

Registered number: 11429396

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**PURITY BREWING GROUP LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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16/06/2023  
COMPANIES HOUSE

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**PURITY BREWING GROUP LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Simon Brown Paul Halsey John Hunt Joanne Smith (resigned 16 May 2022) Andrew Maddock (appointed 17 November 2021) Oliver Cutting (appointed 16 May 2022)
<b>Registered number</b>	11429396
<b>Registered office</b>	The Brewery Upper Spennall Farm Spennall Lane Great Alne Worcestershire B49 6JF
<b>Independent auditors</b>	Mazars LLP Chartered Accountants & Statutory Auditor Two Chamberlain Square Birmingham B3 3AX
<b>Bankers</b>	NatWest Birmingham West Midlands B3 2PP

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**PURITY BREWING GROUP LIMITED**

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## **PURITY BREWING GROUP LIMITED**

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### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2022**

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#### **Introduction**

The directors present their strategic report for the year ended 31 August 2022.

#### **Business review**

Purity Brewing Group Limited ("the Group") comprises three main businesses, their respective operations are described below;

**Purity Brewing Company Limited ("the Brewery")** – The primary purpose of the company is to brew beer to be sold to the on and off trade. The on trade includes National accounts and independent free trade establishments as well as sales in to the wholesale channels. The off-trade channels are dominated by the distribution into the major UK supermarkets and wholesalers. The remaining channels include eCommerce and contract brewing.

**Pure Craft Bars Limited ("Pure Craft Bars")** – Is a bar and kitchen located in the Business district of Birmingham on Waterloo Street. The bar serves the beers brewed at Purity Brewing Company as well as a number of other beers from alternative brewers throughout the UK. The food is classed as honest delicious food sourced from the highest quality local ingredients. The dishes pair perfectly with the beers on sales.

**Pure Booch Co Limited ("Pure Booch")** – The latest business to join the group in November 2021 following the acquisition of a controlling interest in PJ Kombucha. The business invested in brewing equipment as part of Purity Brewing Group Limited's investment as well as expenditure on branding and marketing to prepare for the release of the new product. The brand of Pure Booch was launched in June 2022 providing a quality product range in the adult health drink market.

#### **Principal risks and uncertainties**

##### **Macroeconomic**

The macro environment continues to be the main risk to both the Brewery and Pure Craft Bars. Uncertainties over cost increasing continue to create challenges from a supply perspective. The increased utility costs are a major challenge to the Group Business' as are the raw material costs. Consumer confidence surrounding rising interest rates is also a specific macro environmental concern and challenge. The impact of Brexit has impacted the Brewery but not to a material concern of the Directors. Third party beers have been imported for many years; the imports continue to be made with a longer lead time accepted. Raw materials are predominantly sourced from the UK with some hops supplied from the USA. The imported hops are currently contracted to and therefore create a lower risk from currency fluctuations or spot rate purchase requirements

##### **People**

Employing and retaining the employees across the Group has been challenging as has been seen in the hospitality industry in general. We continue to offer competitive pay and a role within a wider group. The Brewery remains less impacted than the transient workforces seen in the bars and kitchens within the hospitality sector.

##### **Credit and liquidity**

The utilisation of cash during the financial year is evident in the accounts, the overdraft has been drawn upon as revenues and trading profits did not provide sufficient cover to service the business debt whilst holding the year-on-year cash position. The investments mentioned above were still working their way to growing the business for the year end close.

The Directors are aware of the need to drive sufficient cashflows to service the existing debt and re-invest in the ongoing growth of the business. Cash flow forecasting and management of discretionary spend and overall costs are closely monitored by the Board of Directors.

The brewery business continues to invest in R&D and making sure annual claims are made. The Board opt to take the cash into the business as opposed to a reduction of taxable profits.

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**PURITY BREWING GROUP LIMITED**

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2022**

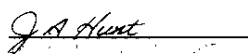
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**Going concern**

The financial statements have been prepared on a going concern basis. The Group has prepared forecasts and projections, which take account of reasonably possible changes in trading performance. The forecasts are dependent upon the retention of the current shareholder loans, which are redeemable on 31 August 2023 and an extension is yet to be agreed. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern.

Although trading and profitability during the year did not increase as expected following the significant lockdowns experienced in the previous year, we remain cautiously optimistic about future outturn but have forecast plausible downside scenarios to reflect the uncertainty across the market and the wider macroeconomic environment. The Directors have a reasonable expectation that the Group and Parent Company has adequate financial resources to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

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



**John Hunt**  
Director

Date: May 30, 2023

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## PURITY BREWING GROUP LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2022

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The directors present their report and the financial statements for the year ended 31 August 2022.

#### 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 judgements and accounting estimates that are reasonable and prudent; and
- 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.

#### Results and dividends

Purity had a mixed year of trading in line with the overall Hospitality sector. The year started with strong trading revenues, however, as uncertainty in the marketplace started to increase, November trading slowed and December was largely halted as the announcement of moving to "Plan B" by the Government following the rapid spread of the Omicron variant of Covid-19 came into place.

The industry in general started to show signs of recovery in the spring and then into the summer with multiple festivals being a key revenue driver. The Commonwealth Games being held in Birmingham and its locality added increased summer sales to our local market and provided the opportunity to launch Common Man in recognition of Birmingham hosting the games.

The financial period saw the business continue to invest in new products including its first low alcohol beer being launched in early 2022 as well as a coffee stout to name a few.

Investment in growth continued as we recruited several senior positions into the business as well as infrastructure.

Turnover increased significantly in 2022 to £10,401,373 (2021: £7,253,420) despite the year being punctuated by the industry slowdown as mentioned above. Gross margin at 38% remains relatively stable against the prior period (2021: 40%) as the overall channel mix changed favourably. Administrative expenses increased year on year supporting the significant revenue growth and investment to facilitate future growth.

The loss for the year, after taxation, amounted to £4,779,176 (2021 - loss £1,704,268).

The business has reported an EBITDA loss for the year of £2,633,000 (2021: £276,000 profit) and this is explained in the table below:

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**PURITY BREWING GROUP LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2022**

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	2022	2021
	£'000	£'000
(Loss) after tax	(4,779)	(1,704)
Tax	94	(67)
Interest	353	341
Depreciation	475	491
Amortisation	<u>1,224</u>	<u>1,215</u>
EBITDA	<u>(2,633)</u>	<u>276</u>

The Directors continue to monitor the business structure and debt profile remain confident that Purity Brewing Company Ltd is positioned to continue to grow in its selected channels whilst navigating through market forces from consumer confidence to increased costs in the supply chain.

**Directors**

The directors who served during the year were:

Simon Brown  
Paul Halsey  
John Hunt  
Joanne Smith (resigned 16 May 2022)  
Andrew Maddock (appointed 17 November 2021)  
Oliver Cutting (appointed 16 May 2022)

**Future developments**

Future Developments within the Group will surround keeping all of our offering contemporary and matching consumer demand, tastes and requirement. Whether this be new award winning beers from the Brewery, a continuation of providing outstanding beers, food and service in Pure Craft Bars or developing market knowledge and consumer awareness of our outstanding Kombucha.

**Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information.

**Post balance sheet events**

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

**Auditors**

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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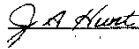
**PURITY BREWING GROUP LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2022**

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

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**John Hunt**  
Director

Date: May 30, 2023



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURITY BREWING GROUP LIMITED**

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**Opinion**

We have audited the financial statements of Purity Brewing Group Limited (the 'Company') for the year ended 31 August 2022 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 Company's affairs as at 31 August 2022 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to note 2.3 in the financial statements, which indicates that Group and Parent Company have shareholders loans which are redeemable on the 31 August 2023 and an extension is yet to be agreed.

These events or conditions, along with other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

**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.

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**PURITY BREWING GROUP LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURITY BREWING GROUP LIMITED**

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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.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 intend either to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURITY BREWING GROUP LIMITED

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**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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

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**PURITY BREWING GROUP LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PURITY BREWING GROUP LIMITED**

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There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit 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.

Elisa Howe

Elisa Howe (Senior statutory auditor)  
for and on behalf of  
Mazars LLP  
Chartered Accountants and Statutory Auditor  
Two Chamberlain Square  
Birmingham  
B3 3AX

Date: May 30, 2023

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PURITY BREWING GROUP LIMITED

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 AUGUST 2022**

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	Note	2022 £	2021 £
Turnover	4	10,401,373	7,253,420
Cost of sales		(6,427,134)	(4,286,421)
<b>Gross profit</b>		<b>3,974,239</b>	<b>2,966,999</b>
Distribution costs		(284,811)	(229,016)
Administrative expenses		(5,607,052)	(4,442,906)
Impairment of goodwill		(2,439,000)	-
Other operating income	5	25,011	274,423
<b>Operating loss</b>	6	<b>(4,331,613)</b>	<b>(1,430,500)</b>
Interest receivable and similar income	11	-	4
Interest payable and similar expenses	12	(353,389)	(341,062)
<b>Loss before taxation</b>		<b>(4,685,002)</b>	<b>(1,771,558)</b>
Tax on loss	13	(94,174)	67,290
<b>Loss for the financial year</b>		<b>(4,779,176)</b>	<b>(1,704,268)</b>
<b>Loss for the year attributable to:</b>			
Non-controlling interests		(86,889)	-
Owners of the parent Company		(4,692,287)	(1,704,268)
		<b>(4,779,176)</b>	<b>(1,704,268)</b>

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2022 (2021: £NIL).

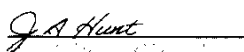
The notes on pages 18 to 40 form part of these financial statements.

**PURITY BREWING GROUP LIMITED**  
**REGISTERED NUMBER: 11429396**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 AUGUST 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	14	4,675,113	8,337,804
Tangible assets	15	2,510,303	2,684,213
		<u>7,185,416</u>	<u>11,022,017</u>
<b>Current assets</b>			
Stocks	17	666,870	594,243
Debtors: amounts falling due within one year	18	1,968,492	1,816,051
Cash at bank and in hand	19	37,430	584,705
		<u>2,672,792</u>	<u>2,994,999</u>
Creditors: amounts falling due within one year	20	(8,379,116)	(4,263,790)
<b>Net current liabilities</b>		<u>(5,706,324)</u>	<u>(1,268,791)</u>
<b>Total assets less current liabilities</b>		<u>1,479,092</u>	<u>9,753,226</u>
Creditors: amounts falling due after more than one year	21	(1,027,613)	(4,716,948)
<b>Provisions for liabilities</b>			
Deferred taxation	25	(479,773)	(254,626)
Other provisions	26	-	(30,770)
		<u>(479,773)</u>	<u>(285,396)</u>
<b>Net (liabilities)/assets</b>		<u><u>(28,294)</u></u>	<u><u>4,750,882</u></u>
<b>Capital and reserves</b>			
Called up share capital	27	23,469	23,469
Share premium account	28	11,192,570	11,192,570
Profit and loss account	28	(11,157,444)	(6,465,157)
Non-controlling interests		(86,889)	-
		<u>(28,294)</u>	<u>4,750,882</u>

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



**John Hunt**  
Director

Date: May 30, 2023

**PURITY BREWING GROUP LIMITED**  
**REGISTERED NUMBER: 11429396**

**COMPANY BALANCE SHEET**  
**AS AT 31 AUGUST 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Investments	16	6,988,205	14,357,205
		<u>6,988,205</u>	<u>14,357,205</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	18	21,483	17,038
Cash at bank and in hand	19	2,798	-
		<u>24,281</u>	<u>17,038</u>
Creditors: amounts falling due within one year	20	(4,696,133)	(1,078,285)
<b>Net current liabilities</b>		<u>(4,671,852)</u>	<u>(1,061,247)</u>
<b>Total assets less current liabilities</b>		<u>2,316,353</u>	<u>13,295,958</u>
Creditors: amounts falling due after more than one year	21	-	(3,203,019)
<b>Net assets</b>		<u><u>2,316,353</u></u>	<u><u>10,092,939</u></u>
<b>Capital and reserves</b>			
Called up share capital	27	23,469	23,469
Share premium account	28	11,192,570	11,192,570
Profit and loss account carried forward		(8,899,686)	(1,123,100)
		<u>2,316,353</u>	<u>10,092,939</u>

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



**John Hunt**  
Director

Date: May 30, 2023

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**PURITY BREWING GROUP LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 AUGUST 2022**

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	Called up share capital £	Share premium account £	Profit and loss account £	Non- controlling interests £	Total equity £
<b>At 1 September 2020</b>	23,469	11,192,570	(4,760,889)	-	6,455,150
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	(1,704,268)	-	(1,704,268)
<b>Total comprehensive income for the year</b>	-	-	(1,704,268)	-	(1,704,268)
<b>At 1 September 2021</b>	23,469	11,192,570	(6,465,157)	-	4,750,882
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	(4,692,287)	(86,889)	(4,779,176)
<b>Total comprehensive income for the year</b>	-	-	(4,692,287)	(86,889)	(4,779,176)
<b>At 31 August 2022</b>	23,469	11,192,570	(11,157,444)	(86,889)	(28,294)

The notes on pages 18 to 40 form part of these financial statements.



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PURITY BREWING GROUP LIMITED

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 AUGUST 2022

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	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
<b>At 1 September 2020</b>	23,469	11,192,570	(734,447)	10,481,592
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(388,653)	(388,653)
<b>Total comprehensive income for the year</b>	-	-	(388,653)	(388,653)
<b>At 1 September 2021</b>	23,469	11,192,570	(1,123,100)	10,092,939
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(7,776,586)	(7,776,586)
<b>Total comprehensive income for the year</b>	-	-	(7,776,586)	(7,776,586)
<b>At 31 August 2022</b>	23,469	11,192,570	(8,899,686)	2,316,353

The notes on pages 18 to 40 form part of these financial statements.

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**PURITY BREWING GROUP LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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	2022 £	2021 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(4,779,176)	(1,704,268)
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,223,691	1,214,688
Depreciation of tangible assets	475,356	491,437
Impairments of fixed assets	2,439,000	-
Acquisition of subsidiary - depreciation	47,829	356,412
Loss on disposal of fixed asset investments	-	50,000
Government grants	(25,011)	(274,423)
Interest paid	353,389	341,062
Interest received	-	(4)
Taxation charge	94,174	(67,290)
(Increase) in stocks	(72,627)	(83,796)
(Increase) in debtors	(138,175)	(370,638)
(Decrease)/increase in creditors	(425,966)	836,935
(Decrease)/increase in provisions	(30,770)	30,770
Corporation tax received	116,707	237,221
<b>Net cash generated from operating activities</b>	<b>(721,579)</b>	<b>1,058,106</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	-	(540,194)
Purchase of tangible fixed assets	(198,185)	(220,429)
Acquisition of subsidiary - cost	(151,090)	(529,041)
Sale of fixed asset investments	-	(50,000)
Government grants received	25,011	274,423
Interest received	-	4
HP interest paid	(19,767)	-
<b>Net cash from investing activities</b>	<b>(344,031)</b>	<b>(1,065,237)</b>

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PURITY BREWING GROUP LIMITED

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**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

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	2022 £	2021 £
<b>Cash flows from financing activities</b>		
New secured loans	-	1,296,811
Repayment of loans	(56,861)	-
Other new loans	8,884	-
Repayment of/new finance leases	(162,473)	(170,565)
Interest paid	(333,622)	(341,062)
<b>Net cash used in financing activities</b>	<b>(544,072)</b>	<b>785,184</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,609,682)</b>	<b>778,053</b>
Cash and cash equivalents at beginning of year	584,705	(193,348)
<b>Cash and cash equivalents at the end of year</b>	<b>(1,024,977)</b>	<b>584,705</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	37,430	584,705
Bank overdrafts	(1,062,407)	-
	<b>(1,024,977)</b>	<b>584,705</b>

The notes on pages 18 to 40 form part of these financial statements.

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**PURITY BREWING GROUP LIMITED**

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**CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 AUGUST 2022**

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	<b>At 1 September 2021 £</b>	<b>Cash flows £</b>	<b>At 31 August 2022 £</b>
Cash at bank and in hand	584,705	(547,275)	37,430
Bank overdrafts	-	(1,062,407)	(1,062,407)
Debt due after 1 year	(4,480,278)	3,563,607	(916,671)
Debt due within 1 year	(160,297)	(3,544,538)	(3,704,835)
Finance leases	(389,602)	162,473	(227,129)
	<u>(4,445,472)</u>	<u>(1,428,140)</u>	<u>(5,873,612)</u>

The notes on pages 18 to 40 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**1. General information**

Purity Brewing Group Limited is a company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the Company Information page. The nature of the Company's operations and its principal activities is that of a holding company.

**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 judgement 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 financial statements have been prepared on a going concern basis. The Group has prepared forecasts and projections, which take account of reasonably possible changes in trading performance. The forecasts are dependent upon the retention of the current shareholder loans, which are redeemable on 31 August 2023 and an extension is yet to be agreed. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern.

Although trading and profitability during the year did not increase as expected following the significant lockdowns experienced in the previous year, we remain cautiously optimistic about future outturn but have forecast plausible downside scenarios to reflect the uncertainty across the market and the wider macroeconomic environment. The Directors have a reasonable expectation that the Group and Parent Company has adequate financial resources to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**2. Accounting policies (continued)**

**2.4 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 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 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.

**2.5 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**2. Accounting policies (continued)**

**2.6 Operating leases: the Group as lessee**

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.7 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**2.8 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

**2.9 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**2.10 Finance costs**

Finance costs are charged to the 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**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 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 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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.

**2.13 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**2. Accounting policies (continued)**

**2.14 Intangible assets**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over 10 years as this is the maximum permitted under FRS 102.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

**2.15 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:

Plant and machinery	- 5% - 10%
Motor vehicles	- 25%
Fixtures and fittings	- 25%

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 Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**2. Accounting policies (continued)**

**2.16 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.17 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.18 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. Work in progress and finished goods include labour and attributable overheads.

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 the Statement of Comprehensive Income.

**2.19 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.

**2.20 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**2.21 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**2. Accounting policies (continued)**

**2.22 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably; and
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. 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 the Statement of Comprehensive Income in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

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**PURITY BREWING GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are as follows:

**Impairment of Investment and Goodwill**

The entity has a significant investment in its subsidiary which on consolidation becomes goodwill. The Company assesses the carrying value of the investment and goodwill balance by undertaking a review of the discounted cash flows to determine if the carrying value is impaired. In preparing the discounted cash flows, the Company estimates future cash flows and discount factors. If the discount rate used in the discounted cash flow review was increased / (decreased) by 1% / (1%), the impairment recognised in the year would increase / (decrease) by £1,061k / (£1,430k).

**Business combinations**

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. On the basis of materiality, the fair values have been judged to be equal to the book value at the acquisition date. There were judged to be no other separable assets required to be recognised.

**4. Turnover**

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Sales of goods	9,329,324	6,891,022
Operation of bar	1,072,049	362,398
	<u>10,401,373</u>	<u>7,253,420</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	10,311,623	7,089,865
Rest of the world	89,750	163,555
	<u>10,401,373</u>	<u>7,253,420</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022

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5. Other operating income

	2022 £	2021 £
Government grants receivable	25,011	274,423
	<u>25,011</u>	<u>274,423</u>

The figure above relates to a DEFRA grant for sustainability measures taken at the manufacturing facility.

6. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Exchange differences	1,976	-
Other operating lease rentals	175,696	199,577
	<u>175,696</u>	<u>199,577</u>

7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	20,000	22,700
	<u>20,000</u>	<u>22,700</u>

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**PURITY BREWING GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**8. Employees**

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

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

	<b>Group 2022 No.</b>	<b>Group 2021 No.</b>	<b>Company 2022 No.</b>	<b>Company 2021 No.</b>
Sales	18	30	-	-
Finance & admin	5	4	-	-
Brewing	14	11	-	-
Distribution	8	6	-	-
Management	6	4	5	-
Bar staff	18	-	-	-
	<u>69</u>	<u>55</u>	<u>5</u>	<u>0</u>

**9. Staff costs**

	<b>2022 £</b>	<b>2021 £</b>
Wages & salaries	2,181,600	1,461,222
Social security costs	228,818	156,028
Pension costs	40,588	28,583
	<u>2,451,006</u>	<u>1,645,833</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**10. Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	386,932	260,446
Group contributions to defined contribution pension schemes	3,850	2,632
	<u>390,782</u>	<u>263,078</u>

During the year retirement benefits were accruing to 3 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £119,228 (2021 - £143,030).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,209 (2021 - £1,316).

During the year the following loans were granted to directors for the purchase of shares. £20,489 to John Hunt, £13,342 to Paul Halsey and £22,764 to Andrew Maddock. The loans are interest free and have no other main conditions applied.

**11. Interest receivable**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Other interest receivable	-	4
	<u>-</u>	<u>4</u>

**12. Interest payable and similar expenses**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Bank interest payable	13,358	40,738
Other loan interest payable	320,264	300,324
Finance leases and hire purchase contracts	19,767	-
	<u>353,389</u>	<u>341,062</u>

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**PURITY BREWING GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**13. Taxation**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on profits for the year	-	35,639
Adjustments in respect of previous periods	(5,284)	18
Corp tax - joint venture	(125,689)	(211,922)
<b>Total current tax</b>	<u>(130,973)</u>	<u>(176,265)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	220,563	(24,521)
Prior year adjustment	4,584	66,500
Effect of tax rate change on opening balance	-	66,996
<b>Total deferred tax</b>	<u>225,147</u>	<u>108,975</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>94,174</u>	<u>(67,290)</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**13. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(4,685,002)	(1,771,558)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(890,150)	(336,596)
<b>Effects of:</b>		
Fixed asset differences	(14,623)	(3,301)
Expenses not deductible for tax purposes	722,899	258,310
Income not taxable for tax purposes	(1,940)	-
Other permanent differences	1,623	-
Additional deduction for R&D expenditure	(93,089)	(86,450)
Surrender of tax losses for R&D tax credit refund	164,697	124,741
Adjustments to tax charge in respect of prior periods - current tax	(5,284)	18
Adjustments to tax charge in respect of prior periods - deferred tax	4,584	66,500
Remeasurement of deferred tax for changes in tax rates	(34,922)	(32,044)
R&D tax credit 2022	(125,689)	-
R&D tax credit 2021	-	(95,197)
R&D tax credit 2020	-	(116,725)
Movement in deferred tax not recognised	366,068	153,454
<b>Total tax charge for the year</b>	<b>94,174</b>	<b>(67,290)</b>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

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**PURITY BREWING GROUP LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**14. Intangible assets****Group**

	Intellectual property £	Goodwill £	Total £
<b>Cost</b>			
At 1 September 2021	332,286	12,184,254	12,516,540
At 31 August 2022	332,286	12,184,254	12,516,540
<b>Amortisation</b>			
At 1 September 2021	332,286	3,846,450	4,178,736
Charge for the year on owned assets	-	1,223,691	1,223,691
Impairment charge	-	2,439,000	2,439,000
At 31 August 2022	332,286	7,509,141	7,841,427
<b>Net book value</b>			
At 31 August 2022	-	4,675,113	4,675,113
At 31 August 2021	-	8,337,804	8,337,804

The Directors have performed a discounted cash flow review due to impairment indicators in the wider macroeconomic environment. The result of the review led to an impairment of goodwill.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022

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15. Tangible fixed assets

Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 September 2021	-	4,423,686	441,898	406,464	5,272,048
Additions	-	180,760	-	17,425	198,185
Acquisition of subsidiary	9,431	141,659	-	-	151,090
At 31 August 2022	9,431	4,746,105	441,898	423,889	5,621,323
<b>Depreciation</b>					
At 1 September 2021	(1,474)	1,881,103	342,231	365,975	2,587,835
Charge for the year on owned assets	2,948	387,926	59,497	24,985	475,356
Acquisition of subsidiary	4,981	42,848	-	-	47,829
At 31 August 2022	6,455	2,311,877	401,728	390,960	3,111,020
<b>Net book value</b>					
At 31 August 2022	2,976	2,434,228	40,170	32,929	2,510,303
At 31 August 2021	1,474	2,542,583	99,667	40,489	2,684,213

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

	2022 £	2021 £
Freehold	2,976	-
	2,976	-

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**PURITY BREWING GROUP LIMITED**

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**16. Fixed asset investments****Company**

	<b>Investments in subsidiary companies £</b>
<b>Cost</b>	
At 1 September 2021	14,357,205
At 31 August 2022	<u>14,357,205</u>
<b>Impairment</b>	
Charge for the period	7,369,000
At 31 August 2022	<u>7,369,000</u>
<b>Net book value</b>	
At 31 August 2022	<u>6,988,205</u>
At 31 August 2021	<u>14,357,205</u>

In Note 14 there is an impairment of goodwill. The investment value in this note has been impaired to align with the results of the discounted cash flow review performed.

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Purity Brewing Company Limited	The Brewery Upper Sperrall Farm, Sperrall Lane, Great Alne, Worcestershire, B49 6JF	Ordinary	100%
Pure Craft Bars Limited*	The Brewery Upper Sperrall Farm, Sperrall Lane, Great Alne, Worcestershire, B49 6JF	Ordinary	100%
Pure Booch Co Limited*	Unit 5 , Park Road, Hockley, Birmingham, B18 5HB	Ordinary	51%

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FOR THE YEAR ENDED 31 AUGUST 2022

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16. Fixed asset investments (continued)

Subsidiary undertakings (continued)

\*indirectly held by Purity Brewing Company Limited

All subsidiaries listed above are included within the consolidation.

51% of the share capital of booch was acquired on 16 November 2021 and has been incorporated into the financial statements using the acquisition method of accounting. The cash consideration was £1. The amounts recognised for the acquiree's assets and liabilities has not been shown on the basis of materiality. No goodwill has been recognised on the balance sheet for this acquisition. The revenue earned for this entity since the acquisition date was £37,715 and the loss was £177,325.

Pure Craft Bars Limited and Pure Booch Co Limited are exempt from audit by virtue of s479A of the Companies Act 2006.

The aggregate of the share capital and reserves as at 31 August 2022 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
	£	£
Purity Brewing Company Limited	472,890	(634,707)
Pure Craft Bars Limited*	(89,990)	123,220
Pure Booch Co Limited*	(197,411)	(191,660)

17. Stocks

	Group 2022 £	Group 2021 £
Raw materials and consumables	269,658	301,713
Work in progress (goods to be sold)	78,731	46,237
Finished goods and goods for resale	318,481	246,293
	<u>666,870</u>	<u>594,243</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

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**PURITY BREWING GROUP LIMITED**

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**18. Debtors**

	<b>Group 2022 £</b>	<b>Group 2021 £</b>	<b>Company 2022 £</b>	<b>Company 2021 £</b>
Trade debtors	1,489,025	1,367,350	-	-
Other debtors	319,065	277,429	7,414	3,379
Prepayments and accrued income	160,402	171,272	14,069	13,659
	<u>1,968,492</u>	<u>1,816,051</u>	<u>21,483</u>	<u>17,038</u>

**19. Cash and cash equivalents**

	<b>Group 2022 £</b>	<b>Group 2021 £</b>	<b>Company 2022 £</b>	<b>Company 2021 £</b>
Cash at bank and in hand	37,430	584,705	2,798	-
Less: bank overdrafts	(1,062,407)	-	-	-
	<u>(1,024,977)</u>	<u>584,705</u>	<u>2,798</u>	<u>-</u>

**20. Creditors: Amounts falling due within one year**

	<b>Group 2022 £</b>	<b>Group 2021 £</b>	<b>Company 2022 £</b>	<b>Company 2021 £</b>
Bank overdrafts	1,062,407	-	-	-
Bank loans	3,684,642	152,136	3,440,714	-
Other loans	8,884	-	-	-
Trade creditors	1,692,989	1,148,313	58,134	20,274
Amounts owed to group undertakings	-	-	427,374	372,009
Corporation tax	35,639	35,639	-	-
Other taxation and social security	284,467	1,444,238	14,601	18,935
Obligations under finance lease and hire purchase contracts	116,187	152,932	-	173,019
Other creditors	198,127	232,444	610	610
Accruals and deferred income	1,295,774	1,098,088	754,700	493,438
	<u>8,379,116</u>	<u>4,263,790</u>	<u>4,696,133</u>	<u>1,078,285</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**21. Creditors: Amounts falling due after more than one year**

	<b>Group 2022 £</b>	<b>Group 2021 £</b>	<b>Company 2022 £</b>	<b>Company 2021 £</b>
Shareholder loans	866,671	4,456,038	-	3,376,038
Net obligations under finance leases and hire purchase contracts	110,942	236,670	-	(173,019)
Government grants	50,000	24,240	-	-
	<u>1,027,613</u>	<u>4,716,948</u>	<u>-</u>	<u>3,203,019</u>

**22. Loans**

	<b>Group 2022 £</b>	<b>Group 2021 £</b>	<b>Company 2022 £</b>	<b>Company 2021 £</b>
<b>Amounts falling due within one year</b>				
Bank loans	3,684,642	152,136	3,440,714	-
Other loans	8,884	-	-	-
	<u>3,693,526</u>	<u>152,136</u>	<u>3,440,714</u>	<u>-</u>
<b>Amounts falling due 1-2 years</b>				
Bank loans	866,671	1,080,000	-	-
	<u>866,671</u>	<u>1,080,000</u>	<u>-</u>	<u>-</u>
<b>Amounts falling due 2-5 years</b>				
Shareholder loans	-	3,376,038	-	3,376,038
	<u>-</u>	<u>3,376,038</u>	<u>-</u>	<u>3,376,038</u>
	<u>4,560,197</u>	<u>4,608,174</u>	<u>3,440,714</u>	<u>3,376,038</u>

The bank loans are secured with fixed and floating charges over the assets of the Company.

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**PURITY BREWING GROUP LIMITED**

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**23. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	<b>Group 2022 £</b>	<b>Group 2021 £</b>
Within one year	133,428	133,221
Between 1-5 years	93,701	173,019
	<u>227,129</u>	<u>306,240</u>

The finance leases relate to plant and machinery used in the normal course of the business. There are no specific arrangements that warrant disclosure.

**24. Financial instruments**

	<b>Group 2022 £</b>	<b>Group 2021 £</b>	<b>Company 2022 £</b>	<b>Company 2021 £</b>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	<u>1,808,090</u>	<u>1,412,570</u>	<u>7,414</u>	<u>3,379</u>
<b>Financial liabilities</b>				
Other financial liabilities measured at fair value through profit or loss	<u>4,381,790</u>	<u>7,718,307</u>	<u>500,719</u>	<u>3,787,866</u>

Financial assets measured at fair value through profit or loss comprise of trade debtors and other debtors.

Other financial liabilities measured at fair value through profit and loss comprise bank overdrafts, loans due in more than 1 year, trade creditors, amounts owed to group undertakings, other taxation and social security, net obligations under finance leases and hire purchase contracts, other creditors and government grants.



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**PURITY BREWING GROUP LIMITED**

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**25. Deferred taxation****Group**

	<b>2022 £</b>
At beginning of year	(254,626)
Charged to profit or loss	(225,147)
<b>At end of year</b>	<b>(479,773)</b>

	<b>Group 2022 £</b>	<b>Group 2021 £</b>
Accelerated capital allowances	(496,226)	(569,879)
Tax losses carried forward	-	299,279
Other differences	16,453	15,974
	<b>(479,773)</b>	<b>(254,626)</b>

**26. Provisions****Group**

	<b>Onerous lease £</b>
At 1 September 2021	30,770
Utilised in year	(30,770)
<b>At 31 August 2022</b>	<b>-</b>

**27. Share capital**

	<b>2022 £</b>	<b>2021 £</b>
<b>Allotted, called up and fully paid</b>		
14,530 (2021 - 14,530) Ordinary shares of £1.00 each	14,530	14,530
8,000 (2021 - 8,000) Ordinary A shares of £1.00 each	8,000	8,000
939 (2021 - 939) Ordinary B shares of £1.00 each	939	939
	<b>23,469</b>	<b>23,469</b>

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FOR THE YEAR ENDED 31 AUGUST 2022**

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**27. Share capital (continued)**

*The ordinary A shares carry equity and voting rights.*

*The ordinary B shares carry no voting rights.*

**28. Reserves****Share premium account**

*Being the amounts paid for shares in excess of the par value.*

**Profit and loss account**

*Includes all current and prior period retained profits and losses.*

**29. Commitments under operating leases**

*At 31 August 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:*

	<b>Group 2022 £</b>	<b>Group 2021 £</b>
<i>Not later than 1 year</i>	<i>46,580</i>	<i>135,140</i>
<i>Later than 1 year and not later than 5 years</i>	<i>40,648</i>	<i>434,755</i>
<i>Later than 5 years</i>	<i>-</i>	<i>511,292</i>
	<b>87,228</b>	<b>1,081,187</b>

**30. Related party transactions**

*The Group is related to the directors and during the year to 31 August 2022, the transactions with the directors were as follows:*

*Purity Brewing Company Limited rents property from Mr J R G Stevens, who owns 1.84% of the ordinary share capital of Purity Brewing Group Limited. During the year, rent was paid to Mr Stevens of £110,711 (2021: £126,265), and as at 31 August 2022, Purity Brewing Company Limited owed Mr Stevens £20,129 (2021: £10,065).*

*During the period Purity Brewing Company Limited made purchases of £23,558 (2021: £Nil) from Pure Booch Co Limited, a company in which they own 51% of the share capital. As at the 31 August 2022 Purity Brewing Company owed £6,928 (2021: £Nil) to Pure Booch Co Limited which is included within trade creditors. As at 31 August 2022 Purity Brewing Company Limited was owed £325,074 (2021: £Nil) from Pure Booch Co Limited.*

*Spernal Farms Limited (100% owned by J R G Stevens, the shareholder above) expenditure for water and electricity £11,363 (2021: £26,786), year end balance £20,493 (2021: £480).*

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**31. Post balance sheet events**

There are no further significant events affecting the Company or Group since the year end.

**32. Controlling party**

The Directors consider there to be no ultimate controlling party.