be exposed to any significant interest cash flow risk, given interest coverage from earnings. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Currency risk

As the Group sells and operates in multiple markets around the globe it is exposed to movements in key currencies, in particular: the Euro, Australian dollar, Russian Rouble, US Dollar and South African Rand. This risk is managed at a Group level, with forward review of cash flows and forward contracts taken out to manage the risk as appropriate. There are no current forward foreign exchange contracts – details for Group in note 28.

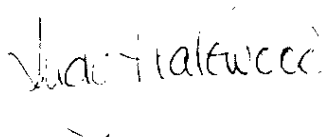
Liquidity risk

The Group ensures availability of funding through an appropriate amount of committed facilities that are designed to ensure the Group has sufficient available funds for operations.

Cyber Security risk

The Group takes cyber threats very seriously, employing industry leading desktop and server security features to ensure the safety of the corporate data; we use a cloud based artificial intelligence based solution to protect on threats from emails, and we partner with the world's best ecommerce platforms to provide a secure and robust online trading environment for its consumer base.

Approved by the Board on 31 January 2022 and signed on its behalf by:



J M Halewood

Director

HALEWOOD ARTISANAL SPIRITS PLC

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the company and the Group for the 52 weeks ended 26 June 2021. Future developments and principal risks and uncertainties are included in the Strategic Report in accordance with the Companies Act section s414c (11).

PRINCIPAL ACTIVITIES

The principal activities of the Group are the development, manufacture and distribution of spirits, beers and speciality drinks. As a company, Halewood is primarily an investment holding company.

RESULTS AND DIVIDENDS

The Group profit for the period is disclosed on page 13. The Group declared and paid a £2m dividend in the period (2020: £Nil).

DIRECTORS

The directors of the Company who served throughout the period and thereafter, unless otherwise stated, are set out on page 1.

GOING CONCERN

The business is continuing its rationalisation programme in both brands and operations. During the year, Halewood consolidated two UK operating sites into one main site, which will reduce our future operating costs and headcount. In addition, the proceeds of the sale of the Huyton site were used to repay bank borrowing by £12.5m in long term loans. Halewood sold three low margin non artisanal spirits brands that will result in further reductions in headcount, warehousing and logistics costs. A small cash outflow of £464k was the result of all these transactions, as Halewood fully repaid all COVID-19 tax arrears, redundancy costs and a £2m dividend to shareholders.

By December 2021, Halewood completed the closure of the low margin 3rd party contract business resulting in improved working capital, productivity and Net Margin per unit. The strategy to focus on brands from Halewood distilleries has generated additional funds of £4.5m from the sale of non-core long term whisky stocks.

The Group meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and loans secured over mixed assets, (refer to note 19). The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group and Company expect to be able to operate within the level of funding available.

The Group has been monitoring, assessing and reacting to the issues that COVID-19 has created for the employees, business operations, including the supply chain and financial performance. The Group continues to see shifts in purchasing patterns between channels and restrictions to sales in export markets. In response, the Group has reduced its cost base, focused on core brands to drive the maximum Net Margin and reduced working capital requirements, whilst curtailing non-essential capital expenditure projects.

While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company and the Group continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. Having undertaken these assessments up until June 2023, the forecasted future operational performance and modelled sensitivities for shifts of buying patterns, potential declines in UK premium gin, offset by current international growth showed that the Group is expected to operate within current banking facilities. The directors therefore consider that the company and the Group will be able to continue in operational existence and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the Group made charitable donations of £17K (2020: £30K). No political contributions were made by the company or its subsidiaries (2020: £Nil).

EMPLOYEES

During the period, the Group continued to provide employees with relevant information through line managers and the opportunity to attend regular employee business forum meetings held throughout the period. Priority

HALEWOOD ARTISANAL SPIRITS PLC

DIRECTORS' REPORT

is given to ensuring that employees are aware of all significant matters affecting the Group's trading position and of any significant organisational changes.

It is the policy of the Group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group, as well as generally through training and career development.

STREAMLINED ENERGY AND CARBON REPORTING

SUMMARY

The greenhouse gas emissions for Halewood Artisanal Spirits PLC, reportable under SECR for the 52-week period ended 26 June 2021 were 1,999 (2020: 3,322) tonnes CO₂e. This figure includes all material Scope 1 and 2 emissions, plus Scope 3 emissions for employees own vehicles used for business, as required to be disclosed by the legislation.

The significant reduction that the Group has achieved has arisen from the sale and delisting of low margin products during the year and resulted in the sale of the Huyton production site and consolidation of production into the Chorley site.

In accordance with the legislation an intensity ratio has been calculated, which expresses the business' annual emissions in relation to a quantifiable factor or normaliser. The intensity ratio calculated for Halewood is 8.01 (2020:11.6) tonnes CO₂e per £M turnover; this ratio enables the impact of changes in the estate to be reflected in the reporting.

GREENHOUSE GAS EMISSIONS

Emissions source	2020/21	% Share	2019/20	% Share	% Change
Fuel combustion: Natural gas	405	20%	913	27%	-55.7%
Fuel combustion: Transport	307	15%	306	9%	0.3%
Consumed electricity	1,288	65%	2,103	63%	-38.8%
Total emissions (tCO₂e)	1,999	100%	3,322	100%	-39.8%
Tonnes of CO ₂ e per £m revenue	8.01		11.6		-31.2%

It is a standard protocol to define greenhouse gas emissions by scope. The scope items included in the calculation of the carbon footprint for Halewood are listed by scope item:

- Scope 1: direct emissions arising from activities on site - combustion of fuels to heat buildings and the use of fuel in company owned vehicles.
- Scope 2: indirect energy emissions - purchased electricity.
- Scope 3: indirect emissions - Losses from electricity distribution and transmission, private vehicles used for business travel.

The split of emissions by scope is shown in the table below:

Emissions source	2020/21	% Share	2019/20	% Share	% Change
Scope 1	710	35.5%	1,210	37%	-41.3%
Scope 2	1,183	59.2%	1,936	58%	-38.9%
Scope 3	106	5.3%	176	5%	-39.8%
Total emissions (tCO₂e)*	1,999	100%	3,322	100%	-39.8%

*Greenhouse gas emissions by scope (tonnes CO₂e).

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DIRECTORS' REPORT
ENERGY CONSUMPTION

Emissions source	2020/21	% Share	2019/20	% Share	% change
Natural gas for heating	2,211,636	24.3%	4,967,954	34%	-55.5%
Electricity	5,571,177	61.2%	8,304,122	56.9%	-32.9%
Transport fuel	1,324,701	14.5%	1,329,228	9.1%	-0.3%
Total*	9,107,514	100%	14,636,785	100%	-37.6%

*Energy consumption by year (kWh).

BOUNDARY, METHODOLOGY AND EXCLUSIONS

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary. This approach captures emissions associated with the operation of buildings within the scope of the regulation, plus transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies. This report also includes emissions from stationary plant under Scope 1, and transmission and distribution losses of electricity under Scope 3, which are both voluntary reportable emissions. The inclusion of emissions associated with transmission and distribution losses with the emissions from consumed electricity is considered best practice.

Emissions have been calculated using the 2021 conversion factors provided by Department of Business, Energy & Industrial Strategy. The reporting period is the 52-week period ended June 2021, as per the financial accounts.

ENERGY EFFICIENCY INITIATIVES

We aim to continually improve our energy efficiency and reduce our impact on the environment, and to behave and operate as a responsible, sustainable business. During the year, the following initiatives have been completed:

- Lighting upgrade to LED technology across our portfolio;
- Continuing investment in our electric vehicle fleet, accounting for 85% of our entire fleet;
- Proposals to install Solar PV panels at three separate locations; and
- New Fermentation Membrane Technology developed and introduced saving process time and electricity usage, along with replacing the need to use activated carbon for filtration.

POST BALANCE SHEET EVENTS

On 10 November 2021, 8,120 C shares were bought back and cancelled by the company. In addition, 16,240 C shares were converted into 5,500 A shares and 10,740 deferred shares.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

HALEWOOD ARTISANAL SPIRITS PLC

DIRECTORS' REPORT

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the date of approval of this annual report confirms that:

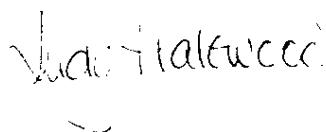
- so far as the director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006

APPROVAL

The Directors' Report was approved by the Board on 31 January 2022 and signed on its behalf by:



J M Halewood

Director

HALEWOOD ARTISANAL SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS PLC

Independent auditor's report to the members of Halewood Artisanal Spirits PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Halewood Artisanal Spirits PLC (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 26 June 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 34.

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).

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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

HALEWOOD ARTISANAL SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS PLC

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

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, 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and

HALEWOOD ARTISANAL SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS PLC

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- revenue recognition – valuation of rebates payable. The Company have rebate agreements with their customers for promotional spend and discounts. There is a risk that the accruals recognised by the Company are valued inappropriately. In response to the risk, we test a sample of the rebates recognised in the year through to supporting documentation, such as signed pricing agreements and customer claim forms. We also review the historical accuracy of the rebate provisioning by the Company by looking at the release of prior year provisions during the current year.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

HALEWOOD ARTISANAL SPIRITS PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD ARTISANAL SPIRITS
PLC

We have nothing to report in respect of these matters.

Use of our report

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.

A handwritten signature in black ink that reads "Rachel Argyle". The signature is written in a cursive, flowing style.

Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom

31 January 2022

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the 52 week period ended 26 June 2021

		Total 52 weeks ended 26 June 2021 £'000	Total 52 weeks ended 27 June 2020 £'000
Turnover	4	396,790	401,524
Cost of sales		(304,090)	(307,139)
Gross profit		92,700	94,385
Distribution costs		(9,232)	(7,238)
Selling and marketing costs		(28,306)	(29,638)
Administrative expenses		(57,185)	(45,385)
Sale of fixed assets		2,572	-
Sale of brands		4,235	-
Sale of subsidiaries		17,640	-
Restructuring related costs		(3,043)	(7,159)
Other operating income	7	922	570
Operating profit		20,303	5,535
Interest receivable and similar income	5	906	33
Interest payable and similar charges	6	(2,515)	(4,001)
Fair value of financial instruments	28	-	(122)
Share of joint venture profit/(loss)		197	(140)
Profit before taxation		18,891	1,305
Tax on profit	10	(2,978)	(2,267)
Profit/(loss) for the financial period		15,913	(963)
Profit/(loss) for the period attributable to:			
Non-controlling interest	24	(57)	(49)
Equity shareholders of the company		15,970	(914)
		15,913	(963)

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the 52 weeks ended 26 June 2021

	Note	Total 52 weeks ended 26 June 2021 £'000	Total 52 weeks ended 27 June 2020 £'000
Profit/(loss) for the period		15,913	(963)
Foreign exchange movement		(465)	(1,323)
Total comprehensive income/(expense) for the period		<u>15,448</u>	<u>(2,286)</u>
Total comprehensive income/(expense) for the period attributable to:			
Non-controlling interest	24	(76)	(49)
Equity shareholder of the company		<u>15,524</u>	<u>(2,237)</u>
		<u>15,448</u>	<u>(2,286)</u>

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED BALANCE SHEET As at 26 June 2021

	Note	26 June 2021 £'000	27 June 2020 £'000 (*restated)
Fixed assets			
Brands and intellectual property rights	11	2,597	2,855
Goodwill	11	6,934	8,028
		<u>9,531</u>	<u>10,883</u>
Intangible assets			
Tangible assets	12	73,195	77,081
Investments	13	1,037	73
Share of Joint Venture and Associates' net assets	13	3,813	3,849
		<u>78,045</u>	<u>81,003</u>
Current assets			
Stocks	15	59,195	52,439
Debtors	16	99,188	107,213
Cash at bank and in hand		3,030	2,706
		<u>161,413</u>	<u>162,358</u>
Creditors: amounts falling due within one year*	17	(138,382)	(145,759)
Net current assets		<u>23,031</u>	<u>16,599</u>
Total assets less current liabilities		110,607	108,485
Creditors: amounts falling due after more than one year*	18	(28,782)	(40,392)
Provision for liabilities	22	(2,071)	(1,857)
Net assets		<u>79,754</u>	<u>66,236</u>
Capital and reserves			
Called up share capital	23	129	146
Capital redemption reserve		5	5
Profit and loss account		79,123	65,526
Shareholders' funds		<u>79,257</u>	<u>65,677</u>
Non-controlling interests	24	497	559
Total capital employed		<u>79,754</u>	<u>66,236</u>

* The prior period balance has been reclassified from "Creditors: amounts falling due within one year" to "Creditors: amounts falling due after more than one year". Please see note 17 for further details.

The financial statements of Halewood Artisanal Spirits PLC, registered number 03699814, were approved by the board of directors on 31 January 2022 and signed on their behalf by:

J M Halewood

J M Halewood

Director

HALEWOOD ARTISANAL SPIRITS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the 52 week period ended 26 June 2021

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance as at 29 June 2019	146	5	70,063	70,214	621	70,835
Loss for the period	-	-	(914)	(914)	(49)	(963)
Exchange loss	-	-	(1,323)	(1,323)	-	(1,323)
Total comprehensive (expense) for the period	-	-	(2,237)	(2,237)	(49)	(2,286)
On acquisition of subsidiaries (Note 14)	-	-	-	-	(10)	(10)
On acquisition of non- controlling interest	-	-	58	58	(3)	55
Share buyback (Note 23)	-	-	(2,358)	(2,358)	-	(2,358)
Balance as at 27 June 2020	146	5	65,526	65,677	559	66,236
Profit for the period	-	-	15,970	15,970	(57)	15,913
Exchange loss	-	-	(446)	(446)	(19)	(465)
Total comprehensive income for the period	-	-	15,524	15,524	(76)	15,448
On acquisition of non- controlling interest	-	-	64	64	14	78
Dividends	-	-	(2,000)	(2,000)	-	(2,000)
Share buyback (Note 23)	(17)	-	9	(8)	-	(8)
Balance as at 26 June 2021	129	5	79,123	79,257	497	79,754

HALEWOOD ARTISANAL SPIRITS PLC

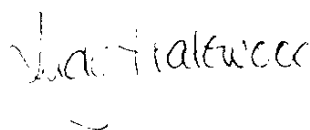
PARENT COMPANY BALANCE SHEET As at 26 June 2021

	Note	26 June 2021 £'000	27 June 2020 £'000 (*restated)
Fixed assets			
Investments	13	10,622	10,622
Amounts due from subsidiary under takings*		38,544	27,659
		<u>49,166</u>	<u>38,281</u>
Current assets			
Debtors	16	143	143
Creditors: amounts falling due within one year*	17	(15)	(15)
Net current assets		<u>128</u>	<u>128</u>
Total assets less current liabilities		<u>49,294</u>	<u>38,409</u>
Creditors: amounts falling due after more than one year*	18	(32,604)	(18,752)
Net assets		<u>16,690</u>	<u>19,657</u>
Capital and reserves			
Called up share capital	23	129	146
Profit and loss account		16,561	19,511
Shareholders' funds		<u>16,690</u>	<u>19,657</u>

* The prior period balance has been reclassified from current to fixed assets. Please see note 16 for further details.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial period amounted to £410K (2020: loss £277K).

The financial statements of Halewood Artisanal Spirits PLC registered number 03699814, were approved by the Board of directors on 31 January 2022 and signed on their behalf by:



J M Halewood
Director

HALEWOOD ARTISANAL SPIRITS PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 26 June 2021

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 29 June 2019	146	21,592	21,738
Share buyback (Note 23)	-	(2,358)	(2,358)
Total comprehensive income for the period	-	277	277
Balance as at 29 June 2020	146	19,511	19,657
Share buyback (Note 23)	(17)	9	(8)
Total comprehensive income for the period	-	(959)	(959)
Dividends	-	(2,000)	(2,000)
Balance as at 26 June 2021	129	16,561	16,690

HALEWOOD ARTISANAL SPIRITS PLC (FORMERLY HALEWOOD WINES AND SPIRITS PLC)

CONSOLIDATED CASH FLOW STATEMENT

For the 52 week period ended 26 June 2021

		52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
	Note		
Cash flows from operating activities	25	(1,391)	20,907
Cash flows from investing activities			
Interest received	5	32	33
Purchase of tangible fixed assets		(14,361)	(22,558)
Purchase of investments	13	(891)	-
Net proceeds from sale of fixed assets		15,202	735
Net proceeds from sale of brands		4,284	-
Net proceeds from sale of subsidiaries		17,640	-
Acquisition of subsidiaries	14	(150)	(1,579)
Cash/(overdraft) acquired with subsidiaries	14	152	(4)
Purchase of non-controlling interest in subsidiaries	14	(33)	(270)
Purchase of intangibles	11	(853)	(1,069)
Net cash inflow/(outflow) from investing activities		21,022	(24,712)
Cash flows from financing activities			
Drawdown of loans from related parties		1,154	11,582
Repurchase of shares	23	-	(2,358)
Payment of dividends		(2,000)	-
Repayment of loans		(19,042)	(2,958)
Inception of capital element of finance lease	19	(359)	(129)
Net cash (outflow)/inflow from financing activities		(20,247)	6,137
Net (decrease)/increase in cash		(616)	2,332
Cash at the beginning of the period		(51,357)	(53,685)
Effect of foreign exchange rates		(536)	(4)
Cash at the end of the period		(52,509)	(51,357)
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		3,030	2,706
Overdrafts		(55,539)	(54,063)
		(52,509)	(51,357)

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES

Halewood Artisanal Spirits PLC, a privately owned company limited by shares, is incorporated in England and the address of the registered office is given on page 1. The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period. The functional currency of Halewood Artisanal Spirits PLC is considered to be pound sterling as that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pound sterling. Foreign operations are included in accordance with the policies set out below.

Audit Exemption

A number of subsidiary undertakings consolidated as at 26 June 2021, are claiming exemption from audit under section 479A Companies Act 2006, please refer to note 13 for details.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to recognise financial instruments at fair value and in accordance with applicable law and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 26 June 2021. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method. Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Halewood Artisanal Spirits PLC meets the definition of a qualifying entity under FRS 102 and is therefore taking advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of the cash flow statement, financial instruments and remuneration of the key management personnel.

Going concern

The business is continuing its rationalisation programme in both brands and operations. During the year, Halewood consolidated two UK operating sites into one main site, which will reduce our future operating costs and headcount. In addition, the proceeds of the sale of the Huyton site were used to repay bank borrowing by £12.5m in long term loans. Halewood sold three low margin non artisanal spirits brands that will result in further reductions in headcount, warehousing and logistics costs. A small cash outflow of £464k was the result of all these transactions as Halewood fully repaid all COVID-19 tax arrears, redundancy costs and a £2m dividend to shareholders.

By December 2021, Halewood completed the closure of the low margin 3rd party contract business resulting in improved working capital, productivity and Net Margin per unit. The strategy to focus on brands from Halewood distilleries has generated additional funds of £4.5m from the sale of non-core long term whisky stocks.

The Group meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and loans secured over mixed assets, (refer to note 19). The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group and company expect to be able to operate within the level of funding available.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

The Group has been monitoring, assessing and reacting to the issues that COVID-19 has created for the employees, business operations and financial performance. The Group continues to see shifts in purchasing patterns between channels and restrictions to sales in export markets. In response, the Group has reduced its cost base, focused on core brands to drive the maximum Net Margin and reduce working capital requirements whilst curtailing non-essential capital expenditure projects.

While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the company and the Group continue to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. Having undertaken these assessments up until June 2023, the forecasted future operational performance and modelled sensitivities for shifts of buying patterns, potential declines in UK premium gin, offset by current international growth showed that the Group operated within current banking facilities. The directors consider that the company and the Group will be able to continue in operational existence and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Capital grants

Capital government grants received are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets to which they relate.

Turnover

Turnover comprises sales to customers less discounts and allowances and is net of value added tax. Turnover is recognised upon despatch of goods.

Interest revenue

Interest income is recognised when it is highly probable that the economic benefits will flow to Group and the amount of the revenue can be measured reliably. Interest income is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest payable

Interest payable is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate agreed with the lenders.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill, where treated as an asset, is amortised on a straight line basis of ten years, which has been determined by the directors as their best estimate of its useful economic life. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Intangible assets

Brand and intellectual property rights (IPR), and customer databases are valued at cost on acquisition and are amortised on a straight line basis over their estimated useful economic lives of five years.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of comprehensive income. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

- | | |
|-------------------------|---------------------------------------|
| • Freehold buildings | 2% straight line on cost or valuation |
| • Leasehold buildings | Over lease period |
| • Fixtures and fittings | 15% to 25% straight line on cost |
| • Plant and machinery | 5% to 25% straight line on cost |

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the Group financial statements investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture. Goodwill arising on the acquisition of joint venture's is accounted for in accordance with the policy set out above.

Associates

In the Group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

In the company financial statements investments in associates are accounted for at cost less impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes any expenses incurred in bringing each product to its present location and condition using a first in, first out (FIFO) basis. Net realisable value is based on estimated selling price less further costs of disposal.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where the recoverability against future taxable profits is considered to be more likely than not.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings are reported in the statement of comprehensive income. All other exchange differences are included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Pensions

The Group contributes to defined contribution pension arrangements (including stakeholder equivalent arrangements) on behalf of employees. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost for these schemes represents contribution payable in the period.

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one or less. If not, there 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.

The company uses derivatives to hedge its exposure to changes in foreign currency exchange rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same Group. It does not disclose transactions with members of the same Group that are wholly owned.

Exceptional items

Exceptional items are transactions that fall outside of the ordinary activities of the company and are presented separately due to their size or incidence. In the current year, such transactions have occurred as consequence of the COVID-19 global pandemic and the sales of non-core brands and assets.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

2. STATEMENT OF COMPLIANCE

The financial statements of Halewood Artisanal Spirits PLC have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 to be relevant. Actual results may differ from these estimates.

- i. Critical judgements in applying the company's accounting policies - the directors do not consider there to be any critical accounting judgements that must be applied.
- ii. Key accounting estimates and assumptions – the directors do not consider there to be any key accounting estimates and assumptions that require further analysis.

4. TURNOVER

The analysis of turnover by distribution, split by geographical market, all of which relates to the principal activity, is as follows:

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
United Kingdom	236,086	255,672
Other EC countries	5,816	7,450
Rest of Europe	5,097	6,910
South Africa	120,421	116,897
Other	29,370	14,595
	<u>396,790</u>	<u>401,524</u>

Segmental reporting of the origins of turnover and profit by geographical area has not been provided. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group, and has therefore not been disclosed as permitted by FRS 102.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Bank interest	32	33
Related party interest	874	-
	<u>906</u>	<u>33</u>

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Bank overdraft	1,551	2,585
Bank loan interest	924	1,116
Finance lease interest	29	32
Related party interest	11	268
	<u>2,515</u>	<u>4,001</u>

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

7. OPERATING PROFIT

Operating profit for the Group is arrived at after charging/ (crediting):

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Depreciation of owned tangible fixed assets (Note 12)	6,258	5,938
Depreciation of fixed assets held under finance leases (Note 12)	357	908
Operating lease rentals - land and buildings	1,209	300
- plant and machinery	-	8
Government grants released (Note 21)	(7)	(70)
Amortisation - goodwill (Note 11)	1,018	1,006
- brands & IPR (Note 11)	689	1,125
Loss/(profit) on disposal of tangible fixed assets	2,719	74
Foreign exchange loss/(gain)	446	419
Cost of stock recognised as an expense	294,934	304,809
Write downs of inventories recognised as an expense	6,227	3,696
Sale of fixed assets	(2,572)	-
Sale of brands	(4,235)	-
Sale of subsidiaries	(17,640)	-
Restructuring	3,043	7,159
Other operating income	(922)	(570)

Restructuring and COVID-19 costs fall outside of the ordinary activities of the Group and are presented separately due to their size. These costs are also considered non-recurring items.

Other operating income relates to UK government grants received under the Job Support Scheme, The Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund, introduced during the COVID-19 pandemic.

Auditor's remuneration

Fees payable for the audit of the company's annual financial statements	9	9
Fees payable for the audit of the company's subsidiaries pursuant to legislation	205	225
Total audit fees	214	234

There were no non audit fees (2020: Nil).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

8. EMPLOYEES

The remuneration of employees, including directors, was:

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Group		
Wages and salaries	29,709	32,430
Social security costs	2,227	2,498
Pensions - defined contribution schemes (Note 30)	1,807	2,242
	<u>33,743</u>	<u>37,170</u>

The average monthly number of employees during the period, including directors, was made up as follows:

	2021 No.	2020 No.
Administration and selling	467	412
Warehouse, production and distribution	676	579
	<u>1,143</u>	<u>991</u>

Company

No staff costs or directors' remuneration were paid by the company during the period (2020: £Nil). They are paid by Halewood Artisanal Spirits (UK) Limited. There were no staff employed by the company during the period (2020: Nil).

9. DIRECTORS' EMOLUMENTS

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Group		
Emoluments	2,222	2,809
Company contributions to money purchase pension schemes	11	12
	<u>2,233</u>	<u>2,821</u>
 The emoluments of the highest paid director were:	 £'000	 £'000
Emoluments	833	1,205

Pension contributions have been made on behalf of 3 directors (2020: 4). The highest paid director received pension contributions totalling £3k (2020: £Nil).

The directors are considered to be the key management personnel.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

10. TAXATION ON PROFIT

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Current tax on profit		
UK corporation tax	379	394
Foreign tax	2,091	1,337
	<u>2,470</u>	<u>1,731</u>
Adjustments in respect of prior period		
UK corporation tax	314	(82)
	<u>2,784</u>	<u>1,649</u>
Deferred taxation		
Origination and reversal of timing differences	(467)	579
Adjustments in respect of prior periods	228	(68)
Effect of a change in the tax rates	433	107
	<u>194</u>	<u>618</u>
Total taxation on profit	<u>2,978</u>	<u>2,267</u>

The standard rate of tax applied to reported profit is 19% (2020: 19%).

The UK corporation tax rate for the year ended 30 June 2021 is 19% which has been effective since 1 April 2017. In the Spring Budget 2021, the UK Government announced an increase in the corporation tax rate to 25% which will apply from 1 April 2023. The legislation increasing the tax rate to 25% rate was enacted on 10 June 2021. Deferred taxes on 30 June 2021 have been measured using this enacted tax rate and reflected in these financial statements.

During the period beginning 28 June 2021, the net increase of the deferred tax assets and liabilities is expected to reduce the corporation tax charge for the period by £65K. (2020: £200K). This is mainly due to fixed asset timing differences.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is shown on the following page.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

10. TAXATION ON PROFIT (continued)

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Group profit before taxation	18,891	1,305
Tax on Group profit at standard United Kingdom corporation tax rate of 19% (2019: 19%)	3,589	1,300
Effects of:		
Expenditure not tax deductible for tax purposes	61	939
Income not taxable	(3,801)	-
Adjustments in respect of prior periods	543	(150)
Utilisation of tax losses not previously recognised	(353)	-
Capital Gains	2,094	-
RDEC	-	(38)
Deferred tax not provided	21	5
Effect of tax rates on overseas earnings	1,127	931
Tax rate changes	433	107
Other	(735)	225
Total tax charge	2,978	2,267

11. INTANGIBLE FIXED ASSETS AND GOODWILL

	Brands and IPR £'000	Positive Goodwill £'000	Total £'000
Cost			
At 27 June 2020	8,535	11,364	19,899
Additions	853	519	1,372
Disposals	(509)	-	(509)
Exchange adjustment	-	10	10
At 26 June 2021	8,879	11,893	20,772
Amortisation			
At 27 June 2020	5,680	3,336	9,016
Charge for the period	689	1,018	1,707
Disposals	(51)	-	(51)
Impairment Charge	-	605	605
Exchange adjustment	(36)	-	(36)
At 26 June 2021	6,282	4,959	11,241
Net book value			
At 26 June 2021	2,597	6,934	9,531
At 27 June 2020	2,855	8,028	10,883

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

12. TANGIBLE FIXED ASSETS

Group	Freehold Property £'000	Plant & Machinery, Fixtures & Fittings £'000	Total £'000
Cost			
At 27 June 2020	15,499	114,290	129,789
Additions	1,179	13,182	14,724
Acquired with Subsidiary	-	253	253
Disposals	(10,276)	(19,543)	(29,822)
Transfers	1,164	(1,164)	-
At 26 June 2021	7,566	107,018	114,584
Accumulated depreciation			
At 27 June 2020	3,012	49,696	52,708
Charge for the period	437	6,178	6,615
Disposals	(1,572)	(16,362)	(17,934)
Transfers	(51)	51	-
At 26 June 2021	1,826	39,563	41,389
Net book value			
At 26 June 2021	5,740	67,455	73,195
At 27 June 2020	12,487	64,594	77,081

The net book value of plant & machinery includes an amount of £1,619K (2020: £1,727K) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the period was £357K (2020: £902K). The net book value of assets under construction was £343K (2020: £4,116K); these assets are not being depreciated.

The company does not hold any tangible fixed assets (2020: Nil).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS

Group	Unquoted Investments £'000
Cost	
At 27 June 2020	87
Additions	891
At 26 June 2021	978
Provisions for impairment	
At 27 June 2020	(14)
Charge for period	-
Exchange adjustments	73
At 26 June 2021	59
Net Book Value	
At 26 June 2021	1,037
At 27 June 2020	73

Group	Interests in joint ventures £'000	Interests in associates £'000	Total £'000
Cost and Net Book Value at 27 June 2020	531	3,318	3,849
Disposals*	(366)	-	(366)
Share of profit/(loss)	34	163	197
Exchange	-	133	-
Net Book Value at 26 June 2021	199	3,614	3,813

*Movement from JV to fully owned subsidiary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS (continued)

Company	Investments in subsidiary undertakings £'000
At 27 June 2020	10,622
Additions	-
At 26 June 2021	10,622

The company's principal subsidiaries (excluding dormant entities) and joint venture undertakings are set out below. A full list of subsidiary companies is set out in note 32. All subsidiaries are 100% owned and registered in England and Wales unless otherwise stated. The registered office address of all entities is as follows unless otherwise stated: The Winery, Ackhurst Road, Chorley, PR7 1NH.

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Willow Water Limited*	Production and sale of bottled water		05539318	UK	Ordinary
Halewood International Holdings (UK) Limited*	Investment Holding company		03374741	UK	Ordinary
Halewood International Holdings (Overseas) Limited*	Investment Holding company		03731605	UK	Ordinary
H&A Prestige Bottling Limited*	Bottling operation		01762466	UK	Ordinary
Halewood International Marketing Limited*	Marketing services		03861237	UK	Ordinary
Charlie Richards & Company Limited*	Wholesale of wine, beer, spirits and other alcoholic beverages	Unit H, Field Way, Greenford, England, UB6 8UN	02606824	UK	Ordinary
Charlie Richards Craft Wines & Spirits Limited	Retail sale via stalls and markets of food, beverages and tobacco products	Unit H, Field Way, Greenford, England, UB6 8UN	10496851	UK	Ordinary
Barwell & Jones Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	Unit H, Field Way, Greenford, England, UB6 8UN	06781279	UK	Ordinary
Hall & Bramley Limited	Manufacture of other non-distilled fermented beverages		11424678	UK	Ordinary
Halewood Artisanal Spirits (UK) Limited	Distribution of beers and spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	03920410	UK	Ordinary
Halewood International Brands Limited	Brand ownership		03896214	UK	Ordinary
Red Square Beverages Limited	Brand ownership		03920408	UK	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS (continued)

Hawkshead Brewery Limited	Brewery and public house	Staveley Mill Yard, Staveley, Cumbria, LA8 9LR	03209508	UK	Ordinary
City of London Distillery Limited	Distillery and public house	22 – 24 Bride Lane, London, EC4Y 8DT	07963963	UK	Ordinary
Sadler's Peaky Blinder Distillery Limited	Distilling, rectifying and blending of spirits	Unit 2, Conyers Trading Estate, Station Drive, Lye, Stourbridge, West Midlands, England, DY8 3EH	05063381	UK	Ordinary
Sadler's Brewhouse Limited (99.9%)	Public house	Unit 2, Conyers Trading Estate, Station Drive, Lye, Stourbridge, West Midlands, England, DY8 3EH	09416020	UK	Ordinary
H J Neill Limited (85%)	Brand owner		09927950	UK	Ordinary
The Bajan Trading Company Limited (87.5%)	Manufacturer of spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	06377231	UK	Ordinary
Aber Falls Distillery Limited	Distilling, rectifying and blending of spirits	Station Road, Abergwyngregyn, Llanfairfechan, LL33 0LB	10842166	UK	Ordinary
John Crabbie & Company Limited	Distilling, rectifying and blending of spirits	21 Graham Street, Edinburgh, Scotland, EH6 5QN	SC30285	UK	Ordinary
Halewood International Streams of Whiskey Limited (80%)	Brand Owner		09997019	UK	Ordinary
Redrosesforme Limited (60%)	Distilling, rectifying and blending of spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London W1W 5PA	09970509	UK	Ordinary
Liverpool Gin Distillery Limited	Distilling, rectifying and blending of spirits	52-54 Castle Street, Liverpool, England. L2 7LQ	10647576	UK	Ordinary
The Cornish Rum Company Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	87 – 89 Park Street, Bristol, England, BS1 5PW	10847544	UK	Ordinary
Kania Craft Drinks Limited (60%)	Holding company		11346532	UK	Ordinary
Vestal Vodka Limited	Retail sale of beverages in specialised stores		07255560	UK	Ordinary
The Pleasure Gardens Distilling Company Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London W1W 5PA	10258850	UK	Ordinary
Dyflin Distilleries Limited	Distilling, rectifying and blending of spirits	38 Upper Mount Street, Upper Dublin 2	627479	Ireland	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS (continued)

Pat Garrett Liquor Trading Company Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	11390004	UK	Ordinary
Lamb & Watt Vintners Ltd	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	02841848	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership		01360434	UK	Ordinary
Halewood International SA Pty Limited	Wines and spirits bottler	61 Toronto Road, Apex Ext 1 Benoni, 1501	1998/00188 7/07	South Africa	Ordinary
Halewood Properties South Africa (Pty) Limited	Property company	61 Toronto Road, Apex Ext 1 Benoni, 1501	2000/00839 8/07	South Africa	Ordinary
Snowbliss (Pty) Limited (51%)	Manufacturer of cocktails	61 Toronto Road, Apex Ext 1 Benoni, 1501	2016/41468 5/07	South Africa	Ordinary
7 Stars Beverages (Pty) Limited (51%)	Non-alcoholic drinks distributor	61 Toronto Road, Apex Ext 1 Benoni, 1501	09997019	South Africa	Ordinary
Beijing Shunxing Halewood Alcoholic Beverages Limited	Distribution of spirits	Room C506, Building 3, Di Sheng Nan Street No. 1, 80A, Beijing, China	7749457U	China	Ordinary
Halewood Wines and Spirits SAS	Distribution of spirits	11 rue Saint Etienne, 16000 Angoulême, France	500 820 410	France	Ordinary
Halewood Wines & Spirits (Canada) Inc.	Distribution of spirits	Suite 2660, Three Bentall Centre, 595 Burrard Street, Vancouver, BC V7X 1L3	BC1201390	Canada	Ordinary
Halewood Wines & Spirits (Hong Kong) Limited	Distribution of spirits	SPB Corporate Services Limited, 29 th Floor, Edinburgh Tower, The Landmark, 15 Queens Road Central, Central, HK	2819055	Hong Kong	Ordinary
Halewood Wines & Spirits Inc.	Distribution of spirits	777 Brickell Avenue, Suite 708, Miami, FL33131, USA	7087848	USA	Ordinary
Ironbark Distillery PTY Ltd (100%)	Distilling, rectifying and blending of spirits	Unit 4, 37 William Street, North Richmond, NSW, Australia, 2754	165 952 116	Australia	Ordinary
Halewood Wines and Spirits (Australia) PTY Ltd	Distribution of spirits	Suite 514, 15 Lime Street, Barangaroo, Sydney 2000, NSW, Australia	630 646 883	Australia	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS (continued)

The Bristol & Bath Distillery Limited	Distilling, rectifying and blending of spirits	87 – 89 Park Street, Bristol, England, BS1 5PW	11609078	UK	Ordinary
Castle Rum Company Ltd	Public house	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	11556789	UK	Ordinary
Brewmasters House Limited	Manufacture of other non-distilled fermented beverages	Unit 2, Conyers Trading Estate, Station Drive, Lye, Stourbridge, West Midlands, England, DY9 3EH	11716482	UK	Ordinary
Edinburgh and Leith Distillery Limited	Dormant	21 Graham Street, Edinburgh, Scotland, EH6 5QN	SC607576	Scotland	Ordinary
Halewood Russia LLC	Distilling, rectifying and blending of spirits	Russian Federation, 191025, St Petersburg, Nevsky pr., 102, lit. C, pom. 2 – N (20)	7839068940	Russia	Ordinary
J. J. Whitley Distillery LLC	Distilling, rectifying and blending of spirits	Russian Federation 188480, Leningrad region, Kingisepp district, Kingisepp, st. Teatralnaya, 13	7718721280	Russia	Ordinary
Flagman Trading House LLC	Distilling, rectifying and blending of spirits	Russian Federation 141730, Moscow region, Lobnya, Krasnopolyansky blind alley, building 2B, room 5	5047188011	Russia	Ordinary
Formby Spirits Ltd #	Dormant		11172225	UK	Ordinary
LoCa Beverages Ltd (80%) #**	Distilling, rectifying and blending of spirits	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	08662064	UK	Ordinary
South East Asia Beverage Company PTE Ltd #	Wholesale of liquor, soft drinks and beverages	435 Orchard Road, #22-01 Wisma Atria, Singapore, 238877	03374741	Singapore	Ordinary
Pinchos Bar Limited	Public house		09038614	UK	Ordinary
The Whitley Neill Distillery Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	12328729	UK	Ordinary
Whitley Neill Gin Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	12917173	UK	Ordinary
Whitley Neill Spirits Limited	Dormant	1 st Floor Tennyson House, 159 – 165 Great Portland Street, London, W1W 5PA	12918337	UK	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS (continued)

Halewood Wines & Spirits (Germany) GMBH	Distribution of wines and spirits	Cormoran GMBH, Am Zirkus 2, 10117 Berlin	HRB 207511 B	Germany	Ordinary
Halewood International (Thailand) Company Ltd	Distribution of wines and spirits	No. 591, UBC Building, 20 th Floor, Sukhumvit Road, Klongton-Nua Wattana, Bangkok 10110	0105558011 776	Thailand	Ordinary
Halewood International Caribbean Limited	Distribution of wines and spirits	Little Chimney, Pishon Court, Lot 2, Clerkpark, Saint James, BB23024, Barbados	38317	Barbados	Ordinary

Part or full acquisition during the period, see Note 14 for details.

*Directly owned by Halewood Artisanal Spirits PLC.

AUDIT EXEMPTION

The subsidiary undertakings consolidated as at 26 June 2021, who claimed exemption from audit under section 479A Companies Act 2006, were as follows:

Principal subsidiary undertakings	Principal activity	Company number	Country of incorporation	Class of share
Willow Water Limited	Production & sale of water	05539318	UK	Ordinary
Halewood International Holdings (UK) Limited	Investment Holding company	03374741	UK	Ordinary
Halewood International Holdings (Overseas) Limited	Investment Holding company	03731605	UK	Ordinary
Halewood International Marketing Limited	Marketing services	03861237	UK	Ordinary
Charlie Richards & Company Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	02606824	UK	Ordinary
Halewood International Brands Limited	Brand ownership	03896214	UK	Ordinary
Red Square Beverages Limited	Brand ownership	03920408	UK	Ordinary
Kania Craft Drinks Limited	Holding company	11346532	UK	Ordinary
Vestai Vodka Ltd	Retail sale of beverages in specialised stores	07255560	UK	Ordinary
Halewood International Streams of Whiskey Ltd	Brand Ownership	09997019	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership	01360434	UK	Ordinary
Hawkshead Brewery Limited	Brewery and public house	03209508	UK	Ordinary
City of London Distillery Limited	Distillery and public houses	07963963	UK	Ordinary
Sadler's Peaky Blinder Distillery Ltd	Distilling, rectifying and blending of spirits	05063381	UK	Ordinary
Sadler's Brewhouse Limited	Public house	09416020	UK	Ordinary
Redrosesforme Limited	Distilling, rectifying and blending of spirits	09970509	UK	Ordinary
H J Neill Limited	Brand Owner	09927950	UK	Ordinary
The Bajan Trading Company Limited	Manufacture of spirits	06377231	UK	Ordinary
Aber Falls Distillery Limited	Distilling, rectifying and blending of spirits	10842166	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership	01360434	UK	Ordinary
Charlie Richards Craft Wines & Spirits Limited	Retail sale via stalls and markets of food, beverages and tobacco products	10496851	UK	Ordinary

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENTS (continued)

Hall & Bramley Limited	Manufacture of other non-distilled fermented beverages	11424678	UK	Ordinary
Liverpool Gin Distillery Ltd	Distilling, rectifying and blending of spirits	10647576	UK	Ordinary
The Bristol & Bath Distillery Limited	Distilling, rectifying and blending of spirits	11609078	UK	Ordinary
The Cornish Rum Company Ltd	Wholesale of wine, beer, spirits and other alcoholic beverages	10847544	UK	Ordinary
John Crabbie & Company Limited	Distilling, rectifying and blending of spirits	SC30284	Scotland	Ordinary
Castle Rum Company Ltd	Public house	11556789	UK	Ordinary
LoCa Beverages Limited	Distilling, rectifying and blending of spirit	08662064	UK	Ordinary
Barwell & Jones Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	06781279	UK	Ordinary
Brewmasters House Limited	Manufacture of other non-distilled fermented beverages	11716482	UK	Ordinary
Pinchos Bar Limited	Public House	09038614	UK	Ordinary

14. BUSINESS COMBINATIONS

ACQUISITIONS OF SUBSIDIARIES

The Group made the following acquisitions during the period. All acquisitions have been accounted for under the acquisition method.

On 20 August 2020, Halewood Artisanal Spirits (UK) Limited (formerly Halewood International Limited) acquired a further 25% of the ordinary share capital of Castle Rum Company Ltd, such that it now owns 100% of the ordinary share capital.

On 20 August 2020, Halewood Artisanal Spirits (UK) Limited (formerly Halewood International Limited) acquired a further 50% of the ordinary share capital of Pinchos Bar Ltd, such that it now owns 100% of the ordinary share capital.

The following table sets out the total fair value to the Group of the net assets at acquisition, which the directors' have concluded equals the book value at that date.

	Book Value £'000	Fair Value £'000
Tangible assets	253	253
Current Assets		
Stock	19	19
Trade debtors	49	49
Cash	152	152
Total assets	473	473
Current Liabilities		
Trade creditors	(274)	(274)
Other creditors	(568)	(568)
Total liabilities	(842)	(842)
Net liabilities	(369)	(369)

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

14. BUSINESS COMBINATIONS (continued)

Related Goodwill (Note 11)	519
Total purchase consideration	150
Satisfied by:	
Cash and cash equivalents	150

Net cash outflows in respect of the purchase:

Cash and cash equivalents	150
Plus: cash overdraft acquired	(152)
Net cash	(2)

ACQUISITION OF NON-CONTROLLING INTEREST

The Group made the following acquisitions of non-controlling interest during the period. All acquisitions have been accounted for under the acquisition method.

On 13 November 2020, Halewood International Limited acquired a further 20% of the ordinary share capital of Loca Beverages Ltd, such that it now owns 100% of the ordinary share capital.

The following table shows the effects of changes in the Group's ownership interests in subsidiaries that did not result in a change of control, on the equity attributable to the owners of the parent:

	26 June 2021 £'000
Amounts paid on changes in ownership interest	33
Non-controlling interest acquired (Note 24)	(14)
Difference recognised in equity reserves	18
Net cash outflows in respect of the purchase:	
Cash and cash equivalents	33

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

15. STOCKS

	Group 26 June 2021 £'000	Group 27 June 2020 £'000
Goods for resale	37,949	28,764
Raw materials	21,246	23,675
	<u>59,195</u>	<u>52,439</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

The company holds no stocks (2020: Nil).

16. DEBTORS

	Group 26 June 2021 £'000	Group 27 June 2020 £'000	Company 26 June 2021 £'000	Company 27 June 2020 £'000
Trade debtors	79,476	88,809	-	-
Corporation tax	2,033	1,933	136	136
Other debtors	7,488	9,573	7	7
Prepayments	9,452	6,526	-	-
Amounts due from related parties	739	372	-	-
	<u>99,188</u>	<u>107,213</u>	<u>143</u>	<u>143</u>

* Amounts due from subsidiary undertakings of £27,659K have been reclassified from Current Assets to Fixed Assets as these loans are used to meet the capital requirements of the subsidiaries and repayment is not expected in the next 12 months"

All amounts are due within one year. Amounts due from subsidiaries and related parties are repayable on demand, with interest charged at 4% to 7.5%.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 26 June 2021 £'000	Group 27 June 2020 £'000 (*restated)	Company 26 June 2021 £'000	Company 27 June 2020 £'000
Bank overdrafts (Note 19)*	28,039	26,563	-	-
Bank loans (Note 19)	192	6,987	-	-
Finance leases (Note 19)	19	263	-	-
Trade creditors	41,911	48,475	-	-
Other taxation and social security	21,698	30,115	-	-
Accruals and deferred income	36,074	20,429	15	15
Other creditors	5,336	8,459	-	-
Amounts due to related parties	5,113	4,468	-	-
	<u>138,382</u>	<u>145,759</u>	<u>15</u>	<u>15</u>

* The prior period balance of £27,500K has been reclassified from "Creditors: amounts falling due within one year" to "Creditors: amounts falling due after more than one year" as there is an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date.

The finance leases are secured on the assets to which they relate. Amounts due to subsidiaries and related parties are repayable on demand. Interest is charged on inter-company loans at 4% to 7.5%.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 26 June 2021 £'000	Group 27 June 2020 £'000 (*restated)	Company 26 June 2021 £'000	Company 27 June 2020 £'000
Bank loans (Note 19)*	27,500	39,747	-	-
Finance leases (Note 19)	1,019	418	-	-
Other creditors	44	-	-	-
Deferred income grants (Note 21)	219	227	219	227
Amounts due to subsidiary undertakings**	-	-	32,385	18,525
	<u>28,782</u>	<u>40,392</u>	<u>32,604</u>	<u>18,752</u>

* The prior period balance of £27,500K has been reclassified from "Creditors: amounts falling due within one year" to "Creditors: amounts falling due after more than one year" as there is an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date.

The finance leases are secured on the assets to which they relate.

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

19. BORROWINGS

	Group 26 June 2021 £'000	Group 27 June 2020 £'000 (*restated)
Bank overdrafts:		
Within one year*	28,039	26,563
	<u>28,039</u>	<u>26,563</u>
Bank loans and other loans due:		
Within one year	192	6,987
Between one and two years	-	5,247
Between two and five years*	27,500	34,500
	<u>25,192</u>	<u>44,234</u>
Finance leases due:		
Within one year	19	263
Between one and two years	1,019	418
	<u>1,038</u>	<u>681</u>
Total borrowings including finance leases due:		
Within one year*	28,250	33,813
Between one and two years	1,019	5,665
Between two and five years*	27,500	34,500
	<u>56,769</u>	<u>73,978</u>

* The prior period balance of £27,500K has been reclassified from "Creditors: amounts falling due within one year" to "Creditors: amounts falling due after more than one year" as there is an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date.

The company has no borrowings (2020: Nil).

Bank loans consist of the following:

- 1) On 29 November 2018, the Group completed on a re-financing agreement with Investec Bank. The borrowing facilities are secured on property, plant & machinery and debtors, with a minimum term of 60 months from commencement date. Interest is charged at 2.50% - 3.25% over 3 month LIBOR.
- 2) Finance leases relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £1,038K (2020: £681K).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

20. FINANCIAL INSTRUMENTS

Disclosures in respect of the Group

	Group	
	26 June 2021 £'000	27 June 2020 £'000
Financial assets that are measured at amortised cost		
- Trade debtors	79,476	88,809
- Other debtors	7,488	9,573
- Amounts owed by related parties	739	372
	<u>87,046</u>	<u>98,754</u>
Financial assets measured at fair value through profit or loss		
- Derivative financial instruments	-	3
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	56,769	73,978
- Trade creditors	41,911	48,475
- Accruals (excluding deferred income)	36,074	20,429
- Other creditors	5,336	8,459
- Amounts owed to related parties	5,113	4,468
	<u>145,203</u>	<u>155,809</u>

Derivative financial instruments

The Group enters into derivative financial instruments to hedge against exchange rate volatility where appropriate, through forward contracts. Although the instruments represent hedge arrangements, the Group does not apply hedge accounting and, therefore, movements in the fair value of such instruments are recognised in the profit and loss account. During the period ended 26 June 2021 the Group did not enter into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 26 June 2021, there are no outstanding contracts. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates. The fair value of the forward-foreign currency contracts is an asset of £nil (2020: asset £3K).

21. DEFERRED INCOME

	Group 26 June 2021 £'000	Group 27 June 2020 £'000	Company 26 June 2021 £'000	Company 27 June 2020 £'000
Grants				
Opening balance	227	297	227	277
Profit and loss account	(7)	(70)	(7)	-
Closing balance	<u>220</u>	<u>227</u>	<u>220</u>	<u>227</u>

Of the closing grant balance £220K (2020: £227K) relates to UK grants for capital business investment and profit improvements.

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NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

22. PROVISIONS FOR LIABILITIES

Deferred taxation

	Group 26 June 2021 £'000	Group 27 June 2020 £'000	Company 26 June 2021 £'000	Company 27 June 2020 £'000
Opening provision	1,857	1,338	-	-
Prior period movement	228	(69)	-	-
Current period credit to profit and loss account	(34)	687	-	-
Other timing differences	20	(99)	-	-
Closing provision	<u>2,071</u>	<u>1,857</u>	<u>-</u>	<u>-</u>

Deferred tax is analysed as follows:

	Group 26 June 2021 £'000	Group 27 June 2020 £'000
Capital allowances in excess of depreciation	2,699	2,589
Short term timing differences	(311)	(107)
R&D expenditure credit	(28)	(335)
Other	(289)	(290)
	<u>2,071</u>	<u>1,857</u>

23. SHARE CAPITAL

	26 June 2021 £'000	27 June 2020 £'000
Ordinary A shares of £1 each	105	102
Ordinary C shares of £1 each*	24	37
Ordinary D shares of £1 each*	-	7
Issued and fully paid at the end of the period	<u>129</u>	<u>146</u>

Voting rights

Ordinary A shareholders are entitled to one vote per share.

Ordinary C shareholders are entitled to a number of votes calculated at 5% of the aggregate number of votes that may be cast by all shareholders (irrespective of the number of shares held).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 26 June 2021

23. SHARE CAPITAL (continued)

Rights in respect of dividends and distributions

Only Ordinary A shareholders are entitled to receive dividends/distributions. Ordinary C shareholders shall not confer on the Holders of such Shares any right to receive any distribution or dividend paid by the company, other than in circumstances where a distribution or dividend is paid immediately following a Disposal (as defined in the articles of association).

Rights in respect of capital

On return of capital, the assets of the company remaining after payment of its liabilities are applied in the following order of priority: First, (to the extent such amount exceeds Base Value) to the holders of the Ordinary C shares and aggregate amount equal to the Exit percentage of the Growth Value (as defined in the articles of association). Thereafter, in distributing the balance of the Sale Proceeds among the holders of the Ordinary A shares, pro rata to the number of Ordinary A shares held by them.

Redemption

Ordinary A and C share are not redeemable.

24. NON-CONTROLLING INTERESTS

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Opening balance	559	621
On acquisition of subsidiaries (Note 14)	-	(10)
On acquisition of non-controlling interest (Note 14)	14	(3)
(Loss)/profit for the financial period	(57)	(49)
Exchange gain/ (loss)	(19)	-
Closing balance	497	559

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

25. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Operating profit	20,303	5,534
Depreciation of tangible fixed assets (Note 12)	6,615	6,846
(Profit)/loss on sale of tangible fixed assets	(2,572)	74
(Profit) on sale of brands	(4,235)	-
(Profit) on sale of subsidiaries	(17,640)	-
Release of deferred income (Note 21)	(8)	(70)
Amortisation - positive goodwill (Note 11)	1,018	1,006
- brands and IPR (Note 11)	689	1,125
Impairment of goodwill	605	-
Movements in working capital:		
(Increase) in stocks	(6,738)	(703)
Decrease/ (increase) in debtors	8,542	(25,299)
(Decrease)/ increase in creditors	(3,303)	38,164
	3,275	26,677
Interest paid	(2,515)	(3,701)
UK corporation tax paid	-	(622)
Foreign tax paid	(2,151)	(1,447)
Net cash (outflow)/inflow from operating activities	(1,391)	20,907

26. ANALYSIS OF NET (DEBT)

	At 27 June 2020 £'000	Acquired with subsidiaries £'000	Cash movement £'000	Foreign exchange £'000	At 26 June 2021 £'000
Cash at bank and in hand	2,706	152	395	(223)	3,030
Bank overdrafts	(26,563)	-	(1,011)	(465)	(28,039)
Cash	(23,857)	152	(616)	(688)	(25,009)
Bank loans	(46,734)	-	19,042	-	(27,692)
Finance leases	(681)	-	(357)	-	(1,038)
Borrowings	(47,415)	-	18,685	-	(28,730)
Net (debt)	(71,272)	152	18,069	(688)	(53,739)

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

27. FINANCIAL COMMITMENTS

The Group and the company has no contracted capital commitments (2020: £Nil).

Leases

The Group has commitments under non-cancellable operating leases as set out below:

	26 June 2021 £'000	27 June 2020 £'000
Land and buildings operating leases which expire:		
Within one year	1,708	249
Between two and five years	2,161	258
After five years	240	240
	<u>4,109</u>	<u>747</u>

The company had no non-cancellable operating lease commitments at 26 June 2021 (2020: £Nil) and future minimum lease payments were £Nil (2020: £Nil).

HALEWOOD ARTISANAL SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 26 June 2021, there are no outstanding contracts (2020: 6 months) of the period end.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates GBP:EUR. The fair value of the forward-foreign currency contracts is an asset of £nil (2020: asset £3K).

	Principal	Fair value	Principal	Fair value
	26 June	asset	27 June	asset
	2021	2021	2020	2020
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	-	-	767	3

The company holds no derivatives (2020: Nil)

29. CONTINGENT LIABILITIES

Halewood Artisanal Spirits PLC, Halewood Artisanal Spirits (UK) Limited, John Crabbie & Company Limited, Halewood International Marketing Limited, Halewood International Brands Limited, Red Square Beverages Limited, H&A Prestige Bottling Limited, Willow Water Limited, Halewood International Holdings (UK) Ltd, Aber Falls Distillery Limited, Charlie Richards & Company Limited, Hall & Bramley Limited, Hawkshead Brewery Limited, H.J. Neill Ltd, Sadlers' Brewhouse Limited, and City of London Distillery Ltd, have given unlimited cross guarantees in respect of the others' bank borrowings. At 26 June 2021 these borrowings amounted to £6,166 (2020: £7,996K).

30. PENSION ARRANGEMENTS

The Group operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £1,807K (2020: £2,242K), which represented contributions to these schemes. The assets of this scheme are held separately for those of the Group in independently administered funds. At 27 June 2021 the amount outstanding to the pension scheme was £193K (2020: £153K).

31. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with subsidiaries. Under the provisions of Financial Reporting Standard 102 section 33, the company is exempt from disclosing the detail of these transactions.

During the period, the Group entered into the following transactions with companies over which the Estate of Mr J E Halewood, the principal shareholder, exercises significant influence:

- 1) The company has a balance owed to the Estate of Mr J E Halewood at 26 June 2021 of £4,424K (27 June 2020 of £4,424K).
- 2) The Group has an amount owed from associated companies amounting to £51K (2020: £282K).
- 3) The Group has an amount owed to directors at 26 June 2021 of £Nil (2020: £708K).
- 4) The Group entered into transactions with a related party, H.J. Neill Limited, in the course of the year, purchasing £Nil of materials (2020: £92K) and the on-going loaning of funds; the balance outstanding at 26 June 2021 was £14K (2020: £14K). The loan is repayable on demand, with interest charged at 4%.

HALEWOOD ARTISANAL SPIRITS PLC

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32. SUBSIDIARY COMPANIES

The complete list of subsidiary companies is set out below:

Hawkshead Brewery Limited	Sadler's Brewhouse Limited
City of London Distillery Limited	Sadler's Peaky Blinder Distillery Ltd
The Bajan Trading Company Limited	Willow Water Ltd
Aber Falls Distillery Limited	H J Neill Ltd
Charlie Richards and Co Limited	Snowbliss (Pty) Limited
Charlie Richards Craft Wines & Spirits Limited*	Halewood International SA (Pty) Limited
Barwell & Jones Limited*	Halewood Properties SA (Pty) Limited
The Pat Garrett Liquor Trading Company Limited*	Halewood International Caribbean Limited*
The Cornish Rum Company Limited	Beijing Shunxing Halewood Alcoholic Beverages Limited
Liverpool Gin Distillery Limited	The Pleasure Gardens Distilling Company*
Redrosesforme Limited	John Crabbie & Company Limited
Halewood International Brands Limited	Lamb & Watt Vintners Limited*
Halewood International Holdings (UK) Limited	Lambrini Limited
Halewood International Holdings (Overseas) Limited	Red Square Beverages Limited
Halewood Artisanal Spirits (UK) Limited	Halewood International Trademarks Limited
Halewood International Marketing Limited	Kania Craft Drinks Company Limited*
H & A Prestige Bottling Limited	Rocksteady Bars Ltd t/a Ladies & Gents
Dyflin Distilleries Limited	Vestal Vodka Ltd*
Hall & Bramley Ltd	7 Stars Beverages (Pty) Limited
Halewood Wines and Spirits SAS (France)	Halewood Wines & Spirits Inc. (USA)
Halewood Wines and Spirits (Australia) PTY Ltd	Ironbark Distillery Pty Ltd
Halewood Wines & Spirits (Canada) Inc.	Halewood Wines & Spirits (Hong Kong) Limited
The Bristol & Bath Distillery Limited	The Edinburgh and Leith Distillery Limited*
Brewmaster's House Limited*	Halewood Russia LLC
LoCa Beverages Limited	Formby Spirits Limited*
Castle Rum Company Ltd	South East Asia Beverage Company PTE Ltd
J.J Whitley Distillery LLC	Flagman Trading House LLC
Halewood International Streams of Whiskey Limited	Whitley Neill Spirits Limited
The Whitley Neill Gin Distillery Limited *	Halewood Wines and Spirits (Germany) GMBH
Whitley Neill Gin Limited *	Halewood International (Thailand) Company Ltd

* Dormant company exempt from the requirements to prepare individual financial statements in accordance with s394A of the Companies Act 2006.

33. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Estate of Mr J E Halewood, and members of his close family control the company as a result of holding a majority share of the issued share capital and attached voting rights.

The largest and smallest Group for which consolidated accounts are prepared and includes the company, is Halewood Artisanal Spirits PLC, whose registered office is 1st Floor, 159-165 Great Portland Street, London W1W 5PA.

34. POST BALANCE SHEET EVENTS

On 10 November 2021, 8,120 C shares were bought back and cancelled by the company. Also on this date, 16,240 C shares were converted into 5,500 A shares and 10,740 deferred shares.