Registered number: 07306044

HEDONISM DRINKS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2018

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HEDONISM DRINKS LIMITED

COMPANY INFORMATION

Directors	Timur Artemev 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 Reigstered Auditor Reading Bridge House George Street Reading Berkshire RG1 8LS

HEDONISM DRINKS LIMITED

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2018

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, whilst our subsidiary company 85 Piccadilly Ltd is within the hospitality industry.

Business review

The board of directors reviews the group's performance on a regular basis and compares the its own results to similar businesses within the same industry, to ensure that the company is performing well within the its chosen line(s) of business.

The business had a very successful financial year with a significant increase in turnover from £20.7m in 2017 to £29.4m in 2018 (42% increase) and an increase in gross percentage margin from 40% in the year 2017 to 41% in 2018. The directors therefore hold the view that the business well as it continues to have substantial turnover growth each year.

The group has however reported a pre-tax loss of £190,711, compared to £2.1m profit in 2017. The loss at group level is mainly driven by start-up costs for 85 Piccadilly Ltd T/A Hide restaurant.

Despite the trading loss at group level in 2018, the directors are positive about the future outlook of the group; as they implement new strategies to improve the turnover and overall profitability of the business.

Business Environment

The drinks industry is a highly competitive environment with numerous retail outlets and online businesses offering similar products as we do. We therefore as a business ensure that we maintain a broad and unique product range, and offer excellent customer service which is second to none to enable us stay ahead of all our competitors.

Strategy

Sales Strategy

The retail space from which we vend our products remains unique in the industry and attracts customers not only from United Kingdom and Europe but from all around the world.

Our product range (collection) is extremely broad to meet the needs of a wide variety of customers from across the globe and our pricing structure is constantly being monitored and reviewed to ensure competitiveness in the market.

The business lays absolute emphasis on customer service and has consistently provided outstanding customer service to its customers since its inception.

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

The sales team is made up of some of the industries most knowledgeable experts who have an in-depth knowledge of the products we sell and can provide valuable advice to customers.

Buying

The business has an expansive spectrum of suppliers and a vast collection of products which promotes its excellent turnover results. This however comes with its own risks and logistical challenges.

In order to mitigate the risks mentioned above we have put in place an extremely robust supply chain management system and employ some of the industry's most experienced professionals to be part of our buying and logistics team.

Administration

At the administrative level, the business employs excellent support staff and qualified professionals to run the finance and administrative functions of the business.

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 42% (2017: 37%) and gross margin 41% (2017: 40%).

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, on transactions generated by customers purchasing from outside the United Kingdom.

Subsidiary

85 Piccadilly Ltd T/A Hide our fine dining restaurant in central Mayfair was awarded its first Michelin star just six months after opening and has been named Restaurant of the year by GQ magazine 2019, amongst other accolades.

With a well know chef Ollie Dabbous' menu, views over green park, a stunning interior and the largest wine list in Europe, it is a popular dining destination for local residents, businesses and tourists alike.

Undeniably the restaurant has had a difficult start, however the directors of the business have recently implemented several strategic changes which should increase turnover and reduce the overheads of the business.

The future outlook is therefore a vast improvement in profitability in the short term, with a steady and consistent return in the medium to long term.

The parent company will continue to support the restaurant business, until such a time when it becomes a profitable venture in its own right.

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 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.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2018

Future Development

The business continues to look out for opportunities to increase its turnover, gross profit and net profit margins across the group.

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

.....

Tatiana Fokina
Director

Date: 29.05.2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2018

The directors present their report and the financial statements for the year ended 31 July 2018.

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
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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2018

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: 29.05.2019

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

Opinion

We have audited the financial statements of Hedonism Drinks Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the group incurred a loss after tax of £152,044 (2017: £1,626,466 profit) during the year ended 31 July 2018 and, as of that date, the group's liabilities exceeded its assets by £1,509,243 (2017: £1,357,199). As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

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

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 or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 5, 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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

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 Reigstered Auditor

Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS
Date: 30, May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2018

	Note	2018 £	2017 £
Turnover	4	**29,428,523**	20,743,252
Cost of sales		**(17,349,464)**	(12,530,679)
Gross profit		**12,079,059**	8,212,573
Administrative expenses		**(12,117,492)**	(6,102,122)
Operating (loss)/profit	5	**(38,433)**	2,110,451
Interest receivable and similar income		**328**	-
Interest payable and expenses		**(152,606)**	-
(Loss)/profit before tax		**(190,711)**	2,110,451
Tax on (loss)/profit	9	**38,667**	(483,985)
(Loss)/profit for the financial year		**(152,044)**	1,626,466

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 16 to 31 form part of these financial statements.

HEDONISM DRINKS LIMITED
REGISTERED NUMBER: 07306044

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	11		**18,744,128**		11,517,772
			18,744,128		11,517,772
Current assets					
Stocks	13	**17,428,860**		17,002,554	
Debtors: amounts falling due within one year	14	**3,240,316**		2,780,936	
Cash at bank and in hand	15	**1,107,564**		1,472,072	
		21,776,740		21,255,562	
Creditors: amounts falling due within one year	16	**(37,759,676)**		(34,027,983)	
Net current liabilities			**(15,982,936)**		(12,772,421)
Total assets less current liabilities			**2,761,192**		(1,254,649)
Creditors: amounts falling due after more than one year			**(4,167,885)**		-
Provisions for liabilities					
Deferred tax	19	**(102,550)**		(102,550)	
			(102,550)		(102,550)
Net liabilities			**(1,509,243)**		(1,357,199)
Capital and reserves					
Called up share capital	20		**1**		1
Profit and loss account			**(1,509,244)**		(1,357,200)
			(1,509,243)		(1,357,199)

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

.....
Tatiana Fokina
Director

Date: 29.05.2019

The notes on pages 16 to 31 form part of these financial statements.

HEDONISM DRINKS LIMITED
REGISTERED NUMBER: 07306044

COMPANY BALANCE SHEET
AS AT 31 JULY 2018

	Note		2018 £		2017 £
Fixed assets					
Tangible assets	11		**4,091,500**		11,508,394
Investments	12		**1**		1
			4,091,501		11,508,395
Current assets					
Stocks	13	**16,991,270**		17,002,558	
Debtors: amounts falling due within one year	14	**17,009,088**		3,476,893	
Cash at bank and in hand	15	**1,104,727**		888,804	
		35,105,085		21,368,255	
Creditors: amounts falling due within one year	16	**(28,170,418)**		(30,519,418)	
Net current assets/(liabilities)			**6,934,667**		(9,151,163)
Total assets less current liabilities			**11,026,168**		2,357,232
Creditors: amounts falling due after more than one year			**(4,167,885)**		-
Provisions for liabilities					
Deferred taxation	19	**(102,550)**		(102,550)	
			(102,550)		(102,550)
Net assets			**6,755,733**		2,254,682
Capital and reserves					
Called up share capital	20		**1**		1
Profit and loss account			**6,755,732**		2,254,681
			6,755,733		2,254,682

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

.....

Tatiana Fokina
Director 29.05.2019

The notes on pages 16 to 31 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2017	1	(1,357,200)	(1,357,199)
Loss for the year	-	(152,044)	(152,044)
At 31 July 2018	1	(1,509,244)	(1,509,243)

The notes on pages 16 to 31 form part of these financial statements.

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	1	(1,357,200)	(1,357,199)

The notes on pages 16 to 31 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 August 2017	1	2,254,681	2,254,682
Profit for the year	-	4,501,051	4,501,051
At 31 July 2018	**1**	**6,755,732**	**6,755,733**

The notes on pages 16 to 31 form part of these financial statements.

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**

The notes on pages 16 to 31 form part of these financial statements.

HEDONISM DRINKS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2018

	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	**(152,044)**	1,626,466
Adjustments for:		
Depreciation of tangible assets	**1,035,426**	419,706
Interest paid	**152,606**	-
Interest received	**(328)**	-
Taxation charge	**(38,667)**	483,985
(Increase) in stocks	**(426,302)**	(582,849)
(Increase) in debtors	**(459,383)**	(630,458)
Increase in creditors	**2,276,625**	800,031
Corporation tax (paid)	**(371,615)**	(29,885)
Net cash generated from operating activities	**2,016,318**	2,086,996
Cash flows from investing activities		
Purchase of tangible fixed assets	**(8,261,783)**	(1,250,464)
Interest received	**328**	-
Net cash from investing activities	**(8,261,455)**	(1,250,464)
Cash flows from financing activities		
New secured loans	**5,594,565**	-
Loans due from/(repaid to) directors	**438,670**	53,428
Interest paid	**(152,606)**	-
Net cash used in financing activities	**5,880,629**	53,428
Net (decrease)/increase in cash and cash equivalents	**(364,508)**	889,960
Cash and cash equivalents at beginning of year	**1,472,072**	582,112
Cash and cash equivalents at the end of year	**1,107,564**	1,472,072
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,107,564**	1,472,072
	1,107,564	1,472,072

The notes on pages 16 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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 Group'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 a loss after tax of £152,044 (2017: £1,626,466 profit) and net liabilities of £1,509,243 (2017: £1,357,199). At 31 July 2018, Mr Chichvarkin, the majority shareholder, was owed £31,229,850 (2017: £30,791,180). The financial statements have been prepared on a going concern basis as the shareholder has pledged he will not request repayment of the loan for at least 12 months from the date of signing the balance sheet. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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. Accounting policies (continued)

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 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.11 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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:

	2018	2017
	£	£
United Kingdom	**21,110,752**	14,913,644
Rest of Europe	**3,334,718**	1,239,273
Rest of the world	**4,983,053**	4,590,335
	29,428,523	20,743,252

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

5. Operating (loss)/profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	**1,035,426**	419,706
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	**12,000**	9,000
Other operating lease rentals	**1,756,633**	1,204,832
Defined contribution pension cost	**27,524**	16,684

6. Employees

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	**5,476,276**	2,165,233	**2,707,166**	2,165,233
Social security costs	**513,046**	239,928	**314,893**	238,590
Cost of defined contribution scheme	**27,524**	16,684	**27,524**	16,684
	6,016,846	2,421,845	**3,049,583**	2,420,507

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

	2018 No.	2017 No.
Administrative	**31**	20
Sales	**12**	12
Restaurant	**85**	3
	128	35

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**467,744**	303,875
	467,744	303,875

The highest paid director received remuneration of £467,744 (2017: £303,875).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

The directors are considered to be the key management personnel.

8. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	**152,606**	-
	152,606	-

9. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	410,282
Adjustments in respect of previous periods	**(38,667)**	-
	(38,667)	410,282
Total current tax	**(38,667)**	410,282
Deferred tax		
Origination and reversal of timing differences	-	73,703
Total deferred tax	-	73,703
Taxation on (loss)/profit on ordinary activities	**(38,667)**	483,985

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.67%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	**(190,711)**	2,110,451
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.67%)	-	703,455
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	5,792
Capital allowances for year in excess of depreciation	-	51,101
Group relief	-	(259,800)
Other differences leading to an increase (decrease) in the tax charge	**(38,667)**	(16,563)
Total tax charge for the year	**(38,667)**	483,985

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

10. Parent company profit for the year

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 profit after tax of the parent Company for the year was £4,501,051 (2017: £3,093,070).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

11. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 August 2017	**13,469,819**	**786,952**	**12,733**	**-**	**-**	**14,269,504**
Additions	**7,119,846**	**41,541**	**-**	**864,605**	**235,790**	**8,261,782**
At 31 July 2018	**20,589,665**	**828,493**	**12,733**	**864,605**	**235,790**	**22,531,286**
Depreciation						
At 1 August 2017	**1,999,488**	**739,511**	**12,733**	**-**	**-**	**2,751,732**
Charge for the year	**817,095**	**33,716**	**-**	**143,185**	**41,430**	**1,035,426**
At 31 July 2018	**2,816,583**	**773,227**	**12,733**	**143,185**	**41,430**	**3,787,158**
Net book value						
At 31 July 2018	**17,773,082**	**55,266**	**-**	**721,420**	**194,360**	**18,744,128**
At 31 July 2017	11,470,331	47,441	-	-	-	11,517,772

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

11. Tangible fixed assets (continued)

Company

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 August 2017	**13,469,819**	**746,790**	**12,733**	**14,229,342**
Additions	**1,692,005**	**3,000**	**-**	**1,695,005**
Transfers to 85 Piccadilly Limited	**(8,744,067)**	**-**	**-**	**(8,744,067)**
At 31 July 2018	**6,417,757**	**749,790**	**12,733**	**7,180,280**
Depreciation				
At 1 August 2017	**1,999,488**	**708,723**	**12,733**	**2,720,944**
Charge for the year	**347,939**	**19,897**	**-**	**367,836**
At 31 July 2018	**2,347,427**	**728,620**	**12,733**	**3,088,780**
Net book value				
At 31 July 2018	**4,070,330**	**21,170**	**-**	**4,091,500**
At 31 July 2017	11,470,331	38,067	-	11,508,398

During the year Hedonism Drinks Limited transferred £8,744,067 of leasehold improvements to its subsidiary, 85 Piccadilly Limited at net book value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

12. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 August 2017	**1**
At 31 July 2018	**1**

Subsidiary undertakings

85 Piccadilly Limited is a 100% owned subsidiary of Hedonism Drinks Limited.

13. Stocks

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Goods for resale	**17,428,860**	17,002,554	**16,991,270**	17,002,558
	17,428,860	17,002,554	**16,991,270**	17,002,558

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

14. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	**49,386**	11,191	**49,386**	11,191
Amounts owed by group undertakings	**-**	-	**14,062,645**	716,147
Other debtors	**1,469,883**	2,004,342	**1,350,506**	2,003,600
Prepayments and accrued income	**1,721,047**	765,403	**1,546,551**	745,955
	3,240,316	2,780,936	**17,009,088**	3,476,893

15. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	**1,107,564**	1,472,072	**1,104,727**	888,803
	1,107,564	1,472,072	**1,104,727**	888,803

16. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	**1,426,680**	-	**1,426,680**	-
Trade creditors	**3,173,735**	2,334,230	**1,713,027**	2,332,772
Corporation tax	**-**	410,282	**-**	410,282
Other taxation and social security	**1,111,238**	69,961	**597,804**	69,961
Loan from director/owner	**31,229,850**	30,791,180	**24,036,168**	27,291,180
Accruals and deferred income	**380,759**	171,080	**264,714**	163,973
Other creditors	**437,414**	251,250	**132,025**	251,250
	37,759,676	34,027,983	**28,170,418**	30,519,418

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.

The bank loan is secured via a fixed and floating charge over the assets of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	**4,167,885**	-	**4,167,885**	-
	4,167,885	-	**4,167,885**	-

18. Loans

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loans	**1,426,680**	-	**1,426,680**	-
Amounts falling due 1-2 years				
Bank loans	**1,426,680**	-	**1,426,680**	-
Amounts falling due 2-5 years				
Bank loans	**2,741,205**	-	**2,741,205**	-
	5,594,565	-	**5,594,565**	-

19. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	**(102,550)**	(28,847)
Charged to profit or loss	**-**	(73,703)
At end of year	**(102,550)**	(102,550)

Company

	2018 £	2017 £
At beginning of year	**(102,550)**	(28,847)
Charged to profit or loss	**-**	(73,703)
At end of year	**(102,550)**	(102,550)

	Group 2018 £	Company 2018 £
Accelerated capital allowances	**(102,550)**	**(116,704)**
Short term timing differences	**-**	**14,154**
	(102,550)	**(102,550)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018

20. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	**1**	1

21. Capital commitments

At 31 July 2018 the Group and Company had capital commitments as follows:

	Group 2018 £	Group 2017 £
Contracted for but not provided in these financial statements	-	276,175
	-	276,175

22. Commitments under operating leases

At 31 July 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	**1,025,000**	1,025,000
Later than 1 year and not later than 5 years	**4,100,000**	4,100,000
Later than 5 years	**13,645,000**	14,544,720
	18,770,000	19,669,720

23. Related party transactions

Included in creditors is a balance of £31,229,850 (2017: £30,791,180) owed to E Chichvarkin.

24. Controlling party

The ultimate controlling party is E Chichvarkin.