

Registered number: 07306044

HEDONISM DRINKS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017



HEDONISM DRINKS LIMITED

COMPANY INFORMATION

Directors	Timur Artemev (appointed 9 February 2017) Evgeny Chichvarkin Tatiana Fokina
Registered number	07306044
Registered office	Connaught House 1-3 Mount Street London W1K 3NB
Independent auditor	James Cowper Kreston Chartered Accountants and Registered Auditor Reading Bridge House George Street Reading Berkshire RG1 8LS

HEDONISM DRINKS LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14
Notes to the Financial Statements	15 - 26

HEDONISM DRINKS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2017

Introduction

Hedonism Drinks Ltd's principal activity remains the retail of alcoholic beverages in the UK and across the globe through its retail unit located in the United Kingdom and its website. Our subsidiary company 85 Piccadilly Ltd remains within the hospitality industry, however, the subsidiary is still within its start up phase and is yet to open its doors to customers.

Business review

The business had a very successful financial year with a significant increase in turnover from £15.1m to £20.7m (37% increase) from 2016 to 2017.

The gross profit margin also improved significantly from 35% in the previous financial year to 40% in this financial year. Our stock management and control systems are now very robust so there have been very minimal stock write offs in the financial year.

The group has also reported a pre-tax profit of £2.1m compared to £0.4m in 2016.

The directors of the business continue to implement new strategies to improve the turnover and overall performance of the business.

Business Environment

The drinks industry remains a highly competitive environment, as there are many other retail outlets and online businesses who offer similar products as we do and it is therefore essential that we keep ahead of all our competitors by maintaining a broad and unique product range, and customer service which is second to none.

Strategy

The nature of our buying and retail space remains unique in the industry.

Our product range (collection) is extremely broad to meet the needs of a wide variety of customers. The business lays emphasis on customer service and consistently provides an outstanding customer service.

Our unrivalled customer service includes but is not limited to the fact that our products offered for sale are readily available to be delivered to customers at short notice and to add to this we also offer a guarantee on every product on our stock list.

The business equally employs some of the most knowledgeable industry experts in the buying and sales team and qualified professionals to run the administrative functions of the business.

HEDONISM DRINKS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017

Financial key performance indicators

The board of directors reviews the business's performance on a monthly basis and on an annual basis compares our group results to similar business within the same industry.

Turnover growth was 37% (2016: 23%) and gross margin 40% (2016: 35%).

The directors hold the view that the business is performing well within its industry.

Risk

As per the Companies Act 2006; we are required to disclose principal risks which the business is exposed to and steps taken to mitigate these risk. Our board of directors is responsible for developing the group's strategy on managing risks and enforcing controls. The board regularly reviews the risks and in the subsequent paragraphs, the key risks of the group are discussed along with steps taken to mitigate the risks.

Foreign exchange

The business sources its products from across the world which exposes it to foreign currency risks. To mitigate this risk the company uses financial instruments such as forwards. We are also constantly on the lookout to use foreign exchange dealers who offer the markets most favourable rates so as to improve our product margins.

All sales prices both in our retail outlet and online are denominated in Sterling.

This strategy completely eliminates any risk of losses from foreign exchange movements from customers purchasing from outside the United Kingdom.

Product range

Our product range and supply sources are extremely broad which could be a potential risk as it requires robust supply chain management.

In order to alleviate this risk the business hires some of the industry's most knowledgeable persons to be part of its buying and logistics team.

The depth and uniqueness of our product range also means that we rely heavily on attracting the right customers and remaining competitive in the market; hence our buying team are constantly monitoring our prices and product collection to maintain our competitiveness in the industry.

Subsidiary

Our subsidiary is still in its start-up phase and there is a risk that there could be potential delays in the date when the restaurant open its doors to customers..

The parent company will have to continue to support the subsidiary and this could potentially lead to cash flow problems for the entire group.

To diminish the risk of overrunning the time plan, the business has employed one of London's most respected project management firms to oversee the project and ensure that it is delivered within the existing deadlines.

Finance

Hedonism Drinks Group is funded solely by its shareholder; and is therefore heavily dependent on his continued financial support.

We must however clarify that the wine business is now profitable in its own right and can fund its activities without the need for further loans from the shareholder.

The shareholder has also pledged his continued support to the group until such a time when the subsidiary becomes profitable.

HEDONISM DRINKS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2017**

Future Development

The business continues to look out for opportunities to increase its sales; maintain its unrivalled customer service and improve its product range

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



.....
Tatiana Fokina
Director

Date: 30/4/18

HEDONISM DRINKS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2017

The directors present their report and the financial statements for the year ended 31 July 2017.

Principal activity

The company's principal activity during the year continued to be the sale of alcoholic beverages.

Directors

The directors who served during the year were:

Timur Artemev (appointed 9 February 2017)
Evgeny Chichvarkin
Tatiana Fokina

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Post balance sheet events

There have been no significant events affecting the Group since the year end.

HEDONISM DRINKS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2017**

Auditor

The auditor, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
Tatiana Fokina
Director

Date: 30/4/18

HEDONISM DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HEDONISM DRINKS LIMITED

Opinion

We have audited the financial statements of Hedonism Drinks Limited for the year ended 31 July 2017, set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2.3 to the financial statements of the company's ability to continue as a going concern. At 31 July 2017, the group had net liabilities of £1,357,199 (2016: £2,983,665). At 31 July 2017, Mr Chichvarkin, the majority shareholder, was owed £30,791,180 (2016: £30,737,752). He has pledged continued support to the group which enables the company to continue as a going concern into the foreseeable future. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Other information

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

HEDONISM DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HEDONISM DRINKS LIMITED (CONTINUED)

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

We have nothing to report in this regard.

Opinion 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 Group 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 Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

HEDONISM DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HEDONISM DRINKS LIMITED (CONTINUED)

Auditors' 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

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.



Darren O'Connor BSc(Hons) FCCA ACA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Registered Auditor

Reading Bridge House

George Street

Reading

Berkshire

RG1 8LS

Date:

30/4/18

HEDONISM DRINKS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2017

	Note	2017 £	2016 £
Turnover	4	20,743,252	15,100,865
Cost of sales		(12,527,991)	(9,780,773)
Gross profit		8,215,261	5,320,092
Administrative expenses		(6,104,810)	(4,908,431)
Operating profit	5	2,110,451	411,661
Tax on profit	8	(483,985)	(58,732)
Profit for the financial year		1,626,466	352,929

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).


The notes on pages 15 to 26 form part of these financial statements.

HEDONISM DRINKS LIMITED
REGISTERED NUMBER: 07306044

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	9	11,517,772	10,687,014
		<u>11,517,772</u>	<u>10,687,014</u>
Current assets			
Stocks	11	17,002,554	16,419,705
Debtors: amounts falling due within one year	12	2,780,936	2,150,476
Cash at bank and in hand	13	1,472,072	582,112
		<u>21,255,562</u>	<u>19,152,293</u>
Creditors: amounts falling due within one year		<u>(34,027,983)</u>	<u>(32,794,125)</u>
Net current liabilities		<u>(12,772,421)</u>	<u>(13,641,832)</u>
Total assets less current liabilities		<u>(1,254,649)</u>	<u>(2,954,818)</u>
Provisions for liabilities			
Deferred tax	15	(102,550)	(28,847)
		<u>(102,550)</u>	<u>(28,847)</u>
Net liabilities		<u>(1,357,199)</u>	<u>(2,983,665)</u>
Capital and reserves			
Called up share capital	16	1	1
Profit and loss account		(1,357,200)	(2,983,666)
		<u>(1,357,199)</u>	<u>(2,983,665)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
Tatiana Fokina
Director

30/4/18

Date:


The notes on pages 15 to 26 form part of these financial statements.

HEDONISM DRINKS LIMITED
REGISTERED NUMBER: 07306044

COMPANY BALANCE SHEET
AS AT 31 JULY 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	9	11,508,394	10,663,549
Investments	10	1	1
		<u>11,508,395</u>	<u>10,663,550</u>
Current assets			
Stocks	11	17,002,558	16,419,705
Debtors: amounts falling due within one year	12	3,476,893	4,293,161
Cash at bank and in hand	13	888,804	582,112
		<u>21,368,255</u>	<u>21,294,978</u>
Creditors: amounts falling due within one year	14	(30,519,418)	(32,768,069)
Net current liabilities		<u>(9,151,163)</u>	<u>(11,473,091)</u>
Total assets less current liabilities		<u>2,357,232</u>	<u>(809,541)</u>
Provisions for liabilities			
Deferred taxation	15	(102,550)	(28,847)
		<u>(102,550)</u>	<u>(28,847)</u>
Net assets/(liabilities)		<u><u>2,254,682</u></u>	<u><u>(838,388)</u></u>
Capital and reserves			
Called up share capital	16	1	1
Profit and loss account		2,254,681	(838,389)
		<u><u>2,254,682</u></u>	<u><u>(838,388)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



Tatiana Fokina
 Director

30/4/18

HEDONISM DRINKS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2016	1	(838,389)	(838,388)
Profit for the year	-	3,093,070	3,093,070
At 31 July 2017	1	2,254,681	2,254,682

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2015	1	(2,025,075)	(2,025,074)
Profit for the year	-	1,186,686	1,186,686
At 31 July 2016	1	(838,389)	(838,388)

The notes on pages 15 to 26 form part of these financial statements.

HEDONISM DRINKS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2016	1	(2,983,666)	(2,983,665)
Profit for the year	-	1,626,466	1,626,466
At 31 July 2017	<u>1</u>	<u>(1,357,200)</u>	<u>(1,357,199)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2015	1	(3,336,595)	(3,336,594)
Profit for the year	-	352,929	352,929
At 31 July 2016	<u>1</u>	<u>(2,983,666)</u>	<u>(2,983,665)</u>

The notes on pages 15 to 26 form part of these financial statements.

HEDONISM DRINKS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2017**

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,626,466	352,929
Adjustments for:		
Depreciation of tangible assets	419,706	452,447
Loss on disposal of tangible assets	-	94,152
Taxation charge	483,985	58,732
(Increase)/decrease in stocks	(582,849)	372,677
(Increase)/decrease in debtors	(630,458)	35,021
Increase in creditors	853,459	126,777
Corporation tax (paid)/received	(29,885)	-
Net cash generated from operating activities	<u>2,140,424</u>	<u>1,492,735</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,250,464)	(1,609,236)
Sale of tangible fixed assets	-	42,846
Net cash from investing activities	<u>(1,250,464)</u>	<u>(1,566,390)</u>
Net increase/(decrease) in cash and cash equivalents	<u>889,960</u>	<u>(73,655)</u>
Cash and cash equivalents at beginning of year	582,112	655,767
Cash and cash equivalents at the end of year	<u><u>1,472,072</u></u>	<u><u>582,112</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>1,472,072</u>	<u>582,112</u>
	<u><u>1,472,072</u></u>	<u><u>582,112</u></u>

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

1. General information

Hedonism Drinks Limited is a private limited company by shares incorporated in England and Wales. The registered office is Connaught House, 1-3 Mount Street, London, W1K 3NB.

The company's principal activity and nature of its operations are disclosed in the Director's Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The consolidated financial statements show profit after tax of £1,626,466 (2016: £352,929) in this year's accounts and net liabilities of £1,357,199 (2016: £2,983,665). The financial statements have been prepared on a going concern basis as the shareholder has confirmed his continued financial support for at least 12 months from the date of signing the balance sheet and into the foreseeable future.

2.4 Revenue

Turnover is measured at the fair value of consideration received or receivable, net of discounts and value added taxed. Turnover includes revenue earned from the sale of goods and from the rendering of services. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs.

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold land and buildings	-	5% straight line
Plant and machinery	-	33% straight line
Fixtures and fittings	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following have had the most significant effect on amounts recognised in the financial statements:

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values may vary depending on a number of factors.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax submissions. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Operating lease commitments

The Company has entered into commercial lease contracts and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Balance Sheet.

Stock provision

Provisions are estimated by the group in respect of specific stock items based upon the age and condition of the items and knowledge of known issues.

4. Turnover

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	14,913,644	10,813,955
Rest of Europe	1,239,273	259,481
Rest of the world	4,590,335	4,027,429
	<u>20,743,252</u>	<u>15,100,865</u>

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	419,706	452,447
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	9,000	6,000
Other operating lease rentals	1,207,520	1,259,478
Defined contribution pension cost	16,684	11,608
	<u>442,910</u>	<u>729,533</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	2,165,233	1,579,993	2,165,233	1,546,762
Social security costs	238,590	185,215	238,590	180,816
Cost of defined contribution scheme	16,684	11,608	16,684	11,608
	<u>2,420,507</u>	<u>1,776,816</u>	<u>2,420,507</u>	<u>1,739,186</u>

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

	2017 No.	2016 No.
Administrative	20	19
Sales	12	12
	<u>32</u>	<u>31</u>

7. Directors' emoluments

	2017 £	2016 £
Emoluments	333,606	100,000
	<u>333,606</u>	<u>100,000</u>

The directors are considered to be the key management personnel.

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

8. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	410,282	29,885
	<u>410,282</u>	<u>29,885</u>
Total current tax	<u>410,282</u>	<u>29,885</u>
Deferred tax		
Origination and reversal of timing differences	73,703	28,847
Total deferred tax	<u>73,703</u>	<u>28,847</u>
Taxation on profit on ordinary activities	<u>483,985</u>	<u>58,732</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK of 19.67% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	2,110,451	411,661
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.67% (2016 - 20%)	703,455	82,332
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,792	110,432
Capital allowances for year in excess of depreciation	51,101	(134,032)
Group relief	(259,800)	-
Other differences leading to an increase (decrease) in the tax charge	(16,563)	-
Total tax charge for the year	<u>483,985</u>	<u>58,732</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

9. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 August 2016	12,240,432	765,875	12,733	13,019,040
Additions	1,229,387	21,077	-	1,250,464
At 31 July 2017	<u>13,469,819</u>	<u>786,952</u>	<u>12,733</u>	<u>14,269,504</u>
Depreciation				
At 1 August 2016	1,645,171	677,473	9,382	2,332,026
Charge for the year	354,317	62,038	3,351	419,706
At 31 July 2017	<u>1,999,488</u>	<u>739,511</u>	<u>12,733</u>	<u>2,751,732</u>
Net book value				
At 31 July 2017	<u>11,470,331</u>	<u>47,441</u>	<u>-</u>	<u>11,517,772</u>
At 31 July 2016	<u>10,595,261</u>	<u>88,402</u>	<u>3,351</u>	<u>10,687,014</u>

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Long leasehold	11,470,331	10,595,261
	<u>11,470,331</u>	<u>10,595,261</u>

HEDONISM DRINKS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017**

9. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 August 2016	12,240,432	725,713	12,733	12,978,878
Additions	1,229,387	21,077	-	1,250,464
At 31 July 2017	<u>13,469,819</u>	<u>746,790</u>	<u>12,733</u>	<u>14,229,342</u>
Depreciation				
At 1 August 2016	1,645,171	660,776	9,382	2,315,329
Charge for the year	354,317	47,947	3,351	405,615
At 31 July 2017	<u>1,999,488</u>	<u>708,723</u>	<u>12,733</u>	<u>2,720,944</u>
Net book value				
At 31 July 2017	<u>11,470,331</u>	<u>38,067</u>	<u>-</u>	<u>11,508,398</u>
At 31 July 2016	<u>10,595,261</u>	<u>64,937</u>	<u>3,351</u>	<u>10,663,549</u>

The net book value of land and buildings may be further analysed as follows:

	2017 £	2016 £
Long leasehold	<u>11,470,331</u>	<u>10,595,261</u>
	<u>11,470,331</u>	<u>10,595,261</u>

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

10. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Aggregate of share capital and reserves £	Profit/(loss) £
85 Piccadilly Ltd	Ordinary	100 %		
85 Piccadilly Limited			(3,611,881)	(1,466,604)
			<u>(3,611,881)</u>	<u>(1,466,604)</u>
Company				
				Investments in subsidiary companies £
Cost or valuation				
At 1 August 2016				1
At 31 July 2017				<u>1</u>
Net book value				
At 31 July 2017				<u>1</u>

11. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Goods for resale	17,002,554	16,419,705	17,002,558	16,419,705
	<u>17,002,554</u>	<u>16,419,705</u>	<u>17,002,558</u>	<u>16,419,705</u>

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

12. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	11,191	238,680	11,191	238,680
Amounts owed by group undertakings	-	-	716,147	2,142,685
Other debtors	2,023,790	1,395,437	2,003,600	1,395,437
Prepayments and accrued income	745,955	516,359	745,955	516,359
	2,780,936	2,150,476	3,476,893	4,293,161

13. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	1,472,072	582,112	888,803	582,112
	1,472,072	582,112	888,803	582,112

14. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	2,334,230	1,307,832	2,332,772	1,307,832
Corporation tax	410,282	29,885	410,282	29,885
Other taxation and social security	69,961	106,752	69,961	106,752
Loan from director/owner	30,791,180	30,737,752	27,291,180	30,737,752
Accruals and deferred income	171,080	611,904	163,973	585,848
Other creditors	251,250	-	251,250	-
	34,027,983	32,794,125	30,519,418	32,768,069

The amount due to the Director/Owner above is an interest free loan to the group. There is no fixed repayment date attached to the loan. As the loan is legally repayable on demand the fair value of the loan has not been discounted.

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

15. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	(28,847)	-
Charged to profit or loss	(73,703)	(28,847)
At end of year	(102,550)	(28,847)

Company

	2017 £	2016 £
At beginning of year	(28,847)	-
Charged to profit or loss	(73,703)	(28,847)
At end of year	(102,550)	(28,847)

	Group 2017 £	Company 2017 £
Accelerated capital allowances	(116,704)	(116,704)
Short term timing differences	14,154	14,154
	(102,550)	(102,550)

HEDONISM DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2017

16. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

17. Capital commitments

At 31 July 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	276,175	132,440
	<u>276,175</u>	<u>132,440</u>

18. Commitments under operating leases

At 31 July 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2017 £	2016 £
Not later than 1 year	1,025,000	794,932
Later than 1 year and not later than 5 years	4,100,000	3,800,000
Later than 5 years	14,544,720	14,166,804
	<u>19,669,720</u>	<u>18,761,736</u>

19. Related party transactions

Included in creditors is a balance of £30,791,180 (2016: £27,542,430) owed to E Chichvarkin.

20. Controlling party

The ultimate controlling party is E Chichvarkin.