

Company registration number 06558609 (England and Wales)

PROOF DRINKS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

PROOF DRINKS LIMITED

COMPANY INFORMATION

Directors J McDermott
P Ferguson
B Fallon (Appointed 13 August 2022)

Company number 06558609

Registered office 41 Great Portland Street
London
W1W 7LA

Auditor Hardwick & Morris LLP
41 Great Portland Street
London
W1W 7LA

PROOF DRINKS LIMITED

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PROOF DRINKS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Fair review of the business

	2022 £'000	2021 £'000	2020 £'000
Turnover	28,078	13,759	7,709
Profit before tax	88	152	20

The Directors present the strategic report for the year ended 31 March 2022.

Proof Drinks Ltd is principally engaged in the distribution of third party drinks brands in the UK. Proof Drinks Ltd has had a successful year growing the brands distributed by 104% across all sales channels. With the re-opening of the on-trade sector following the Covid-19 lockdowns, the wholesale market along with the online sales have had strong growth. Retail sales have stayed consistent over the year. The addition of new brands in the future is expected to drive further increases across all markets.

The business continues to grow and develop with the addition of new brands to the portfolio planned to offset the scheduled cessation of some existing brands. The new brands selected are all established within the UK market with scope for further growth and are chosen to compliment the existing portfolio of brands. Brand growth is driven through strategic marketing and events and by the sales team.

Investment in staff across the business, starting with the sales and marketing teams and followed with the support functions has enabled the business to grow rapidly over the last 3 years. Further investment is anticipated in 2023 to continue to grow the business and the brands they support.

The company monitors performance against budget and forecast along with other KPI's such as monthly sales by sales channel and brand and cashflow. These are reviewed monthly and any anomalies are reviewed by the Board of Directors.

Principal risks and uncertainties

Proof Drinks Ltd principle risks are brand portfolio risks, interest rate risks and price risks. The risks are managed as follows:

Brand portfolio risks

Proof Drinks seeks to main a diverse portfolio of established brands across a number of different products ranges. This diversity ensures that as different drinks products gain in popularity, they are positioned to deliver to their customers. Investment into the sales, marketing and support functions along with IT infrastructure, ensures that they are able to deliver a high level of service to their customers.

Interest rate risks

Trade debtors are funded through invoice financing facilities with increasing interest rate charges. The debtors are closely managed to minimise funding requirements.

Foreign exchange risks

Proof Drinks has some foreign exchange exposure due to purchases made from overseas stock suppliers. To mitigate this risk, the company monitors exchange rates regularly and seeks to optimise payment and transaction rates.

PROOF DRINKS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

On behalf of the board

P Ferguson
Director

15 March 2023

PROOF DRINKS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

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

Principal activities

The principal activity of the company continued to be that of drinks distribution, sales and marketing.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J McDermott

P Ferguson

B Fallon

(Appointed 13 August 2022)

Auditor

Hardwick & Morris LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

P Ferguson

Director

15 March 2023

PROOF DRINKS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 company will continue in business.

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

PROOF DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROOF DRINKS LIMITED

Opinion

We have audited the financial statements of Proof Drinks Limited (the 'company') for the year ended 31 March 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including 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 company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

PROOF DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PROOF DRINKS LIMITED

Matters on which we are required to report by exception

In the 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 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, 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 either intend to liquidate the 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Appropriate audit procedures in response to these risks were carried out. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

PROOF DRINKS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PROOF DRINKS LIMITED

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

The financial statements of Proof Drinks Limited for the year ended 31 March 2021 were not audited.

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.

Stephanie Hardwick FCA
Senior Statutory Auditor
For and on behalf of Hardwick & Morris LLP

15 March 2023

Chartered Accountants
Statutory Auditor

41 Great Portland Street
London
W1W 7LA

PROOF DRINKS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	28,078,161	13,759,439
Cost of sales		(24,641,680)	(11,981,906)
Gross profit		<u>3,436,481</u>	<u>1,777,533</u>
Administrative expenses		(3,279,031)	(1,919,464)
Other operating income		49,415	328,458
Operating profit	4	<u>206,865</u>	<u>186,527</u>
Interest receivable and similar income	7	20	18
Interest payable and similar expenses	8	(119,224)	(34,912)
Profit before taxation		<u>87,661</u>	<u>151,633</u>
Tax on profit	9	(25,064)	(29,890)
Profit for the financial year		<u><u>62,597</u></u>	<u><u>121,743</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

PROOF DRINKS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	£	£
Profit for the year	62,597	121,743
Other comprehensive income	-	-
Total comprehensive income for the year	<u>62,597</u>	<u>121,743</u>

PROOF DRINKS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	10		18,560		16,330
Investments	11		29		29
			<u>18,589</u>		<u>16,359</u>
Current assets					
Stocks	13	3,493,719		2,020,923	
Debtors	14	6,578,220		4,398,199	
Cash at bank and in hand		119,582		27,344	
		<u>10,191,521</u>		<u>6,446,466</u>	
Creditors: amounts falling due within one year	15	<u>(8,964,864)</u>		<u>(5,073,615)</u>	
Net current assets			<u>1,226,657</u>		<u>1,372,851</u>
Total assets less current liabilities			<u>1,245,246</u>		<u>1,389,210</u>
Creditors: amounts falling due after more than one year	16		<u>(470,667)</u>		<u>(677,228)</u>
Net assets			<u><u>774,579</u></u>		<u><u>711,982</u></u>
Capital and reserves					
Called up share capital	20		147,000		147,000
Share premium account			458,920		458,920
Profit and loss reserves			168,659		106,062
Total equity			<u><u>774,579</u></u>		<u><u>711,982</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15 March 2023 and are signed on its behalf by:

P Ferguson
Director

Company Registration No. 06558609

PROOF DRINKS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 April 2020	147,000	458,920	(15,681)	590,239
Year ended 31 March 2021:				
Profit and total comprehensive income for the year	-	-	121,743	121,743
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	147,000	458,920	106,062	711,982
Year ended 31 March 2022:				
Profit and total comprehensive income for the year	-	-	62,597	62,597
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	<u>147,000</u>	<u>458,920</u>	<u>168,659</u>	<u>774,579</u>

PROOF DRINKS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24				
		420,796		(488,150)	
Interest paid		(119,224)		(34,912)	
Income taxes paid		(29,890)		(9,525)	
		<u> </u>		<u> </u>	
Net cash inflow/(outflow) from operating activities		271,682		(532,587)	
Investing activities					
Proceeds from disposal of intangibles		(4,525)		-	
Purchase of tangible fixed assets		(15,150)		(12,712)	
Proceeds from disposal of tangible fixed assets		10,862		-	
Proceeds from disposal of subsidiaries		-		(29)	
Interest received		20		18	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(8,793)		(12,723)
Financing activities					
Repayment of bank loans		(170,651)		528,617	
		<u> </u>		<u> </u>	
Net cash (used in)/generated from financing activities		(170,651)		528,617	
Net increase/(decrease) in cash and cash equivalents		92,238		(16,693)	
Cash and cash equivalents at beginning of year		27,344		44,037	
		<u> </u>		<u> </u>	
Cash and cash equivalents at end of year		<u>119,582</u>		<u>27,344</u>	

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Proof Drinks Limited is a private company limited by shares incorporated in England and Wales. The registered office is 41 Great Portland Street, London, W1W 7LA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of JP Drinks Limited. These consolidated financial statements are available from its registered office, 41 Great Portland Street, London, United Kingdom, W1W 7LA.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Proof Drinks Limited is a subsidiary of JPJ (UK) Limited who is a wholly owned subsidiary of JP Drinks Limited and the results of Proof Drinks Limited are included in the consolidated financial statements of JP Drinks Limited which are available from 41 Great Portland Street, London, United Kingdom W1W 7LA.

1.2 Turnover

Turnover represents amounts receivable for the distribution, sales and marketing of goods and services net of VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	25% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.4 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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 profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies (Continued)

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Other revenue		
Interest income	20	18
Grants received	49,415	328,458
	<u> </u>	<u> </u>

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	16,273	15,942
Government grants	(49,415)	(328,458)
Fees payable to the company's auditor for the audit of the company's financial statements	18,000	-
Depreciation of owned tangible fixed assets	8,395	9,437
Profit on disposal of tangible fixed assets	(6,337)	-
Loss on disposal of intangible assets	4,525	-
Operating lease charges	47,907	26,787
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
	40	29
	<u> </u>	<u> </u>

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

5	Employees	(Continued)	
	Their aggregate remuneration comprised:		
		2022	2021
		£	£
	Wages and salaries	1,661,699	1,080,393
	Social security costs	178,784	118,218
	Pension costs	65,459	34,367
		<u>1,905,942</u>	<u>1,232,978</u>
		<u><u>1,905,942</u></u>	<u><u>1,232,978</u></u>
6	Directors' remuneration		
		2022	2021
		£	£
	Remuneration for qualifying services	26,340	26,200
		<u>26,340</u>	<u>26,200</u>
		<u><u>26,340</u></u>	<u><u>26,200</u></u>
7	Interest receivable and similar income		
		2022	2021
		£	£
	Interest income		
	Interest on bank deposits	20	18
		<u>20</u>	<u>18</u>
		<u><u>20</u></u>	<u><u>18</u></u>
8	Interest payable and similar expenses		
		2022	2021
		£	£
	Interest on bank overdrafts and loans	107,140	4,363
	Other interest	12,084	30,549
		<u>119,224</u>	<u>34,912</u>
		<u><u>119,224</u></u>	<u><u>34,912</u></u>
9	Taxation		
		2022	2021
		£	£
	Current tax		
	UK corporation tax on profits for the current period	25,064	29,890
		<u>25,064</u>	<u>29,890</u>
		<u><u>25,064</u></u>	<u><u>29,890</u></u>

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	87,661	151,633
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	16,656	28,810
Tax effect of expenses that are not deductible in determining taxable profit	11,004	1,080
Tax effect of income not taxable in determining taxable profit	(344)	-
Permanent capital allowances in excess of depreciation	(2,252)	-
Taxation charge for the year	25,064	29,890

10 Tangible fixed assets

	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£
Cost			
At 1 April 2021	44,510	21,634	66,144
Additions	15,150	-	15,150
Disposals	(26,081)	(21,634)	(47,715)
At 31 March 2022	33,579	-	33,579
Depreciation and impairment			
At 1 April 2021	28,180	21,634	49,814
Depreciation charged in the year	8,395	-	8,395
Eliminated in respect of disposals	(21,556)	(21,634)	(43,190)
At 31 March 2022	15,019	-	15,019
Carrying amount			
At 31 March 2022	18,560	-	18,560
At 31 March 2021	16,330	-	16,330

11 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	12	29	29

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

11 Fixed asset investments (Continued)

Fixed asset investments not carried at market value

The value of investments is based on the cost to acquire the shares.

12 Subsidiaries

Details of the company's subsidiaries at 31 March 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Proof Drinks Australia PTY LTD	Australia	Alcohol distributor	Ordinary	52.00

13 Stocks

	2022 £	2021 £
Finished goods and goods for resale	3,493,719	2,020,923

14 Debtors

Amounts falling due within one year:	2022 £	2021 £
Trade debtors	5,916,436	2,548,140
Amounts owed by group undertakings	222,397	240,849
Other debtors	120,753	1,318,351
Prepayments and accrued income	318,634	290,859
	6,578,220	4,398,199

15 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans	17	206,561	170,651
Trade creditors		3,445,149	1,576,355
Amounts owed to group undertakings		-	7,689
Corporation tax		25,064	29,890
Other taxation and social security		244,961	466,566
Deferred income	18	179,226	-
Other creditors		4,525,332	1,958,068
Accruals		338,571	864,396
		8,964,864	5,073,615

A charge is in place in respect of the invoice discounting agreement which is held over the company's assets.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

16 Creditors: amounts falling due after more than one year	Notes	2022 £	2021 £
Bank loans and overdrafts	17	470,667	677,228
		<u>470,667</u>	<u>677,228</u>
17 Loans and overdrafts		2022 £	2021 £
Bank loans		677,228	847,879
		<u>677,228</u>	<u>847,879</u>
Payable within one year		206,561	170,651
Payable after one year		470,667	677,228
		<u>470,667</u>	<u>677,228</u>
18 Deferred income		2022 £	2021 £
Other deferred income		179,226	-
		<u>179,226</u>	<u>-</u>
19 Retirement benefit schemes		2022 £	2021 £
Defined contribution schemes			
Charge to profit or loss in respect of defined contribution schemes		65,459	34,367
		<u>65,459</u>	<u>34,367</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary Shares A of £1 each	1,900	1,900	1,900	1,900
Deferred Shares of £1 each	145,000	145,000	145,000	145,000
Ordinary Shares B of £1 each	100	100	100	100
	<u>147,000</u>	<u>147,000</u>	<u>147,000</u>	<u>147,000</u>

21 Charges

HSBC Bank Plc holds a fixed and floating charge over all assets of the company.

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	63,333	62,624
Between two and five years	380,000	-
	<u>443,333</u>	<u>62,624</u>

23 Ultimate controlling party

The parent company is JPJ (UK) Limited, company number 09348627, registered in England and Wales. The registered office for JPJ (UK) Limited is 41 Great Portland Street, London, W1W 7LA.

The ultimate parent company is JP Drinks Limited, company number 13572694, registered in England and Wales. The registered office for JP Drinks Limited is 41 Great Portland Street, London, W1W 7LA.

24 Cash generated from/(absorbed by) operations

	2022 £	2021 £
Profit for the year after tax	62,597	121,743
Adjustments for:		
Taxation charged	25,064	29,890
Finance costs	119,224	34,912
Investment income	(20)	(18)
Gain on disposal of tangible fixed assets	(6,337)	-
Loss on disposal of tangible assets	4,525	-
Depreciation and impairment of tangible fixed assets	8,395	9,437
Movements in working capital:		
Increase in stocks	(1,472,796)	(890,092)
Increase in debtors	(2,180,021)	(1,814,905)
Increase in creditors	3,680,939	2,020,883
Increase in deferred income	179,226	-
Cash generated from/(absorbed by) operations	<u>420,796</u>	<u>(488,150)</u>

PROOF DRINKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

25 Analysis of changes in net debt

	1 April 2021	Cash flows	31 March 2022
	£	£	£
Cash at bank and in hand	27,344	92,238	119,582
Borrowings excluding overdrafts	(847,879)	170,651	(677,228)
	<u>(820,535)</u>	<u>262,889</u>	<u>(557,646)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.