Registered number: 07505787

Clearly Drinks Limited

Annual Report and Financial Statements

For the year ended 31 December 2018

Company information

Directors

Michael Alan Howard
Geoffrey Mark Hodgson

Registered Office

Riverside Industrial Estate
Riverside Road
Southwick
Sunderland
England
SR5 3JG

Bankers

Clydesdale Bank PLC trading as Yorkshire Bank
94-96 Briggate
Leeds
LS1 6AD

Independent Auditors

PricewaterhouseCoopers LLP
Central Square South
Orchard Street
Newcastle Upon Tyne
NE1 3AZ

Contents

Strategic report

for the year ended 31 December 2018

The directors of Clearly Drinks Limited present their Strategic Report for the year ended 31 December 2018.

Principal activity and future developments

The principal activity of the company is the manufacture of soft drinks. The strategy of the company is to create growth through investment in people and systems together with targeted acquisitions.

Business review

The results for the year ended 31 December 2018 show a loss after tax of £142,230 (2017: profit after tax of £359,122) and net assets at the balance sheet date of £1,783,941 (2017: £1,926,171). The directors do not recommend the payment of a dividend (2017: £nil). During 2018 the business has undertaken significant management change which has resulted in increased costs in 2018. The new leadership team has made a significant impact in transforming the business since the year end and the trading outlook for 2019 and beyond is expected to show a material improvement when compared to 2018.

Principal risks and uncertainties

The Company's approach to risk is to follow an approved risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which the business faces are detailed as follows:

Maintaining standards of care and health and safety risk
The company is committed to ensuring a safe working environment. These risks are managed by the company through the promotion of a health and safety culture and health and safety controls, procedures and policies.

Regulatory risk
The Company manufactures products for human consumption and strictly adheres to batch controls as well as maintaining the highest standards of hygiene and compliance with industry standards such that it passes periodic assessments undertaken by several agencies and key customers.

Price risk
Major variations in the cost of raw materials and other supplies would have an impact on profitability. Where possible, the company seeks to mitigate such risks by competitive sourcing and agreeing long term supply contracts where appropriate.

Financial instrument risks
The company's principal financial instruments comprise cash, trade debtors and creditors, loans and certain other debtors and creditors. The main risks associated with these financial assets and liabilities are set out below.

Credit risk
Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. Company policies are structured to mitigate such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in the notes to the financial statements.

Strategic report
for the year ended 31 December 2018

Principal risks and uncertainties (continued)

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's liquidity risk is managed through regular monitoring and forecasting of cash generated from operations, required cash levels and the utilisation of available bank facilities.

Cash flow risk
Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on variable rate debt. Cash flow risk is managed through cash flow forecasting, tight credit control and authorisation of payments.

This report was approved by the board on 27 September 2019 and signed on its behalf by:

GMH

Geoffrey Mark Hodgson
Director

Directors' report

for the year ended 31 December 2018

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

Results and dividends

The Company loss for the year after taxation amounted to £142,230 (2017: profit after tax of £359,122). The directors do not recommend the payment of a dividend (2017: £nil).

Going concern

The Company's business activity, together with the factors likely to affect its future development and position are set out above and in the Strategic Report. On the basis of their assessment of the company's financial position the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Financial instruments

Details of financial instruments are provided in the Strategic Report.

Directors

The directors who served the company during the year and up to the date of signing these financial statements were as follows:

Michael Alan Howard	(appointed 1 April 2018)
Mark Bell	(resigned 18 May 2018)
Finian O'Driscoll	(resigned 29 January 2019)
Lorraine Quinn	(resigned 30 November 2018)
Martin Thornton	(resigned 31 December 2018)
Geoffrey Mark Hodgson	(appointed 4 February 2019)

Post balance sheet events

In 2019 the following post balance sheet events have taken place:

- On the 8th July 2019 a small fire occurred at the Riverside Road premises which was quickly contained. The impact of the fire resulted in a stock loss of £120k, all being recoverable through insurance.

- On 22nd August 2019 Clearly Drinks Ltd acquired the business and assets of Revolution Waves Limited for an initial cash consideration of £75,000 and a contingent cash consideration of £75,000 due 31st December 2019. The contingent consideration is subject to Clearly Drinks Ltd being satisfied that there has been a Successful Transition Period.

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

Directors' report (continued)

for the year ended 31 December 2018

Independent auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the forthcoming annual general meeting.

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

Geoffrey Mark Hodgson
Director
Date: 27 September 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of Clearly Drinks Limited

Report on the audit of the financial statements

Opinion

In our opinion, Clearly Drinks Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
27 September 2019

Statement of comprehensive income

for the year ended 31 December 2018

	Notes	**2018**	**2017**
		£	**£**
Turnover	2	14,944,946	14,195,935
Cost of sales		(9,028,536)	(8,606,696)
Gross profit		5,916,410	5,589,239
Distribution costs		(2,552,120)	(1,792,837)
Administrative expenses		(3,511,572)	(3,334,856)
Operating (loss)/profit	3	(147,282)	461,546
Interest payable and similar expenses	7	(60,260)	(60,639)
(Loss)/profit before taxation		(207,542)	400,907
Tax on (loss)/profit	8	65,312	(41,785)
(Loss)/profit for the financial year		(142,230)	359,122

There were no recognised gains and losses for the year other than those included in the statement of comprehensive income.

There was no other comprehensive income for the year.

The notes on pages 14 to 26 form part of these financial statements.

Statement of financial position

As at 31 December 2018

	Notes		2018		2017
		£	£	£	£
Fixed assets					
Tangible assets	10		4,637,602		4,104,414
			4,637,602		4,104,414
Current assets					
Inventories	11	1,004,935		746,989	
Debtors	12	3,838,730		2,566,424	
Cash at bank and in hand		2,710		173,812	
		4,846,375		3,487,225	
Current liabilities					
Creditors: amounts falling due within one year	13	(6,718,136)		(4,399,949)	
Net current liabilities			(1,871,761)		(912,724)
Total assets less current liabilities			2,765,841		3,191,690
Creditors: amounts falling due after more than one year	14		(611,559)		(840,895)
Deferred tax	15		(370,341)		(424,624)
Net assets			1,783,941		1,926,171
Capital and reserves					
Called up share capital	16		100		100
Revaluation reserve			783,152		783,152
Retained earnings			1,000,689		1,142,919
Total equity			1,783,941		1,926,171

The financial statements on pages 11 to 26 were approved and authorised for issue by the board and were signed on its behalf by

Geoffrey Mark Hodgson
Director

Date: 27 September 2019

The notes on pages 14 to 26 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2018

	Called up share capital	Revaluation reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2017	100	783,152	783,797	1,567,049
Profit and total comprehensive income for the year	-	-	359,122	359,122
At 31 December 2017	100	783,152	1,142,919	1,926,171
Loss and total comprehensive expense for the year	-	-	(142,230)	(142,230)
At 31 December 2018	100	783,152	1,000,689	1,783,941

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies

Basis of preparation of financial statements

Clearly Drinks Limited is a private company limited by shares incorporated and domiciled in England, United Kingdom. The company's principal place of business is Riverside Industrial Estate, Riverside Road, Sunderland, SR5 3JG.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

The preparation of financial statements, in compliance with FRS 102 requires the use of certain critical accounting estimates. The accounting policies have been applied consistently. It also requires management to exercise judgment in applying the Company's accounting policies.

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to forecast future cash generation and the borrowing facilities available to the group of companies to which the company belongs being more than adequate for its future needs.

The company meets the definition of a qualifying entity under FRS 102 since it is a wholly owned subsidiary of Acorn Topco Limited which prepares consolidated financial statements which include the company. The company has taken advantage of the following disclosure exemptions as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d) to prepare a statement of cashflows
- The requirement of Section 33 Related Party Disclosures paragraph 33.7 to disclose key management compensation.

The consolidated financial statements of Acorn Topco Limited which include the disclosures above are available from its registered office: Riverside Industrial Estate, Riverside Road, Sunderland, Tyne & Wear, SR5 3JG.

The following principal accounting policies have been applied:

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.

Revenue is recognised under bill and hold arrangements at the point that the criteria under FRS 102 to meet the recognition of revenue have been satisfied.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Intangible assets

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs - Straight line over 4 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

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. For land and property the company has elected to use a previous revaluation as deemed cost under the provisions of FRS 102.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to statement of comprehensive income during the year.

Depreciation is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Land is not depreciated. The residual value of freehold property is considered to be not less than its cost and therefore depreciation is not charged on the grounds of materiality.

Depreciation is provided on the following basis:

Plant and Machinery	-	10% to 25% reducing balance
Fixtures and fittings	-	10% to 25% reducing balance

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 within 'administrative expenses' in the Statement of Comprehensive Income.

Valuation of investments

Investments in subsidiaries are measured at cost less provisions for impairment.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Operating leases: Lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting 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 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. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

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.

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.

Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable 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 payables or receivables, 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 financed at a rate of interest that is not a market rate or in case of an out- right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Financial instruments (continued)

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, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

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.

Foreign currency 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 year 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 are presented in the Statement of Comprehensive Income within 'administrative expenses'.

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.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Leased assets: lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments 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 Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Functional and presentation currency

The company's functional and presentational currency is GBP.

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except that a change 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 reporting date in the countries where the Company operate and generate income.

Notes to the financial statements

for the year ended 31 December 2018

1. Accounting policies (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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 company 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 reporting date.

Critical accounting judgements and estimation uncertainty

The Company makes estimates and assumptions concerning the future. The estimates and assumptions that are deemed significant have been addressed below:

Impairment of tangible assets
The Company considers whether tangible assets are impaired. Where an indication of impairment is identified the recoverable value requires estimation in respect of future performance.

Notes to the financial statements

for the year ended 31 December 2018

2. Turnover

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

	2018	2017
	£	£
Sales of soft drinks	14,944,946	14,195,935

Analysis of turnover by country of destination:

	2018	2017
	£	£
United Kingdom	13,470,187	11,692,658
Overseas	1,474,759	2,503,277
	14,944,946	14,195,935

3. Operating (loss)/profit

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

	2018	2017
	£	£
Depreciation of tangible assets - owned	306,044	227,809
Depreciation of tangible assets - leased	113,712	46,042
Fixed asset impairment	43,013	-
Foreign exchange difference	12,357	257
Operating lease charges – plant and machinery	61,135	51,438

4. Auditors' remuneration

The fee in connection with the audit of the financial statements is borne by the intermediate parent company, Acorn Bidco Limited. The audit fee for the group is £51,500 (2017: £41,500).

Notes to the financial statements
for the year ended 31 December 2018

5. Employees

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

	2018	2017
	£	£
Wages and salaries	2,551,840	2,694,305
Social security costs	244,057	215,974
Other pension costs	42,522	67,603
	2,838,419	2,977,882

Pension costs of £42,522 (2017: £67,603) are in respect of defined contribution schemes.

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

	2018	2017
	No.	No.
Production	58	55
Administrative	29	18
	87	73

6. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	67,054	852,661
Company contributions to defined contribution pension schemes	1,200	11,774
	68,254	864,435

During the year retirement benefits were accruing to 1 director in respect of defined contribution pension schemes.

The highest paid director in the year received remuneration of £67,054 (2017: £754,409).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,200 (2017: £3,750).

Notes to the financial statements

for the year ended 31 December 2018

7. Interest payable and similar expenses

	2018 £	2017 £
Loan interest	6,819	12,124
HP Interest	19,401	48,515
Other Interest	34,040	-
	60,260	60,639

8. Tax on (loss)/profit

	2018 £	2017 £
Corporation tax		
Current tax charge on profit for the year	(5,896)	8,500
Adjustments in respect of prior periods	(5,133)	2,529
Total current tax (credit)/charge	(11,029)	11,029
Deferred tax		
Origination and reversal of timing differences	(4,582)	30,756
Adjustments in respect of prior periods	(49,701)	-
Total deferred tax (credit)/charge	(54,283)	30,756
Total tax on (loss)/profit	(65,312)	41,785

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: lower than) the effective rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit before tax	(207,542)	400,907
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(39,433)	77,175
Effects of:		
Fixed asset differences	9,237	-
Adjustments to tax charge in respect of previous periods – deferred tax	(49,701)	-
Tax rate differences Adjust opening deferred tax to average rate of 19%	539	-
Adjustments in respect of prior periods	(5,133)	2,529
Group relief received	-	(27,558)
Losses carried back at different rate	17,461	-
Other expenses not deductible for tax purposes	1,718	2,082
Differences due to change of UK tax rate	-	(12,443)
Total tax on (loss)/profit	(65,312)	41,785

Notes to the financial statements

for the year ended 31 December 2018

9. Intangible assets

	Development costs £
Cost	
At 1 January and 31 December 2018	98,884
Accumulated amortisation	
At 1 January and 31 December 2018	98,884
Net book value	
At 31 December 2018 and 2017	-

10. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2018	1,323,013	3,706,474	97,519	5,127,006
Additions	-	994,462	34,761	1,029,223
Disposals	-	(67,902)	-	(67,902)
At 31 December 2018	1,323,013	4,633,034	132,280	6,088,327
Accumulated depreciation				
At 1 January 2018	-	933,500	89,092	1,022,592
Charge for the year	-	415,233	4,523	419,756
Disposal	-	(34,636)	-	(34,636)
Impairment	43,013	-	-	43,013
At 31 December 2018	43,013	1,314,097	93,615	1,450,725
Net book value				
At 31 December 2018	1,280,000	3,318,937	38,665	4,637,602
At 31 December 2017	1,323,013	2,772,974	8,427	4,104,414

Included in plant and machinery are assets with a net book value of £1,023,407 (2017: £1,137,118) held under hire purchase arrangements.

Notes to the financial statements
for the year ended 31 December 2018

11. Inventories

	2018	2017
	£	£
Raw materials	530,785	412,916
Finished goods	474,150	334,073
	1,004,935	746,989

There is no significant difference between the replacement cost of inventories and their carrying amounts.

12. Debtors

	2018	2017
	£	£
Trade debtors	1,925,282	1,448,388
Amounts owed by group undertakings	1,674,654	844,812
Other debtors	76,697	51,311
Corporation tax	6,262	58,971
Prepayments and accrued income	155,835	162,942
	3,838,730	2,566,424

Trade debtors are stated after provisions for impairment of £23,091 (2017: £21,462).

13. Creditors: amounts falling due within one year

	2018	2017
	£	£
Bank overdraft	417,653	-
Obligations under finance leases and hire purchase contracts	229,335	229,335
Trade creditors	2,299,441	1,026,375
Amounts owed to group undertakings	2,636,472	2,636,472
Other creditors	385,005	220,085
Accruals and deferred income	750,230	287,682
	6,718,136	4,399,949

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements

for the year ended 31 December 2018

14. Creditors: amounts falling due after more than one year

	2018 £	2017 £
Obligations under finance leases and hire purchase contracts	611,559	840,895
	611,559	840,895

15. Deferred tax

	2018 £
At 1 January 2018	424,624
Credited to the profit & loss account	(54,283)
At 31 December 2018	370,341

The provision for deferred taxation is made up as follows:	
Fixed asset temporary differences	259,088
Tax losses	(21,883)
Property revaluation	133,136
	370,341

16. Called up share capital

	2018 £	2017 £
Allotted, called up and fully paid		
100 (2017: 100) ordinary shares of £1 each	100	100

17. Pensions

The company operates a defined contribution scheme. The pension cost in the year ended 31 December 2018 represents contributions paid by the company to the scheme and amounts to £42,522 (2017: £67,603).

The outstanding contributions included in creditors at year end amount to £418 (2017: £nil).

The Company had no post-employment benefits at 31 December 2018.

Notes to the financial statements

for the year ended 31 December 2018

18. Post Balance Sheet Events

Subsequent to the year end the following post balance sheet events have taken place:

- On the 8th July 2019 a small fire occurred at the Riverside Road premises which was quickly contained. The impact of the fire resulted in a stock loss of £120k, all being recoverable through insurance..

- On 22nd August 2019 Clearly Drinks Ltd acquired the business and assets of Revolution Waves Limited for an initial cash consideration of £75,000 followed by a contingent cash consideration of £75,000 due 31st December 2019. The contingent consideration is subject to Clearly Drinks Ltd being satisfied that there has been a Successful Transition Period.

19. Controlling party

The immediate parent company is Clearly Drinks Group Limited, a member of the Acorn Topco group of companies. Acorn Topco Limited is the smallest and largest company to consolidate these financial statements. The consolidated financial statements of this group are available to the public and may be obtained from Acorn Topco Limited, Riverside Industrial Estate, Riverside Road, Sunderland, Tyne & Wear, SR5 3JG. The ultimate controlling party is NorthEdge Capital LLP.