RNS Number : 6948M
Stock Spirits Group PLC
13 May 2020

Stock Spirits Group PLC

Results for the six months ended 31 March 2020

Excise increases were successfully managed, delivering another period of strong financial and operational progress
Current trading resilient, with minimal impact from the COVID-19 pandemic to date

13 May 2020: Stock Spirits Group PLC ("Stock Spirits", the "Group", or the "Company"), a leading owner and producer of premium branded spirits and liqueurs in Europe, announces its results for the six months ended 31 March 2020.

Financial and operational highlights

All values in € millions unless otherwise stated	**Reported 6 months to March 2020**		**Underlying 6 months to March 2020 excluding 2019 acquisitions**	**Reported 6 months to March 2019 restated for IFRS16**	**% Underlying Growth**
Volume (millions 9 litre cases)	8.1		8.0	7.3	8.4%
Revenue	189.6		180.7	156.9	15.1%
Revenue at constant currency[1]					*15.0%*
Adjusted EBITDA[2]	45.6		44.2	35.3	25.6%
Adjusted EBITDA at constant currency					*25.6%*
Operating profit before exceptional items	38.8		38.7	29.3	32.3%
Profit for the period	14.7		14.9	5.9	152.0%
					% Growth
Earnings per share - basic (€ cents per share)	7.41			2.99	147.8%
Adjusted EPS - basic[3] (€ cents per share)	*14.38*			*10.19*	*41.1%*

All comparative figures for the 6 months to March 2019 have been restated to align with the new IFRS16 requirements, which were adopted by the Group on 1 October 2019.

- Successfully managed January 2020 excise duty increases in both Poland and Czech Republic (which together represent 83.9% of Group revenue), with both businesses continuing to grow in total spirits volume and value
- Poland revenue up 25.4% and Czech Republic underlying revenue up 9.1% (both at constant currency), in both cases reflecting growth in volume, pricing and mix
- Decisive response to COVID-19 pandemic: proactive contingency actions focused on people and safety, continuity of production and supply, and support of local communities (e.g. through large-scale manufacturing and donations of hand sanitiser)
- Strong balance sheet with unused bank facilities. Net debt[4] of €55.4 million at 31 March 2020 (30 September 2019: €55.4 million), resulting in leverage of 0.71x (30 September 2019 restated for IFRS16: 0.83x)
- Interim dividend of 2.77 € cents per share, an increase of 5.3% (2019 interim: 2.63 € cents per share)
- COVID-19 driven exceptional items: impairment of minority investment in Quintessential Brands Ireland Whiskey Limited with a charge of €14.2 million; net release of provisions for contingent consideration of €1.6 million; and €1.3 million of costs from postponed M&A work

Commenting on the results, Mirek Stachowicz, Chief Executive Officer, said:

"These strong results are a testament to the quality of our brand portfolio, the strength of our customer relationships, and the resilience of our business model. It is also these attributes that have enabled us to successfully manage the excise changes that were implemented earlier in the year in our key markets of Poland and the Czech Republic.

The COVID-19 pandemic reached our markets towards the end of the period and, as a result of our long-standing focus on the off-trade, our broad portfolio of local brands, and our strategy of sourcing and manufacturing our products locally, it has had a minimal impact on our operations to date. There remains robust demand for our products, but we are monitoring developments closely and are able to respond quickly if required. Our first priority continues to be the health and well-being of our employees, and I would like to thank them all for their extraordinary resilience, loyalty and hard work during this period."

Analyst presentation

In line with government guidance on social distancing, the Company has decided not to proceed with a physical results presentation. Instead, an audio webcast and conference call will be hosted by CEO Miroslaw Stachowicz and CFO Paul Bal at 9:00am (BST) on Wednesday 13 May 2020. Dial-in details are below. Please dial-in at least 15 minutes prior in order to ensure a timely start to the briefing.

Audio webcast: https://edge.media-server.com/mmc/p/ij23w69i

Conference call:

Location	Phone Number	Passcode
International	+44 (0) 2071 928338	5697873
UK	0800 279 6619	

Please note that questions will only be taken over the conference call and not the audio webcast.

A replay of the audio webcast will be available shortly afterwards on the same link as above.

For further information:

Stock Spirits Group +44 (0) 1628 648 500

Paul Bal

Powerscourt + 44 (0) 20 7250 1446

Rob Greening stockspirits@powerscourt-group.com

Lisa Kavanagh

Bethany Johannsen

Investors can also address any query to investorqueries@stockspirits.com

A copy of this interim results announcement ("announcement") has been posted on www.stockspirits.com

About Stock Spirits Group

Stock Spirits is one of Europe's leading branded spirits and liqueurs businesses, and offers a portfolio of products that are rooted in local and regional heritage. With businesses in Poland, the Czech Republic, Slovakia, Italy, Croatia and Bosnia & Herzegovina, Stock also exports to more than 50 other countries worldwide. Global sales volumes currently total over 125 million litres per year.

Stock has production facilities in Poland, the Czech Republic, Germany and Italy and its core brands include products made to long-established recipes such as Stock 84 brandy, Fernet Stock bitters and Limoncè, as well as more recent creations like Stock Prestige and Żołądkowa de Luxe vodkas.

Stock is listed on the main market of the London Stock Exchange. For the year ended 30 September 2019 it delivered total revenue of €312.4 million and operating profit before exceptional items of €53.9 million.

For further information, please visit www.stockspirits.com

Disclaimer

This announcement may contain statements which are not based on current or historical fact and which are forward looking in nature. These forward looking statements may reflect knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward looking statements. Such forward looking statements are subject to known and unknown risks and uncertainties facing the Group including, without limitation, those risks described in this announcement, and other unknown future events and circumstances which can cause results and developments to differ materially from those anticipated. Nothing in this announcement should be construed as a profit forecast.

Basis of Preparation

The financial information contained in these interim results does not constitute statutory accounts of Stock Spirits Group PLC within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for Stock Spirits Group PLC for the 12 months ended 30 September 2019 were delivered to the Registrar of Companies. The auditors have reported on the accounts, their report was:(i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not constitute a statement under Section 498(2) or (3) of the Companies Act 2006.

COVID-19 IMPACT AND RESPONSE

To-date, the COVID-19 pandemic has had minimal impact both on our performance in our core markets and on the Group's overall financial position. However, we are monitoring the situation extremely closely given the uncertainty as to how long the crisis will last. However, we do note that most of our core markets have started to relax their lock-downs in recent days.

Our first priority is the health and well-being of our employees, and we quickly implemented an extensive range of measures to provide them with a working environment that is as safe as possible. These include organising revised shift patterns at our facilities to minimise risks, and taking measures to minimise person-to-person contact. Office-based employees are working from home. We have redeployed staff who usually work in the on-trade to new roles, including supporting off-trade sales activities, online training, assisting on-trade customers navigate government support packages, and digital marketing. We have not laid off or furloughed any employees, and have not sought government assistance of any kind in any market.

We continue to see robust levels of consumer demand for our products in our two core markets of Poland and the Czech Republic (which together represent 83.9% of the Group's revenue). We are fortunate to have had a long-standing focus on the off-trade in both countries, and any impact from the widespread closure of the on-trade (bars, clubs, restaurants and hotels) has been mitigated by the shift to off-trade channels as our products are enjoyed at home rather than in bars or restaurants. Overall, some 85% of the Group's revenues come through the off-trade channel. We are also under-represented in duty-free channels, and so have avoided any material impact there.

Furthermore, our broad portfolio of local brands covering all price segments stands us in good stead, as consumers have tended to prioritise more familiar brands and products that they trust.

In terms of production, nearly all of our products that we sell within Poland and Czech Republic are sourced and manufactured locally. There has been no disruption to our supply chain, nor to production at any of our facilities, and no impact on our ability to service demand - even in Italy.

We are in the fortunate position of being able to offer real help to governments and businesses in their efforts to limit the spread of the virus. Our facilities in Poland, the Czech Republic and Germany have been manufacturing large quantities of hand sanitiser which has been donated for use by medical personnel, the emergency services, and employees in the food and drink sectors. We are committed to continuing to do everything that we can to help during this hugely challenging period for all our stakeholders.

Our balance sheet remains strong, with financing secure to November 2022. We are prudently leveraged, being well inside our financing covenants, and have significant unused bank facilities. We have used our consistently strong cash generation to raise inventory levels, further ensuring availability of our products during these uncertain times.

INTERIM MANAGEMENT REPORT

Overview

Until the COVID-19 pandemic, the main challenge in the period was managing excise tax increases in our two largest markets of Poland and the Czech Republic. Overall performance in the run-up to the excise increases, effective 1 January, was ahead of our expectations. In the following months it further exceeded our expectations, reflecting continued strong consumer demand for our products.

The fact that we have managed the excise increases successfully, and also traded through the COVID-19 crisis without material interruption in our core markets so far, is clear illustration of the resilience and adaptability of our strategy and business model.

This is reflected in our financial results. Overall, the Group grew volumes by +10.1%, revenue by +20.8% and adjusted EBITDA by +29.4%. Both our Polish and Czech businesses grew revenue and profits, notwithstanding the excise increases. Cash has taken on even greater importance in these testing times, and the Group continued to deliver on this front too. As a result, our financial position remains very strong, enabling the announcement of an increased interim dividend.

In Poland, total spirits volume and value growth continued despite the 10% increase in excise duty. Our Polish business delivered a strong performance. It is the fastest growing major player in vodka by both volume and value, and also achieved the greatest absolute growth in both volume and value. Revenue was up by 25.4% (at constant currency) reflecting the growth in volume, pricing and mix. After the excise increase, pricing developed as we expected. Adjusted EBITDA was up 43.8% (constant currency) with improved margins, notwithstanding higher marketing investment. The anticipated small-formats-tax has not materialised due to opposition in parliament. We are committed to fighting this initiative should it be re-introduced, including challenge at the EU level.

There was also continued growth in total spirits volume and value in the Czech Republic following the 13% increase in excise duty. This remains a highly competitive market due to a combination of the excise increase and competitor price-discounting, particularly in the herbal bitters and whisky sub-categories. Against this backdrop, Stock Spirits consolidated its overall leadership in spirits, partly by leveraging the Bartida business acquired last year, partly by continuing to invest in brand equity. The excise increase allowed some progress in pricing, with the exception of the whisky sub-category. Our rum growth was supported by the premium agency distribution brand, Legendario, coming with Bartida, which itself performed ahead of expectations prior to the closure of the on-trade following the COVID-19 outbreak in March 2020. Underlying revenue was up 9.1% (at constant currency) reflecting growth in volume, pricing and mix. Underlying adjusted EBITDA was up 25.6% (constant currency), with margin improvement.

Market conditions in Italy (which represents 7.8% of the Group's revenue) had been improving prior to the COVID-19 outbreak, which has had a profound impact in recent months. Under the earlier trends, the total market grew in volume (+3.3%) and value (+4.2%). Stock Spirits still has a relatively small overall share of the total spirits market, with 6.6% value share in the modern off-trade channel on which we focus. Nevertheless we hold leading positions in several sub-categories: clear vodka, vodka-based liqueurs, limoncello, and (following last year's acquisition of Distillerie Franciacorta) grappa. Decline in several of these sub-categories, coupled with private label competition, impacted the performance. While revenue, assisted by last year's acquisition, was up 21.0%, underlying EBITDA was down significantly, with margins under pressure. Integration of Distillerie Franciacorta, with its outstanding heritage and brands, progresses as planned. Synergies came from distribution expansion of both portfolios prior to the crisis, and this allowed us to gain Beam-Suntory as a distribution partner. Distribution of Beam products commenced in April 2020, despite the lockdown. Plans remain on track for the construction of a new production facility over the coming years.

Our other markets include Slovakia, Croatia, Bosnia and export activities. Overall revenue and profits in this area were lower, driven mainly by a more challenging environment in Slovakia with aggressive price competition and tougher market regulations.

One of the Group's strategic aims is to grow through acquisition. Our M&A efforts were interrupted by market disruption resulting from COVID-19, and so this work has been postponed. This resulted in the write-off of €1.3 million invested - disclosed as an exceptional item.

Our Quintessential Brands Irish Whiskey Ltd (QBIWL) joint venture doubled volumes over its prior financial year albeit from a small base. However, COVID-19 significantly impacted demand for its relatively less established and higher-priced products. In March, it closed its Visitor Centre in Dublin as lock-down measures hit tourism. The distillery continues to operate, and new-make malt liquid is being laid down. Uncertainty over the speed of recovery in sales triggered an impairment of the investment. This had an impact of €14.2 million disclosed as an exceptional item. Also included in exceptional items is a net release of provisions for contingent consideration of €1.6 million (a release of €1.8 million for QBIWL, net of an increase of €0.2 million for Bartida).

We are today announcing an interim dividend of 2.77 € cents per share, representing an increase of 5.3% versus last year's interim dividend of 2.63 € cents. Given our robust balance sheet, strong cash generation and resilient performance despite exceptionally challenging circumstances, we are pleased to continue with our progressive dividend policy for shareholders.

Market performance:

Poland

Poland delivered a strong performance across all of the key spirits categories and price segments, which is a clear illustration of the underlying momentum in this part of our business.

Revenue has increased on a reported basis by +25.2% to €104.9 million, and on a constant currency basis revenue is up €21.2 million versus €83.7 million H1 2019, growth of +25.4%. Reported adjusted EBITDA in H1 was €28.5 million (H1 2019: €19.8 million). On a constant currency basis adjusted EBITDA has increased by €8.7 million, with an increase in margin from 23.7% to 27.2% as excise increases were passed through to customers and subsequently onto consumers.

In the market, total spirits volume and value growth continued despite January 2020's increase in excise duty. We also delivered growth in the three biggest spirits categories - i.e. vodka, whisky and brandy. Vodka, the largest spirits category in Poland, continued to perform positively, delivering volume growth (+3.8%) and value growth (+7.3%). This is due to two main drivers: firstly, high growth from the total flavoured segment's value (+10.2%), which commands higher average selling prices per litre than total clear vodka and is a segment that appeals strongly to young adults and female drinkers; secondly, double-digit growth from total premium vodka (+18.7%) as consumers traded up to higher quality at higher average price points.

Stock Spirits is the fastest growing major player by volume (+8.3%) and value (+11.8%) in the Polish vodka market, achieving the greatest absolute growth in both volume and value and the fastest growth rates. This has increased Stock Spirits' value share from 28.5% to 29.7%. Our volume and value growth rates are ahead of the category in both the clear and flavoured segments. Our category-leading growth has been achieved through increased focus on our flavoured range (Żołądkowa, Lubelska and Saska) coupled with the success of our premiumisation initiatives in clear vodka, where Stock Prestige, Amundsen Expedition and Orkisz are all in double digit growth ahead of the premium category.

Whisky, the second largest and fastest growing spirits category in Poland, achieved volume growth (+15.9%) and value growth (+18.4%). At this stage of the whisky category's evolution, the majority of growth is being delivered via the discounter channel, where the major multinational whisky players and private label are driving trial and consumption using aggressive pricing to grow penetration rapidly, particularly after the duty increase in January. Jim Beam, Stock Spirits' leading agency distribution brand in Poland, has been put under pressure by this development combined with the significant tariff increases on U.S. spirits and the excise increase. These have increased Jim Beam average price per litre +6.1% over the last year versus a total whisky category average price per litre increase in the same period of +2.2%. Despite this extremely challenging environment, Stock Spirits continued to grow Jim Beam value by (+7.1%).

In brandy, the third largest spirits category in Poland, Stock Spirits grew value on its relaunched Stock 84 packaging and liquid range

(+10.3%) well ahead of the category at (+8.8%).

On-trade is estimated to be some 10% of the market. Our business is under-represented in this channel, with some 3% of revenue for the market coming from on-trade.

Work on a new distillery at our Lublin facility has commenced and is proceeding in line with planned timing and costs.

Czech Republic

The environment in the Czech Republic remains highly competitive due to a combination of the impact from the excise increase, as well as competitor price discounting. However, Stock continues to lead the spirits market whilst investing in brand equity growth and margin enhancement for the long term.

Revenue has grown on a reported basis by +20.8% to €54.2 million, and on an underlying constant currency basis revenue is up €4.1 million (H1 2019: €45.2 million), or growth of +9.1%. The Bartida acquisition delivered €4.9 million of additional revenue during the period. Reported EBITDA in H1 was €19.8 million versus €15.4 million H1 2019. On an underlying constant currency basis EBITDA has increased by €3.5 million, at a margin of 38.6%.

There was continued growth in total spirits volume and value in the Czech Republic despite the +13% increase in excise duty in January of this year.

At a total market level, spirits remain in volume (+4.0%) and value (+6.4%) growth, as consumers traded up to higher quality and higher price-point products during the period.

Three of the four biggest spirits categories - rum, vodka and whisky - are in MAT volume and value growth, which more than compensated for a contraction in total demand for herbal bitters.

Over the last year, several multinational competitors have continued to deploy very aggressive pricing activity in the herbal bitters and whisky categories in order to accelerate volume growth. As category leader, Stock Spirits chose to invest and has achieved continued growth in total spirits value (+2.6%), and slight volume growth (+0.8%) driving a decline in overall value share for our Czech market from 34.6% to 33.3%.

In the largest of the Czech spirits categories, rum, Stock grew volume and value well ahead of the category.

Our restructured Božkov portfolio, which now covers a wider range of price segments, drove growth in rum from both our core established products and our premium Božkov Republica Reserva and Božkov Czerny (Black) new product development ("NPD"). Our rum growth was also supported by the addition of premium agency distribution brand, Legendario, from the Bartida acquisition.

In the second largest category vodka, our revised category management and promotional activity drove volume growth ahead of the category, comprehensively addressing the headwinds of last year.

In the third and fourth largest categories, whisky and herbal bitters, Stock came under intense pressure from multi-nationals which reduced their prices in their quest for rapid volume growth. In both categories, Stock continued to invest in brand equity building, passing on the excise increase in higher pricing post the excise increase and enhancing margin.

The Fernet Stock range relaunch continued its phased roll out, with new improved premium packaging and flavour innovation, supported by a comprehensive consumer communications campaign. The full benefits of the relaunch will take time to materialise as they did on our earlier successful restructuring of the Božkov portfolio, but early indications are positive.

On-trade is estimated to be some 32% of the market. Our participation in this channel has developed especially with the acquisition of Bartida, with some 30% of revenue for the market now coming from the on-trade.

Italy

Italy accounts for 7.8% of the Group's revenue. Underlying revenue was down by -6.2%, with the Distillerie Franciacorta (DF) delivering an additional €3.3 million in revenue to get to a reported €14.8 million (H1 2019: €12.2 million). Underlying adjusted EBITDA in H1 was €0.5 million (H1 2019: €1.3 million) and DF was €0.3 million.

Whilst Stock Spirits has a relatively small overall share of total spirits, with 6.6% value share in the modern off-trade channel on which we focus, we hold leading positions in several key categories. These include number one brands in the clear vodka, vodka-based liqueurs and limoncello categories, and the number two brand in brandy. In addition, following the acquisition of Distillerie Franciacorta, Stock is number one in off-trade grappa.

Trading conditions had improved slightly until the COVID-19 pandemic impacted the country, with lower levels of unemployment and slowing inflation positively impacting consumer consumption over the last year. As a result of these trends, the total market grew in volume (+3.3%) and value grew (+4.2%).

Against this backdrop, Stock Spirits' total volume share in the modern trade channel, whilst larger than before the Franciacorta acquisition, was slightly down to (6.8%), with value share slightly down to (6.6%).

Following the increased investment in Keglevich last year, Stock Spirits grew overall share in clear and flavoured vodka. In addition, it gained share in limoncello and in brandy post the award winning Stock 84 range relaunch. However, as a result of the softening market and tactical execution issues at Christmas, there were losses in the grappa category.

The integration of the Distillerie Franciacorta acquisition, with its outstanding heritage and brands, is progressing as planned. Sales force synergies in both the on and off-trade have supported distribution expansion of both portfolios prior to the crisis. Plans still remain on track for the construction of a new production facility to expand the existing site over the coming years.

Italy has a significant on-trade channel, estimated to be some 53% of the market. Our business is under-represented in this channel, with some 40% of revenue coming from on-trade.

Other markets

Other markets includes Slovakia; and Bosnia, Croatia and other export activities together known as International. Revenue was €15.8 million (H1 2019: €16.1 million) and adjusted EBITDA was €2.0 million (H1 2019: €3.0 million).

Slovakia

In Slovakia, total spirits market volume declined (-2.0%) whilst value was flat (-0.1%). Stock Spirits continues to premiumise its range to grow value in the highly competitive Slovakian market and has maintained value share of total spirits (12.1%) this year versus last year (12.1%).

Brand building investment on the Amundsen vodka range drove value growth (+19.0%), off-setting declines for Stock in the fruit spirits category

Stock Spirits maintained volume leadership in herbal bitters, despite aggressive price promotional activity by major competitors. The relaunch of the Fernet Stock range, launched in Slovakia in tandem with the Czech Republic, aimed to rejuvenate the brand equity, enhance brand perceptions and profitability.

NPD also drove premiumisation. Božkov Republica was rolled out, helping to grow Stock's share of rum from (7.6%) to (12.0%), whilst our new player in the Borovička (Juniper) category, the premium Golden Ladova (Ice) brand, helped drive a (+146.2%) value growth for Stock in a declining category.

The success of these NPDs off-set declines in our agency brand whisky business with Beam Suntory where, as in the Czech Republic, Stock Spirits came under intense pressure from the combination of aggressive competitor price discounting and U.S. tariff imposition. However, we took the decision to work with Beam Suntory to build investment in brand equity and margin enhancement for the long term, rather than joining a "race to the bottom".

These initiatives contributed to stable overall volume and value share for Stock Slovenska, maintaining our position as the second biggest spirits company in the off-trade. In April, we announced that the management team of our Slovakian business would be combined with our Czech operations to better leverage the combined scale of the broadly similar brand portfolios in both countries.

International

In Croatia we have had pleasing results from Stock 84 brandy, post its relaunch, reinforcing our market leading position of imported brandy and growing value share from 11.3% to 13.1%.

All distribution brands have been performing well, including the Beam brands, Beluga, The Dubliner Irish whiskey and the more recent addition of the Fentimans tonics range.

Our new distributor in Germany has delivered tangible results by gaining increased listings in the retail segment for our Polish brands. A new brand ambassador for our Italian portfolio has been appointed in Germany to help drive similar growth on that element of our portfolio. The new distributor for the UK market appointed in January 2019 has driven significant increases for our Polish brands in the UK, notably on Lubelska and Stock Prestige.

Sources for all market data as referenced above: All data quoted is MAT to end March 2020, from Nielsen for Poland, Czech Republic, Croatia and from IRI and IWSR for Italy. Data for Slovakia is MAT to the end of February 2020.

Financial performance

Following implementation of IFRS 16 'Leases' from 1 October 2019, all comparatives have been restated to comply with the new accounting standard to report on a like-for-like basis. Full details of the changes are outlined in note 25 of the unaudited interim condensed consolidated financial statements. One consequence of this is improvement in EBITDA and EBITDA margin, as certain operating costs associated with leases are now considered financing costs.

Also, in the second half of the last financial year, two acquisitions were completed - Distillerie Franciacorta in Italy, and Bartida in the Czech Republic. For key metrics, when comparing our half year results to the prior period, we also report underlying growth rates that exclude the impact of these acquisitions in the current period, again to provide a like-for-like comparison.

Volumes for the period were up 8.3% on an underlying basis, primarily as a result of continued strong performance in Poland and Czech. On a reported basis volumes rose 10.1%.

Reported revenue was up +20.8% to €189.6 million (H1 2019: €156.9 million). Underlying revenue at constant currency increased +15.0% driven by the increase in volume (+8.3%) and pricing (+5.9%), where both Poland and Czech successfully managed the January 2020 excise increases. The excise increase was fully passed on in Poland, with a small margin. In Czech, the excise increase was passed on where competition considerations allowed. Impact to revenue from foreign currency was minimal (+0.1%), as slight weakening in the Polish Zloty was off-set by the strengthening in the Czech Koruna during the period.

Revenue per litre rose 9.8% to €2.59 (H1 2019: €2.36) mainly reflecting the mix impact of last year's acquisitions, as well as increased pricing in Poland and Czech.

Cost of goods sold per litre increased +10.7% to €1.39 (H1 2019: €1.25), mainly due to last year's acquisitions and an increase in third party brand costs. This mix reduced gross profit margin by 40bps.

Selling expenses increased +12.6% from a combination of the acquisitions, and increased investment behind our brands. Overheads increased by 11.8% mainly due to higher people costs, plus the increase from the acquisitions.

Exceptional items include an impairment of investment in our Irish whiskey venture, QBIWL. The impact of COVID-19 on the forecasts for this venture results in a €14.2 million impairment. Another consequence of these lower forecasts is the release in the provision for contingent consideration as most of the metrics for payment are unlikely to be met. The resulting impact is a release of €1.8 million. Partly off-setting this, the potential for payment of contingent consideration for Bartida has increased, which has resulted in a €0.2 million increase in the provision.

A further exceptional item is the write-off of €1.3 million of M&A costs incurred, where work has been postponed as a result of the impact of the COVID-19 pandemic.

Operating profit for the period was €25.0 million, an increase of +66.8% versus H1 2019 (€15.0 million). Adjusted EBITDA also increased by +29.4% to €45.6 million (H1 2019: €35.3 million) with underlying adjusted EBITDA increase at +25.6% to €44.2 million and an underlying EBITDA margin of 24.5%.

Net debt (now including IFRS 16 adjustments) remains at €55.4 million (September 2019: €55.4 million). Working capital increased at the period-end due to strong sales in late-March, and the building of "safety buffer" inventory to ensure continued supply to our customers. This increase in working capital temporarily reduced our free cashflow conversion level from 93.5% in H1 2019 to 58.9% in the current period. Conversion rates are expected to recover to traditionally higher levels as conditions stabilise over coming months. Leverage has, however, reduced from 0.83x (as at September 2019) to 0.71x reflecting the significantly increased adjusted EBITDA.

Our financing facility covenants are: net debt/EBITDA 3.5x maximum and interest cover 4.0x minimum. We currently operate, and expect to remain, comfortably within these levels, and retain significant unused bank facilities.

Net finance costs declined slightly to €2.2 million (H1 2019 €2.3 million) as the impact of increased facility-drawings to fund last year's acquisitions was off-set by a reduction in interest rates.

As set out in the principal risks and uncertainties and in note 9 of the interim condensed consolidated financial statements, we continued with the appeal process against the €4.5 million assessment issued by the Polish tax authorities in respect of our 2013 Corporate Income Tax return and historical tax positions. In February 2020 the administrative court of first instance upheld the assessment, and we are currently preparing to lodge a final appeal, to the Supreme Administrative Court. In respect of intellectual property restructuring, representing €3.7 million of the total assessment, our view remains unchanged and, on the basis of all the available evidence and professional opinions, we consider that the position adopted by the Group will ultimately prevail. Therefore, we continue to recognise a receivable against the assessed taxes which, in accordance with the local requirements, have been paid in full to the tax authorities to facilitate the appeal. The remaining €0.8 million remains fully provided for.

Adjusted basic earnings per share were reported as 14.38 € cents for the period, growth of +41.1% versus an adjusted value in H1 2019 of 10.19 € cents per share.

The Board of Directors has approved an interim dividend payment of 2.77 € cents per share, an increase of 5.3% on the prior year interim dividend. The dividend will be paid on 19 June 2020, with a record date of 29 May 2020 (shareholders on the register at the close of business on 29 May 2020). The Euro:Sterling exchange rate will be fixed on the record date.

Outlook

Given the global nature of the COVID-19 pandemic and the uncertainty around the severity and duration of its impact across our markets,

we are not in a position to offer guidance on Group revenue and profitability for the year ending 30 September 2020.

We believe that spirits are - and will remain - a staple product in our key markets, so we expect consumer demand to remain robust. Under the impact of the pandemic, consumer demand has remained resilient in the off-trade channel where we may have also benefited from consumer stock piling.

All aspects of our business continue to be fully operational with the exception of selling into the on-trade channel. Our performance in the second half of the year will, therefore, depend significantly on the speed of recovery of the on-trade channel in our markets. The scope of impact of any possible scenarios here could be limited to the historical 15% share of the on-trade channel in the overall Group revenue.

We have put significant contingency plans in place in order to ensure that we continue to deliver as strong a performance as possible if circumstances change. Our financial position is strong, with relatively low levels of leverage and significant unutilised bank facilities.

Overall, we continue to believe that the resilience demonstrated by our businesses, both during the recent excise increases and through the COVID-19 pandemic to date, means that we are well-positioned for further success once trading conditions normalise.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for at least the next twelve months. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial information of the Group.

Principal risks and uncertainties

Clearly the impact of COVID-19 is a major uncertainty facing almost every business. As outlined above, the impact on our trading operations has not been material to date, however, it is almost impossible to predict the future impact, given the uncertain duration of the pandemic and the resulting longer-term macro-economic impact. At this point in time, we are assuming that when the outbreak is contained, and restrictions are lifted, our markets will return largely to normal. However, the overall impact on the economies and consumer spending in our markets and the duration of that impact remains highly uncertain. There may be some longer lasting changes within the trade channels e.g. some bars, restaurants and other outlets may decide not to re-open when the pandemic ends. International travel is likely to continue to be subdued, impacting economies that depend on a high level of tourism such as Italy, even after allowing for a compensating increase in domestic tourism. Online purchasing could become more significant for all categories, including alcohol. There may also be other longer lasting changes in consumer behaviours, but it is not yet clear whether that might entail a reduction in in social gatherings, or an increase. Taking all these uncertain factors into account, we are currently assuming that underlying consumer demand and trends will not be significantly altered post COVID-19 in a way which would materially impact our Group as a whole. Based on that, the Board considers the principal risks and uncertainties for the Group are:

- Economic & political change - Results are affected by overall economic conditions and consumer confidence in key geographic markets in Central and Eastern Europe markets where economic and regulatory uncertainty is considered to be higher than other European countries. Brexit is not considered to be a principal risk or uncertainty for the Group, for the reasons set out on page 19 of the Stock Spirits Group Annual Report 2019.
- Taxes - Increases in taxes, particularly excise duty rates and VAT, could adversely affect the demand for the Group's products. Tax increases are likely to be considered by many governments to help pay the costs incurred in handling the COVID-19 outbreak. Demand for the Group's products is particularly sensitive to fluctuations in excise taxes, since excise taxes generally constitute the largest component of the sales price of spirits. The Group may also be exposed to tax liabilities resulting from tax audits. Changes in tax laws and related interpretations and increased enforcement actions and penalties may increase the cost of doing business. In addition, certain tax positions taken by the Group are based on industry practice and external tax advice and/or involve a significant degree of judgement.
- Laws & regulations - The Group is subject to extensive laws and regulations limiting advertising, promotions and access to its products, as well as laws and regulations relating to its operations, such as anti-trust, anti-bribery, data protection, health and safety and environmental laws. These regulations and any changes to them could limit the Group's business activities or increase costs.
- Marketplace & Competition - The Group operates in highly competitive markets that may result in pressure on prices and loss of market share. This has been particularly evident in Poland historically.
- Strategic transactions - Key objectives of the Group are: (i) the development of new products and variants; (ii) expansion through the acquisition of additional businesses; and (iii) distribution agreements with world-class brand partners. Unsuccessful launches, or failure by the Group to fulfil its expansion plans or integrate completed acquisitions, or to maintain and develop its third party brand relationships could have a material adverse effect on the Group's growth potential and performance.

Further detail on the principal risks and uncertainties affecting the business activities of the Group are set out on pages 14 to 19 in the Stock Spirits Group Annual Report 2019, a copy of which is available on the Company's website at www.stockspirits.com. Subject as stated above regarding COVID-19 uncertainty, in the view of the Board there is no material change in these risks in respect of the remaining six months of the year.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU

The interim management report includes a fair review of the information required by:

a) DTR 4.2 7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2 8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Board of Directors

The Board of Directors as at 13 May 2020 is as follows:

David Maloney, Non-Executive Chairman

Mirek Stachowicz, Chief Executive Officer

Paul Bal, Chief Financial Officer

John Nicolson, Senior Independent Non-Executive Director

Kate Allum, Independent Non-Executive Director

Diego Bevilacqua, Independent Non-Executive Director

Tomasz Blawat, Independent Non-Executive Director

Mike Butterworth, Independent Non-Executive Director

For and on behalf of the Board of Directors

Mirek Stachowicz	David Maloney
Chief Executive Officer	Chairman

13 May 2020

Stock Spirits Group PLC

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended 31 March 2020

Independent Review Report to Stock Spirits Group PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 which comprises the Interim Condensed Consolidated Income Statement, Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Statement of Cash Flows, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Paul Nichols

For and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London
E14 5GL

13 May 2020

Interim condensed consolidated income statement

For the six months ended 31 March 2020

	Six months ended 31 March 2020 Unaudited	*Six months ended 31 March 2019 Unaudited Restated**

	Notes	€000	€000
Revenue	5	189,612	156,908
Cost of goods sold		(101,307)	(83,142)
Gross profit		88,305	73,766
Selling expenses		(31,346)	(27,837)
Other operating expenses		(17,694)	(15,824)
Impairment loss on trade and other receivables		(315)	(420)
Share of loss of equity-accounted investees, net of tax	16	(165)	(422)
Operating profit before exceptional items		38,785	29,263
Exceptional income	7	1,641	-
Exceptional expense	7	(15,459)	(14,295)
Operating profit		24,967	14,968
Finance income	8	161	103
Finance costs	8	(2,331)	(2,383)
Profit before tax		22,797	12,688
Income tax expense	9	(8,108)	(6,763)
Profit for the period		14,689	5,925
Attributable to:			
Equity holders of the Parent		14,689	5,925
Earnings per share, (€cents), attributable to equity holders of the Parent			
Basic	10	7.41	2.99
Diluted	10	7.33	2.96

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25.

Interim condensed consolidated statement of comprehensive income

For the six months ended 31 March 2020

	Six months ended 31 March 2020 Unaudited	*Six months ended 31 March 2019 Unaudited Restated**
	€000	*€000*
Profit for the period	14,689	5,925
Other comprehensive expense		
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(10,846)	(99)
Total comprehensive income for the period, net of tax	3,843	5,826

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25.

Interim condensed consolidated statement of financial position

As at 31 March 2020

	Notes	*31 March 2020 Unaudited €000*	*30 September 2019 Unaudited Restated* €000*
Non-current assets			
Intangible assets - goodwill	11	49,800	49,800
Intangible assets - other	12	315,311	326,718
Property, plant and equipment	14	50,865	53,532
Right-of-use assets	15	11,421	11,817
Investment in equity accounted investee	16	2,100	16,458
Deferred tax assets		1,452	674
Other assets		4,463	4,720
		435,412	463,719
Current assets			
Inventories		42,901	43,059
Trade and other receivables		119,906	111,039
Current tax assets		3,735	3,588
Cash and cash equivalents	17	59,901	63,437
		226,443	221,123

Total assets		661,855	684,842
Non-current liabilities			
Borrowings	18	102,481	105,425
Other financial liabilities		13,210	16,034
Deferred tax liabilities		50,111	53,500
Provisions		1,175	1,234
Trade and other payables		321	331
		167,298	176,524
Current liabilities			
Trade and other payables		69,539	77,362
Borrowings	18	1	2
Other financial liabilities		5,185	4,408
Income tax payable		8,077	5,883
Indirect tax payable		61,509	59,714
Provisions		439	173
		144,750	147,542
Total liabilities		312,048	324,066
Net assets		349,807	360,776

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25.

Interim condensed consolidated statement of financial position

As at 31 March 2020

	Notes	*31 March 2020 Unaudited €000*	*30 September 2019 Unaudited Restated* €000*
Capital and reserves			
Issued capital	20	23,625	23,625
Merger reserve		99,033	99,033
Consolidation reserve		5,130	5,130
Own share reserve	20	(4,728)	(2,718)
Other reserve	20	12,374	12,566
Foreign currency translation reserve	20	(1,072)	9,774
Retained earnings		215,445	213,366
Total equity		349,807	360,776
Total equity and liabilities		661,855	684,842

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25.

Interim condensed consolidated statement of changes in equity

For the six months ended 31 March 2020

	Issued capital €000	*Merger reserve €000*	*Consolidation reserve €000*	*Own share reserve €000*	*Other reserve €000*	*Foreign currency translation reserve €000*	*Retained earnings €000*	*Total equity €000*
Balance at 1 October 2018 (as previously reported) (audited)	**23,625**	**99,033**	**5,130**	**(3,370)**	**11,406**	**13,915**	**202,142**	**351,881**
Adjustment for initial application of IFRS 16 (net of tax)	-	-	-	-	-	-	(580)	(580)
Balance at 1 October 2018 (restated*)	**23,625**	**99,033**	**5,130**	**(3,370)**	**11,406**	**13,915**	**201,562**	**351,301**
Profit for the period	-	-	-	-	-	-	5,925	5,925
Other comprehensive expense	-	-	-	-	-	(99)	-	(99)
Total comprehensive (expense)/income	-	-	-	-	-	(99)	5,925	5,826
Share-based payment compensation charge	-	-	-	-	663	-	-	663
Exercise of share options	-	-	-	-	(456)	-	456	-
Dividends	-	-	-	-	-	-	(11,953)	(11,953)
Own shares utilised for incentive schemes	-	-	-	334	-	-	(334)	-
Balance at 31 March 2019 (unaudited)	**23,625**	**99,033**	**5,130**	**(3,036)**	**11,613**	**13,816**	**195,656**	**345,837**
Profit for the period	-	-	-	-	-	-	22,522	22,522
Other comprehensive expense	-	-	-	-	-	(276)	(7)	(283)
Total comprehensive (expense)/income	-	-	-	-	-	(276)	22,515	22,239
Share-based payment compensation charge	-	-	-	-	1,829	-	-	1,829
Exercise of share options	-	-	-	-	(227)	-	227	-
Reduction in share-based compensation reserve following liquidation of subsidiary	-	-	-	-	(649)	-	649	-

	Issued capital	Merger reserve	Consolidation reserve	Own share reserve	Other reserve	Foreign currency translation reserve	Retained earnings	Total equity
Realisation of exchange differences following liquidation of subsidiary	-	-	-	-	-	(3,766)	-	(3,766)
Dividends	-	-	-	-	-	-	(5,168)	(5,168)
Own shares utilised for incentive schemes	-	-	-	318	-	-	(318)	-
Adjustment for application of IFRS 16 (net of tax)	-	-	-	-	-	-	(195)	(195)
Balance at 30 September 2019 (restated*)	**23,625**	**99,033**	**5,130**	**(2,718)**	**12,566**	**9,774**	**213,366**	**360,776**

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25.

Interim condensed consolidated statement of changes in equity (continued)

For the six months ended 31 March 2020

	Issued capital	Merger reserve	Consolidation reserve	Own share reserve	*Other* reserve	*Foreign* currency translation reserve	Retained earnings	*Total* equity
	€000	€000	€000	€000	€000	€000	€000	€000
Balance at 30 September 2019 (restated*)	**23,625**	**99,033**	**5,130**	**(2,718)**	**12,566**	**9,774**	**213,366**	**360,776**
Profit for the period	-	-	-	-	-	-	14,689	14,689
Other comprehensive expense	-	-	-	-	-	(10,846)	-	(10,846)
Total comprehensive (expense)/income	-	-	-	-	-	(10,846)	14,689	3,843
Share-based payment compensation charge	-	-	-	-	1,528	-	-	1,528
Exercise of share options	-	-	-	-	(1,720)	-	1,720	-
Dividends	-	-	-	-	-	-	(12,499)	(12,499)
Own shares acquired for incentive schemes	-	-	-	(3,841)	-	-	-	(3,841)
Own shares utilised for incentive schemes	-	-	-	1,831	-	-	(1,831)	-
Balance at 31 March 2020 (unaudited)	**23,625**	**99,033**	**5,130**	**(4,728)**	**12,374**	**(1,072)**	**215,445**	**349,807**

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25

Interim condensed consolidated statement of cash flows

For the six months ended 31 March 2020

	Notes	*Six months ended 31 March 2020 Unaudited €000*	*Six months ended 31 March 2019 Unaudited Restated* €000*
Operating activities			
Profit for the period		14,689	5,925
Adjustments to reconcile profit for the period to net cash flows:			
Income tax expense recognised in income statement	9	8,108	6,763
Interest expense and bank commissions	8	2,331	2,383
Loss on disposal of tangible and intangible assets		206	28
Other financial income	8	(139)	(83)
Depreciation of property, plant and equipment	14	3,804	3,367
Depreciation of right-of-use assets	15	1,698	1,424
Amortisation of intangible assets	12	1,163	775
Impairment of goodwill and brands	11, 12	-	14,295
Impairment of investment	16	14,193	-
Net release of contingent consideration	16	(1,641)	-
Net foreign exchange gain	8	(22)	(20)
Share-based compensation charge		1,528	663
Share of loss of equity-accounted investees, net of tax	16	165	422
Increase/(decrease) in provisions		197	(570)
		46,280	35,372
Working capital adjustments			
(Increase)/decrease in trade receivables and other assets		(8,474)	3,954
Decrease/(increase) in inventories		158	(2,456)
(Decrease)/increase in trade payables and other liabilities		(4,960)	804
		(13,276)	2,302
Cash generated by operations		33,004	37,674
Income tax paid		(8,267)	(8,423)
Net cash flow from operating activities		24,737	29,251
Investing activities			
Interest received	8	139	83
Payments to acquire intangible assets	12	(1,889)	(511)
Proceeds from sale of property, plant and equipment		113	7
Purchase of property, plant and equipment	14	(4,373)	(4,194)
Advance payment for investment		-	(3,000)
Net cash flow from investing activities		(6,010)	(7,615)

	Note		
Financing activities			
Increase in borrowings	18	424	19,505
Interest paid		(2,128)	(2,494)
Purchase of own shares	20	(3,841)	-
Payment of lease liabilities		(1,860)	(1,508)
Dividends paid to equity holders of the Parent		(12,499)	(11,953)
Net cash flow from financing activities		(19,904)	3,550
Net (decrease)/increase in cash and cash equivalents		(1,177)	25,186
Cash and cash equivalents at the start of the period	17	63,437	50,143
Effect of exchange rates on cash and cash equivalents		(2,359)	366
Cash and cash equivalents at the end of the financial period	17	59,901	75,695

*Restated for the adoption of IFRS 16, as explained in notes 3 and 25.

Notes to the interim condensed consolidated financial statements

for the six months ended 31 March 2020

1. Corporate information

The interim condensed consolidated financial statements of Stock Spirits Group PLC (the "Company") and its subsidiaries (the "Group") for the six months ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 13 May 2020.

Stock Spirits Group PLC is domiciled in England. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

The Company, together with its subsidiaries, is involved in the production and distribution of branded spirits in Central and Eastern Europe.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 March 2020 have been prepared on a going concern basis in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the period ended 30 September 2019.

The financial information contained in this interim statement, which is unaudited, does not constitute statutory accounts as defined by the Companies Act 2006.
The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 September 2019. The annual financial statements of the Group were prepared in accordance with IFRS as adopted by the European Union and can be found on the Group's website at www.stockspirits.com.

The Group's annual financial statements for the year ended 30 September 2019 have been reported on by the Company's auditor and delivered to the registrar of companies. The report was (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information for the six months ended 31 March 2020 and the comparative financial information for the six months ended 31 March 2019 has not been audited, but has been reviewed. The comparative figures included in the Interim condensed consolidated statement of financial position for the financial period ended 30 September 2019 have been restated for the adoption of IFRS 16 (see notes 3 and 25) and have not been audited.

Having made appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

The consolidated financial information is presented in Euros ('€'). The closing foreign exchange rates used to prepare these financial statements are as follows:

	31 March 2020	*31 March 2019*	*30 September 2019*
PLN	4.55	4.30	4.38
CZK	27.33	25.82	25.82
GBP	0.89	0.86	0.89
CHF	1.06	1.12	1.09

3. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statement are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 30 September 2019, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 October 2019 noted below.

New/revised standards and interpretations adopted in 2020

The following amendments to existing standards and interpretations were effective in the period to 31 March 2020, but were either not applicable or did not have a material impact on the Group:

- Amendments to IFRS 9: Financial Instruments
- Amendments to IAS 19: Employee Benefits
- Amendment to IAS 28: Investments in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle - minor amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The Group has adopted IFRS 16 'Leases' effective for the period ending 31 March 2020. IFRS 16 has been applied using the full retrospective transition approach with comparatives for the prior periods being restated. Further details of the impact of adoption of IFRS 16 is described in note 25.

The Group has adopted the following accounting policy in respect of IFRS 16:

Leases

The Group assesses whether a contract is, or contains a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether, throughout the period of use, the customer has both of the following:

a) The right to obtain substantially all of the economic benefits from the use of the identified asset; and

b) The right to direct the use of the identified asset.

A right-of-use asset and corresponding lease liability are recognised at commencement of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is tested for impairment if there are any indicators of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The incremental borrowing rate is specific to the term, country, currency and start date of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leases of low value assets and short term leases of 12 months or less are expensed to the income statement on a straight-line basis over the lease term, as are variable payments dependent on performance or usage, 'out of contract' payments and non-lease service components.

Cash flows relating to interest on lease liabilities is included in interest paid, within cash flows from financing activities.

4. Use of estimates and judgements

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of certain assets, liabilities, revenues and expenses. These are discussed on page 139 of the Group's 2019 annual financial statements. 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, if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

Following the adoption of IFRS 16, the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the current and next financial year, have been updated to include:

Leases

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. Determination of the lessee's incremental borrowing rate involves estimation of a series of inputs including the risk free rate based on government bond rates and an entity specific adjustment.

5. Segmental analysis

In identifying its operating segments, management follows the Group's geographic split, representing the main products traded by the Group. The Group is considered to have five reportable operating segments: Poland, Czech Republic, Italy, Other Operational and Corporate. The Other Operational segment consists of the results of operations of the Slovakian, International and Baltic Distillery entities. The Corporate segment consists of expenses and central costs incurred by non-trading Group entities.

Each of these operating segments is managed separately as each of these geographic areas require different marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measure of revenue reported to the chief operating decision-maker to assess performance is based on external revenue for each operating segment and excludes intra-Group revenues. The measure of EBITDA reported to the chief operating decision-maker to assess performance is based on operating profit and excludes intra-Group profits, depreciation and amortisation.

The Group has presented a reconciliation from profit before tax per the consolidated income statement to EBITDA below:

	For the six months ended 31 March 2020	*For the six months ended 31 March 2019*
		Restated
	€000	*€000*
Profit before tax	22,797	12,688
Share of loss of equity-accounted investees, net of tax	165	422
Net finance charges	2,170	2,280
	25,132	15,390
Depreciation and amortisation (note 12,14,15)	6,665	5,566
EBITDA	31,797	20,956
Exceptional income (note 7)	(1,641)	-
Exceptional expense (note 7)	15,459	14,295
Adjusted EBITDA	45,615	35,251
Adjusted EBITDA margin	24.1%	22.5%

Total assets and liabilities are not disclosed as this information is not provided by segment to the chief operating decision-maker on a regular basis.

Poland	*Czech*	*Italy*	*Other*	*Corporate*	*Total*

31 March 2020	€000	Republic €000	€000	Operational €000	€000	€000
External revenue	104,885	54,202	14,752	15,773	-	189,612
Adjusted EBITDA	28,512	19,830	760	1,995	(5,482)	45,615

31 March 2019 - restated	Poland €000	Czech Republic €000	Italy €000	Other Operational €000	Corporate €000	Total €000
External revenue	83,794	44,862	12,190	16,062	-	156,908
Adjusted EBITDA	19,820	15,377	1,267	2,974	(4,187)	35,251

As well as the impact of IFRS 16, Adjusted EBITDA for the 6 month period to 31 March 2019 has also been restated for the impact of reallocation of Group wide costs. Previously Group wide costs, including insurance and internal audit costs, were included in the Corporate segment. These are now included in the relevant segment based on the amount recharged.

Disaggregation of revenue is by operating segment only. This also equates to primary geographical market. Revenue other than from sales of branded spirits represents a very small proportion of total revenue. Products are largely transferred at a point in time and so there is limited variance in the timing of revenue recognition.

Seasonality

Sales of spirits beverages are somewhat seasonal, with the fourth calendar quarters accounting for the highest sales volumes. The volume of sales may be affected by both weather conditions and public holidays.

6. Free cash flow

The Group defines free cash flow as cash generated from operating activities (excluding income tax paid), plus the proceeds from the sale of property, plant and equipment and proceeds from the disposal of intangible assets less cash used for the acquisition of property, plant or equipment and for the acquisition of intangible assets. Adjusted free cash flow conversion is free cash flow as a percentage of Adjusted EBITDA.

The use of this alternative performance measure is consistent with how institutional investors consider the performance of the Group. This measure is not defined in IFRS and thus may not be comparable to similarly titled measures by other companies.

Free cash flow is a supplemental measure of the Group's performance and liquidity that is not required to be presented in accordance with IFRS.

	For the six months ended 31 March 2020 €000	For the six months ended 31 March 2019 Restated €000
Cash generated by operations	33,004	37,674
Payments to acquire property, plant and equipment	(4,373)	(4,194)
Payments to acquire intangible assets	(1,889)	(511)
Proceeds from sale of property, plant and equipment	113	7
Free cash flow	26,855	32,976
Adjusted free cash flow conversion	58.9%	93.5%

7. Exceptional expenses and income

In the six months ended 31 March 2020, the Group has three exceptional items totalling €13,818,000 (six months ended 31 March 2019: exceptional expenses of €14,295,000).

The occurrence of the Coronavirus pandemic is a global issue affecting every single business sector and every country to some degree. It is already having a significant impact on the global economy, and it is expected that significant changes with an adverse effect will take place in the markets and economic environment in which the Group operates. Consequently, the impact of the pandemic is considered to be an indication that goodwill and indefinite life intangible assets in each of the Group's cash-generating units (CGUs) may be impaired. Following an impairment review, no impairment loss has been recognised in respect of the CGUs (refer to note 13).

The impact of the pandemic also provides objective evidence that the Group's equity investment in Quintessential Brands Ireland Whiskey Limited (QBIWL) may be impaired. Consequently, the Group has considered a range of economic conditions that may exist over the next five years. These economic conditions, together with reasonable and supportable assumptions, have been used to prepare a revised five-year plan for that business. The revised five-year plan for that business indicates that the financial projections are no longer sufficient to support the carrying value of the investment and an impairment loss of €14,193,000 has been recognised in the period to 31 March 2020. This impairment reduces the carrying value of the investment in Quintessential Brands Ireland Whiskey Limited to €2,100,000. Due to the nature and size of the impairment, and consistent with prior periods, this has been disclosed as an exceptional expense. Also refer to note 16.

The second exceptional item is a credit of €1,641,000 relating to the net overall release in provisions for contingent consideration relating to past acquisitions. This predominantly is in respect of the investment in QBIWL at €1,827,000. Due to the size of the change in the provision, this has been disclosed as an exceptional item.

The third exceptional item represents an expense of €1,266,000 relating to advisory and legal costs incurred in pursuit of the Group's strategy in respect of mergers and acquisitions. Due to the nature of these, and consistent with prior periods, these have been disclosed as an exceptional expense.

In March 2019, the impairment review for goodwill and other intangible assets identified the need to impair the carrying value of goodwill and brands in the Italy Region cash-generating unit by €7,732,000 and €6,563,000, respectively.

8. Finance costs and income

	For the six months ended	For the six months ended

	31 March 2020 €000	31 March 2019 Restated €000
Finance income:		
Foreign currency exchange gain	22	20
Interest income	139	83
Total finance income	161	103
Finance costs:		
Interest payable on bank overdrafts and loans	1,073	1,107
Bank commissions, guarantees and other payables	354	332
Interest payable on lease liabilities	262	212
Other interest expense	642	732
Total finance costs	2,331	2,383
Net finance costs	2,170	2,280

9. Income taxes

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total earnings for the full 12 month reporting period to 30 September 2020 and 30 September 2019. The major components of income tax expense in the interim condensed consolidated income statement are:

	For the six months ended 31 March 2020 €000	*For the six months ended 31 March 2019 €000*
Current income tax		
Current period income tax charge	10,524	5,498
Tax (credit)/charge relating to prior periods	(223)	192
Other taxes	17	16
Deferred income tax		
Origination and reversal of temporary differences	(2,210)	1,057
Total tax expense	8,108	6,763

The Group is a sizeable international drinks business operating across multiple jurisdictions with intercompany cross border transactions being subject to transfer pricing regulations. As tax, and especially transfer pricing, where regulations and their interpretation may vary considerably, is an area of inherent risk, tax positions adopted by the Group and its cross border intercompany transactions may be subject to challenge by the relevant tax authorities. Although the Group aims to comply with applicable laws and regulations and operates an OECD principles based transfer pricing model, at each balance sheet date the Group undertakes a review of potential tax risks and tax positions and, whilst it is not possible to predict the outcome of any pending enquiries, ensures that adequate provisions are made in the Group accounts to cover any associated potential cash outflows and estimated future settlements.

As at 31 March 2020, the Group has recognised tax, interest and penalties provisions totalling €3.8m (30 September 2019: €4.3m) in relation to matters where it is probable that tax positions adopted by the Group may not ultimately be sustained by the relevant authorities. These tax provisions are included in income taxes payable on the balance sheet. The reduction is mainly due to the release of the provisions no longer required and foreign exchange differences.

Baltic Distillery GmbH continues to defend tax positions taken in respect of its 2016 and 2017 Corporate Income Tax returns. There have been no significant updates to the ongoing German tax inquiries in the six months to 31 March 2020.

Stock S.r.l. in Italy continues to challenge the rulings of the Second Court and to defend tax positions taken in respect of its 2009 and 2010 Corporate Income Tax returns. There have been no significant updates to the ongoing Italian tax inquiries in the six months to 31 March 2020.

There have been no developments in respect of the ongoing tax appeal in Czech Republic related to the 2011 Corporate Income Tax return of Stock Plzeň-Božkov s.r.o.

During the period, Stock Polska Sp. z.o.o., continued its appeal against the €4.5m assessment issued by the tax authorities in respect of its 2013 Corporate Income Tax return relating to pre-IPO intra-group intellectual property restructuring and management recharges. In February 2020, the administrative court of first instance upheld the assessment. On 7 May 2020, the company lodged a final appeal to the Supreme Administrative Court. In respect of intellectual property restructuring, representing €3.7m of the total assessment, the Group's view remains unchanged and, on the basis of all the available evidence and professional opinions, it considers that the position adopted by the company will ultimately prevail. Therefore, the Group continues to recognise a receivable against the assessed taxes which, in accordance with the local requirements, have been paid in full to the tax authorities to facilitate the appeal. The remaining €0.8m remains fully provided for. In January 2020, the tax authorities commenced an audit of the 2014 Corporate Income Tax return, and this is currently ongoing.

Provisions against uncertain tax positions are based on management's assessment of the most likely or expected outcome, however, due to the nature of the underlying items and likelihood of further developments, there is a reasonable possibility of material changes to these estimates over the next 12 months.

Change in tax rates

As part of the 2020 UK Budget, it has been announced that the UK tax rate will remain at 19% and will not reduce to 17% from 1 April 2020 as previously planned. There is no effect of the proposed change on the Group's result as the Group does not recognise deferred tax in the UK mainly due to structural losses.

10. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Details of the earnings per share are set out below:

	For the six months ended 31 March	*For the six months ended*

	2020	31 March 2019 Restated
Basic earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	14,689	5,925
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	198,178	198,340
Basic earnings per share (€cents)	7.41	2.99
Diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	14,689	5,925
Weighted average number of diluted ordinary shares adjusted for the effect of dilution ('000)	200,278	199,994
Diluted earnings per share (€cents)	7.33	2.96
Adjusted basic earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	14,689	5,925
Exceptional expense (€'000)	13,818	14,295
Profit attributable to the equity shareholders of the Company before exceptional expenses (€'000)	28,507	20,220
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	198,178	198,340
Adjusted basic earnings per share (€cents)	14.38	10.19
Adjusted diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	14,689	5,925
Exceptional expense (€'000)	13,818	14,295
Profit attributable to the equity shareholders of the Company before exceptional expenses (€'000)	28,507	20,220
Weighted average number of diluted ordinary shares adjusted for the effect of dilution ('000)	200,278	199,994
Adjusted diluted earnings per share (€cents)	14.23	10.11
Reconciliation of basic to diluted ordinary shares		
Weighted average number of ordinary shares ('000)	200,000	200,000
Effect of own shares held ('000)	(1,822)	(1,660)
Basic weighted average number of ordinary shares ('000)	198,178	198,340
Effect of options ('000)	2,100	1,654
Diluted weighted average number of ordinary shares ('000)	200,278	199,994

There have been no other transactions involving ordinary shares between the reporting date and the date of authorisation of these financial statements

11. Intangible assets - goodwill

	31 March 2020 €000
Cost:	
As at 1 October 2019	88,932
	-
As at 31 March 2020	88,932
Accumulated impairment:	
As at 1 October 2019	39,132
Impairment charge	-
As at 31 March 2020	39,132
Carrying amount at 31 March 2020	49,800

12. Intangible assets - other

The movement in intangible assets for the six-month period ended 31 March 2020 was as follows:

	Brands	*Distributor contracts*	*Customer Relationships and Trademarks*	*Software*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*
At 1 October 2019, cost, net of accumulated amortisation	314,648	2,458	5,702	3,910	326,718
Additions	-	-	-	1,688	1,688
Amortisation expense	(2)	(299)	(204)	(658)	(1,163)
Foreign currency adjustment	(11,725)	(132)	(4)	(71)	(11,932)
At 31 March 2020, cost, net of accumulated amortisation	302,921	2,027	5,494	4,869	315,311

	Brands	*Distributor contracts*	*Customer Relationships and Trademarks*	*Software*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*
At 1 October 2018, cost, net of accumulated amortisation	306,601	-	998	3,530	311,129
Additions	-	-	-	1,793	1,793
Acquisitions through business combinations	14,827	2,657	5,084	25	22,593
Amortisation expense	(2)	(199)	(350)	(1,415)	(1,966)
Impairment charge (note 7)	(6,563)	-	-	-	(6,563)
Foreign currency adjustment	(215)	-	(30)	(23)	(268)
At 30 September 2019, cost, net of accumulated amortisation	314,648	2,458	5,702	3,910	326,718

13. Impairment of goodwill and intangibles with indefinite lives

The occurrence of the Coronavirus pandemic is a global issue affecting every single business sector and every country to some degree. It is already having a significant impact on the global economy, and it is expected that significant changes with an adverse effect will take place in the markets and economic environment in which the Group operates. Consequently, the impact of the pandemic is considered to be an indication that goodwill and indefinite life intangible assets in each of the Group's cash-generating units (CGUs) may be impaired.

In light of the pandemic, the Group has considered a range of economic conditions which may exist over the next three years. These economic conditions, together with reasonable and supportable assumptions, have been used to estimate the future cash inflows and outflows of each of the CGUs over the next three years.

Key assumptions used in the value-in-use calculations

The key assumptions used in the estimation of the recoverable amount are set out below:

- Spirits price inflation - small annual percentage increases assumed in all markets based on historical data.
- Growth in spirits market - assumed to be static or marginally increasing in all markets based on recent historical trends.
- Market share - through company specific actions outlined in detailed internal plans, market share to be grown overall.
- Excise duty - no future duty changes have been used in projections.
- Raw material cost - assumed to be at average industry cost.
- Impact of Coronavirus pandemic:
  - No on-trade sales in the remaining six months of this financial year
  - 20% drop in off-trade volumes for the remaining six months of this financial year
  - Gross profit percentage unchanged for the remaining six months of this financial year
  - Selling expenses assumed to be 50% fixed and 50% variable
  - Overheads unchanged for the remaining six months of this financial year
  - Capital expenditure - all major projects continue as normal
  - Suppliers continue to be paid at the usual time
  - Adjusted free cash flow conversion drops 15ppts from 30 September 2019 for the remaining six months of this financial year due to slower customer receipts
  - Cash flows for the financial year ending 30 September 2021 are mid-way between the projections for the financial year ending 30 September 2020 and the financial year ending 30 September 2022
  - Cash flows for the financial year ending 30 September 2022 are as per the three-year plan approved by the Board of Directors in December 2019
- Discount rates - rates reflect the current market assessment of the risks specific to each operation. The discount rate was estimated based on an average of guideline companies adjusted for the operational size of the Group and specific regional factors.
- Growth rate used to extrapolate cash flows beyond the forecast period. The assumed growth rate reflects the long-term inflation rate of the primary market of each CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

Cash-generating units

Goodwill acquired through business combinations and brands have been allocated for impairment testing purposes to CGUs based on the geographical location of production plants and the ownership of intellectual property. This represents the lowest level within the Group at which goodwill and brands are monitored for internal management purposes.

For the purposes of impairment testing, goodwill and brands have been allocated to the Group's CGUs as follows:

	Czech Republic €000	*Italy €000*	*Poland €000*	*Distillerie Franciacorta €000*	*Bartida €000*	*Other €000*	*Total €000*
31 March 2020							
Carrying amount of brands	193,319	51,044	41,481	11,244	3,382	2,451	302,921
Carrying amount of goodwill	34,516	-	2,212	8,244	3,348	1,480	49,800
30 September 2019							
Carrying amount of brands	204,625	49,639	43,108	11,246	3,579	2,451	314,648
Carrying amount of goodwill	34,516	-	2,212	8,244	3,348	1,480	49,800

The headroom generated as a result of the recoverable amount being in excess of the CGU carrying amounts is as follows:

	Czech Republic €000	*Italy €000*	*Poland €000*	*Distillerie Franciacorta €000*	*Bartida €000*	*Other €000*	*Total €000*
31 March 2020							
Value-in-use headroom	59,425	2,839	533,026	2,659	10,826	16,818	627,585
30 September 2019							
Value-in-use headroom	159,733	781	465,181	6,236	9,760	15,967	657,658

Impairment review outcome

The calculation of value-in-use for all regions is most sensitive to the discount rate, future cash flows, and the growth rate used for extrapolation purposes. The headroom for each cash-generating unit where these sensitivities would be applicable has been detailed below.

Czech CGU

The post-tax discount rate applied to cash flow projections is 7.5% (30 September 2019: 7.5%) and cash flows beyond the three-year period are extrapolated using a 2.0% (30 September 2019: 2.0%) growth rate.

The recoverable amount of is most sensitive to the assumptions regarding expected future cash inflows. A reasonably possible change in EBITDA and discount rate assumptions could cause the carrying amount to exceed the recoverable amount. The following sensitivity analysis shows the impact on the headroom of different post-tax discount rates and EBITDA delivery in the cash flow projections used in

the impairment review models.

Post-tax discount rate	6.5%	7.0%	7.5%	8.0%	8.5%
EBITDA delivery	€m	€m	€m	€m	€m
-10%	59.3	31.7	9.0	(9.8)	(25.7)
-5%	90.2	59.4	34.2	13.3	(4.5)
0%	121.0	87.1	59.4	36.3	16.8
5%	152.9	114.9	84.6	59.4	38.1
10%	182.7	142.6	109.8	82.5	59.3

The impact of a 1 percentage point decrease in the long-term growth rate applied in the terminal value calculation would be a decline in headroom of €40.5m.

Italy CGU

The Italy CGU represents the sales of Italian trading brands by Stock S.r.l. and through Stock International s.r.o. There is no manufacturing in Italy.

The post-tax discount rate applied to cash flow projections is 9.5% (30 September 2019: 9.5%) and cash flows beyond the three-year period are extrapolated using a 1.2% (30 September 2019: 1.2%) growth rate.

The recoverable amount of is most sensitive to the assumptions regarding expected future cash inflows. A reasonably possible change in EBITDA and/or discount rate assumptions could cause the carrying amount to exceed the recoverable amount. The following sensitivity analysis shows the impact on headroom of different post-tax discount rates and EBITDA delivery in the cash flow projections used in the impairment review models.

Post-tax discount rate	8.5%	9.0%	9.5%	10.0%	10.5%
EBITDA delivery	€m	€m	€m	€m	€m
-10%	2.9	(0.7)	(3.8)	(6.5)	(9.0)
-5%	6.7	2.9	(0.5)	(3.4)	(6.1)
0%	10.4	6.4	2.8	(0.3)	(3.1)
5%	14.2	9.9	6.1	2.8	(0.2)
10%	18.0	13.5	9.5	5.9	2.8

The impact of a 1 percentage point decrease in the long-term growth rate applied in the terminal value calculation would be an impairment of €2.7m.

Distillerie Franciacorta CGU

The Distillerie Franciacorta CGU represents the sales of Distillerie Franciacorta trading brands by Stock S.r.l. and through Stock International s.r.o.

The post-tax discount rate applied to cash flow projections is 9.5% (30 September 2019: 9.5%) and cash flows beyond the three-year period are extrapolated using a 1.2% (30 September 2019: 1.5%) growth rate.

The recoverable amount of is most sensitive to the assumptions regarding expected future cash inflows. A reasonably possible change in EBITDA and/or discount rate assumptions could cause the carrying amount to exceed the recoverable amount. The following sensitivity analysis shows the impact on headroom of different post-tax discount rates and EBITDA delivery in the cash flow projections used in the impairment review models.

Post-tax discount rate	8.5%	9.0%	9.5%	10.0%	10.5%
EBITDA delivery	€m	€m	€m	€m	€m
-10%	2.4	0.4	(1.4)	(2.9)	(4.3)
-5%	4.7	2.5	0.7	(1.0)	(2.5)
0%	7.0	4.7	2.7	0.9	(0.7)
5%	9.3	6.8	4.7	2.8	1.1
10%	11.6	9.0	6.7	4.6	2.8

The impact of a 1 percentage point decrease in the long-term growth rate applied in the terminal value calculation would be an impairment of €0.5m.

Bartida CGU

The post-tax discount rate applied to cash flow projections is 7.5% (30 September 2019: 7.5%) and cash flows beyond the three-year period are extrapolated using a 2.0% (30 September 2019: 2.0%) growth rate.

The following sensitivity analysis shows the impact on headroom of different post-tax discount rates and EBITDA delivery in the cash flow projections used in the impairment review models.

Post-tax discount rate	6.5%	7.0%	7.5%	8.0%	8.5%
EBITDA delivery	€m	€m	€m	€m	€m
-10%	12.5	10.2	8.2	6.6	5.3
-5%	14.1	11.6	9.5	7.8	6.3
0%	15.7	13.0	10.8	9.0	7.4
5%	17.3	14.5	12.1	10.2	8.5
10%	18.9	15.9	13.4	11.4	9.6

The impact of a 1 percentage point decrease in the long-term growth rate applied in the terminal value calculation would be a decline in headroom of €3.2m.

Poland CGU

The post-tax discount rate applied to cash flow projections 8.5% (30 September 2019: 8.5%) and cash flows beyond the three-year period are extrapolated using a 2.5% (30 September 2019: 2.3%) growth rate.

The recoverable amount calculated indicates very significant headroom over the carrying value. As such, there are no assumptions for which a reasonably possible change will result in an impairment.

14. Property, plant and equipment

The movement in property, plant and equipment for the six-month period ended 31 March 2020 was as follows:

	Land and buildings	*Technical equipment*	*Other equipment*	*Assets under construction*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*
At 1 October 2019, cost, net of accumulated depreciation	27,109	20,399	1,417	4,607	53,532
Additions	243	887	1,196	919	3,245
Transfers	116	246	1,743	(2,105)	-
Disposals	(4)	(144)	(13)	(89)	(250)
Depreciation expense	(479)	(2,599)	(726)	-	(3,804)
Foreign currency adjustment	(1,097)	(531)	(4)	(226)	(1,858)
At 31 March 2020, cost, net of accumulated depreciation	25,888	18,258	3,613	3,106	50,865

Restated	*Land and buildings*	*Technical equipment*	*Other equipment*	*Assets under construction*	*Total*
	€000	*€000*	*€000*	*€000*	*€000*
At 1 October 2018, cost, net of accumulated depreciation	23,655	20,178	1,223	1,955	47,011
Additions	1,212	3,836	673	3,244	8,965
Acquisitions through business combinations	3,300	1,259	355	-	4,914
Transfers	99	456	-	(555)	-
Disposals	(2)	(73)	4	-	(71)
Depreciation expense	(925)	(4,978)	(840)	-	(6,743)
Foreign currency adjustment	(230)	(279)	2	(37)	(544)
At 30 September 2019, cost, net of accumulated depreciation	27,109	20,399	1,417	4,607	53,532

15. Right-of-use assets

The movement in right-of-use assets for the six-month period ended 31 March 2020 was as follows:

	Right-of-use land and buildings	*Right-of-use other equipment*	*Total*
	€000	*€000*	*€000*
At 1 October 2019, cost, net of accumulated depreciation	10,194	1,623	11,817
Additions	1,221	338	1,559
Disposals	(27)	(41)	(68)
Depreciation expense	(1,341)	(357)	(1,698)
Foreign currency adjustment	(198)	9	(189)
At 31 March 2020, cost, net of accumulated depreciation	9,849	1,572	11,421

Restated	*Right-of-use land and buildings*	*Right-of-use other equipment*	*Total*
	€000	*€000*	*€000*
At 1 October 2018, cost, net of accumulated depreciation	8,597	1,335	9,932
Additions	1,595	921	2,516
Acquisitions through business combinations	2,419	71	2,490
Depreciation expense	(2,448)	(710)	(3,158)
Foreign currency adjustment	31	6	37
At 30 September 2019, cost, net of accumulated depreciation	10,194	1,623	11,817

16. Investment in equity-accounted investees

On 17 July 2017, Stock Spirits entered into an agreement with Quintessential Brands Group for the acquisition of a 25% equity interest in Quintessential Brands Ireland Whiskey Limited ("QBIWL") for a cash consideration of up to €18,333,000. Consideration comprised of an initial cash payment of €15,000,000 for 25% of the equity investment, and a contingent consideration of up to €3,333,000 which is payable over the period November 2020 to May 2022, subject to performance conditions.

The Group's share of the loss of Quintessential Brands Ireland Whiskey Limited for the period is €165,000 (31 March 2019: loss of €422,000). There has been a corresponding reduction in the carrying value of the investment to reflect the Group's share of the loss.

As discussed in note 7, the impact of the Coronavirus pandemic provides objective evidence that the Group's equity investment in Quintessential Brands Ireland Whiskey Limited may be impaired. Consequently, the Group has considered a range of economic conditions that may exist over the next five years. These economic conditions, together with reasonable and supportable assumptions, have been used to prepare a revised five-year plan. The revised five-year plan indicates that the financial projections are no longer sufficient to support the carrying value of the investment and an impairment loss of €14,193,000 has been recognised in the period to 31 March 2020. After the loss for the period, this impairment reduces the carrying value of the investment in Quintessential Brands Ireland Whiskey Limited to €2,100,000.

Due to the nature and size of the impairment, and consistent with prior periods, this has been disclosed as an exceptional expense.

As part of a facility agreement between Wells Fargo and Quintessential Brands UK Holdings Limited and other borrowers ("the QB

Group"), QBIWL has guaranteed the borrowings made by other QB Group companies up to a maximum of £20m. This £20m guarantee cap is in addition to any borrowings made directly by QBIWL.

In the event of the guarantee being called upon, this would reduce the carrying value further.

At 31 March 2020, the QB Group had sufficient assets that could be called upon to satisfy the debt under the facility agreement, and therefore managements' assessment of the likelihood of the guarantee being called on to satisfy the QB Group's debt is remote.

In light of the impact of the Coronavirus pandemic, the Group has reviewed its estimate of the provision required for the contingent consideration. As a result, the provision for the contingent consideration has been reduced from €2,491,000 at 30 September 2019 to €664,000 at 31 March 2020. This is included in non-current financial liabilities.

The resulting €1,827,000 reduction in the provision has been recognised within "exceptional expense" in the consolidated income statement.

17. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement can be reconciled to the related items in statement of financial position as follows:

	31 March 2020 €000	*30 September 2019 €000*
Cash and bank balances	59,901	63,437

Cash and cash equivalents are denominated in the following currencies:

	31 March 2020 €000	*30 September 2019 €000*
Sterling	14,586	21,121
Euro	10,718	11,226
Czech Koruna	10,331	16,165
Polish Zloty	23,200	13,223
Other currencies	1,066	1,702
Total	59,901	63,437

18. Borrowings

	Current 31 March 2020 €000	*Non-current 31 March 2020 €000*	*Current 30 September 2019 €000*	*Non-current 30 September 2019 €000*
Unsecured - at amortised cost				
HSBC loan	-	102,522	-	105,500
Cost of arranging bank loan	-	(41)	-	(75)
Interest payable	1	-	2	-
	1	102,481	2	105,425

The Group has a facilities agreement for a €200,000,000 revolving credit facility ("RCF") with a banking club consisting of five banks including HSBC who also act as the Agent. The original term of the RCF facility was five years, to November 2020. On 21 July 2017, Stock Spirits Group extended its revolving credit facilities with its banking club by a further 2 years to November 2022. The other key facility terms remain unchanged.

The facility is fully flexible and allows the Group to benefit from being able to increase or reduce borrowings as required, and utilise balance sheet cash more effectively. Each of the drawings under the RCF are drawn down in the local currencies. The loans bear variable rates of interest which are linked to the inter-bank offer rates of the country of drawing: WIBOR, PRIBOR or EURIBOR as appropriate. Each of the loans have a variable margin element to the interest charge. The margin is linked to a ratchet mechanism, subject to a minimum margin, as the Group's leverage covenant changes.

As well as the revolving credit facility drawings of €102,522,000 as at 31 March 2020 (30 September 2019: €105,500,000), an additional €12,537,000 (30 September 2019: €11,361,000) of the RCF was utilised for customs guarantees in Italy and Germany. These custom guarantees reduce the available RCF facility but do not constitute a balance sheet liability.

19. Financial assets and liabilities

Set out below is a comparison by category of carrying amounts which approximate fair values of all of the Group's financial instruments that are carried in the financial statements.

As at 31 March 2020

	Financial assets and liabilities at amortised cost €000	*Total book value €000*
Financial assets:		
Cash and cash equivalents	59,901	59,901
Trade and other receivables	110,427	110,427
Customs deposits	4,463	4,463
Financial liabilities:		
Interest-bearing loans and borrowings:		
(i) Finance lease obligations	(12,809)	(12,809)
(ii) Floating rate borrowings - banks	(102,481)	(102,481)
Trade and other payables	(67,240)	(67,240)
Contingent consideration	(3,782)	(3,782)
Deferred consideration	(1,804)	(1,804)

As at 30 September 2019

Financial assets and

	liabilities at amortised cost Restated €000	Total book value Restated €000
Financial assets:		
Cash and cash equivalents	63,437	63,437
Trade and other receivables	106,832	106,832
Customs deposits	4,720	4,720
Financial liabilities:		
Interest-bearing loans and borrowings:		
(i) Finance lease obligations	(13,179)	(13,179)
(ii) Floating rate borrowings - banks	(105,425)	(105,425)
Trade and other payables	(76,116)	(76,116)
Contingent consideration	(5,280)	(5,280)
Deferred consideration	(1,782)	(1,782)

20. Authorised and issued share capital and reserves

Share capital of Stock Spirits Group PLC

	31 March 2020	30 September 2019
Number of ordinary shares		
Ordinary shares of £0.10 each, issued and fully paid	200,000,000	200,000,000
Ordinary shares (€000)	23,625	23,625

Own share reserve

The own share reserve comprises the cost of the Company's shares held by the Group. The Employment Benefit Trust (EBT) holds these shares on behalf of the employees until the options are exercised. During the six months ended 31 March 2020 1,500,000 shares were purchased by the EBT on behalf of the Group. At 31 March 2020 the Group held 2,038,686 of the Company's shares (30 September 2019: 1,364,519).

On the exercise of options in the period, €1,831,000 was credited to the own share reserve, with the corresponding charge to retained earnings (30 September 2019: €652,000).

The EBT holds the shares at cost.

Other reserve

Other reserves include the credit to equity for equity-settled share-based payments. The charge for the period ended 31 March 2020 was €1,528,000 (30 September 2019: €2,492,000). On the exercise of Performance Share Plan and Restricted Stock options in the period, €1,720,000 was debited from other reserves and credited to retained earnings (30 September 2019: €683,000).

Foreign currency translation reserve

	31 March 2020 €000	30 September 2019 €000
Foreign currency translation reserve	(1,072)	9,774

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Euros are accounted for by entries made directly to the foreign currency translation reserve.

21. Dividend

An interim dividend of 2.77 Euro cents per ordinary share has been declared by the Board in respect of the six months ended 31 March 2020 and will be paid on 19 June 2020. The dividend payable has not been recognised as a liability at 31 March 2020.

22. Related party transactions

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. There were no other related party transactions during the six month period ended 31 March 2020 (31 March 2019: €nil), as defined by International Accounting Standard No 24 'Related Party Disclosures', other than for key management compensation and transactions with Quintessential Brands Ireland Whiskey Limited and its related entities.

The following tables provides the total amount of transactions that have been entered into with Quintessential Brands Ireland Whiskey Limited and its related entities for the periods to 31 March 2020 and 31 March 2019.

March 2020	Sales of goods/services €'000	Purchases of goods/services €'000	Amounts owed by related parties €'000	Amounts owed to related parties €'000
Subsidiaries:				
Stock S.r.l.	-	-	1	-
Stock d.o.o.	-	69	-	25
Stock Slovensko s.r.o.	-	15	-	12
Stock Plzen-Bozkov s.r.o.	-	14	-	-
Stock Polska Sp. z.o.o.	25	132	24	40
	25	230	25	77

March 2019	Sales of goods/services	Purchases of goods/services	Amounts owed by related	Amounts owed to related

	€'000	€'000	parties €'000	parties €'000
Subsidiaries:				
Stock S.r.l.	3	-	3	-
Stock d.o.o.	6	39	-	26
Stock Slovensko s.r.o.	-	4	-	-
Stock Plzen-Bozkov s.r.o.	6	56	6	-
Stock Polska Sp. z.o.o.	-	23	-	-
	15	122	9	26

The related party transactions for the period ended 30 September 2019 as defined by International Accounting Standard No 24 'Related Party Disclosures' are disclosed in note 31 of the Stock Spirits Group PLC Annual Report for the period ended 30 September 2019.

23. Commitments for capital expenditure

Commitments for the acquisition of property, plant and equipment as of 31 March 2020 are €613,000 (31 March 2019: €480,000).

24. Events after the balance sheet date

There were no events after the balance sheet date which require adjustment to or disclosure in these interim condensed consolidated financial statements.

25. Changes in accounting policies - IFRS 16 'Leases'

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial position and financial performance.

IFRS 16 is effective for the accounting period commencing 1 October 2019. The Group adopted the standard retrospectively, with comparatives restated from a transition date of 30 September 2018.

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities on the balance sheet for all leases, except short-term and low value asset leases. At commencement of the lease, the lease liability equals the present value of future lease payments, and the right-of-use asset equals the lease liability, adjusted for payments already made, lease incentives, initial direct costs and any provision for dilapidation costs.

The operating lease rental charge, as previously accounted for under IAS 17 'Leases', is replaced by depreciation of the right-of-use assets and interest on the lease liabilities.

Under IFRS 16, the lease liability is remeasured on the occurrence of certain events, such as a change in lease term or a change in future lease payments resulting from a change in an index or rate. A corresponding adjustment is made to the right-of-use asset. There are a limited number of property leases which are subject to index-linked rental uplifts.

The Group applied the practical expedient not to reassess whether a contract is, or contains, a lease on transition. The Group has elected to recognise payments for short-term leases and leases of low value assets on a straight-line basis as an expense in the income statement.

The most significant IFRS 16 estimates relate to the selection of appropriate discount rates to calculate the lease liability. Refer to note 3 for further details.

The Group's lease portfolio consists of office and warehouse properties and other assets such as motor vehicles.

IFRS 16 has a significant impact on reported assets and liabilities, as well as the classification of cash flows relating to lease contracts. However, the reduction in cost of goods sold, selling expenses and other operating expenses is expected to largely offset the increase in depreciation and finance costs.

Lease liabilities are presented within other financial liabilities, both current and non-current, in the interim condensed consolidated statement of financial position. In the interim condensed consolidated income statement, depreciation of the right-of-use assets is recorded in selling expenses or other operating expenses, depending on the nature of the leased asset. Interest expense arising on lease liabilities is recorded in finance costs.

Restatement of Interim condensed consolidated income statement:

The table below shows the impact of IFRS 16 on the comparative period consolidated income statement for the six months ended 31 March 2019, and related alternative profit measures (APMs).

	Six months ended 31 March 2019 reported €000	*IFRS 16 impact €000*	*Six months ended 31 March 2019 restated €000*
Revenue	156,908	-	156,908
Cost of goods sold	(83,142)	-	(83,142)
Gross profit	73,766	-	73,766
Selling expenses	(28,894)	1,057	(27,837)
Other operating expenses	(15,063)	(761)	(15,824)
Impairment loss on trade and other receivables	(420)	-	(420)
Share of loss of equity-accounted investees, net of tax	(422)	-	(422)
Operating profit before exceptional expense	28,967	296	29,263
Exceptional expense	(14,295)	-	(14,295)
Operating profit	14,672	296	14,968
Finance income	103	-	103
Finance costs	(2,171)	(212)	(2,383)
Profit before tax	12,604	84	12,688
Income tax expense	(6,763)	-	(6,763)
Profit for the period	5,841	84	5,925
Earnings per share, (€cents), attributable to equity			

holders of the Parent			
Basic	2.94	0.05	2.99
Diluted	2.92	0.04	2.96
KPIs and APMs			
Adjusted EBITDA	33,531	1,720	35,251
Adjusted EBITDA margin	21.4%	1.1%	22.5%
Adjusted basic earnings per share (€cents)	10.15	0.04	10.19

Restatement of interim condensed consolidated statement of financial position:

The tables below sets out the impact of IFRS on the transition balance sheet at 30 September 2018 and on the comparative balance sheet at 30 September 2019, as well as on related debt measures. Right-of-use assets are presented separately in the consolidated statement of financial position. Lease liabilities are presented in other finance liabilities (both current and non-current). Net debt and leverage increase as a consequence of the increase in lease liabilities. Trade and other receivables reduce as lease prepayments are eliminated. Trade and other payables reduce as accruals for rent-free periods are eliminated. There is also a corresponding increase in deferred tax liabilities relating to the accrual elimination.

	30 September 2018 - reported €000	*IFRS 16 impact €000*	*30 September 2018 - restated €000*
Non-current assets			
Intangible assets - goodwill	45,940	-	45,940
Intangible assets - other	311,129	-	311,129
Property, plant and equipment	47,265	(254)	47,011
Right-of-use assets	-	9,932	9,932
Investment in equity-accounted investee	16,994	-	16,994
Deferred tax assets	589	-	589
Other assets	4,742	-	4,742
	426,659	9,678	436,337
Current assets			
Inventories	30,711	-	30,711
Trade and other receivables	119,238	-	119,238
Other assets	135	-	135
Current tax assets	863	-	863
Cash and cash equivalents	50,143	-	50,143
	201,090	-	201,090
Total assets	627,749	9,678	637,427
Non-current liabilities			
Borrowings	81,300	-	81,300
Other financial liabilities	2,692	8,476	11,168
Deferred tax liabilities	47,421	275	47,696
Provisions	1,082	-	1,082
Trade and other payables	287	-	287
	132,782	8,751	141,533
Current liabilities			
Trade and other payables	72,080	(1,446)	70,634
Borrowings	16	-	16
Other financial liabilities	66	2,953	3,019
Income tax payable	8,149	-	8,149
Indirect tax payable	62,058	-	62,058
Provisions	717	-	717
	143,086	1,507	144,593
Total liabilities	275,868	10,258	286,126
Net assets	351,881	(580)	351,301
Capital and reserves			
Issued capital	23,625	-	23,625
Merger reserve	99,033	-	99,033
Consolidation reserve	5,130	-	5,130
Own share reserve	(3,370)	-	(3,370)
Other reserve	11,406	-	11,406
Foreign currency translation reserve	13,915	-	13,915
Retained earnings	202,142	(580)	201,562
Total equity	351,881	(580)	351,301
Total equity and liabilities	627,749	9,678	637,427
KPIs and APMs			
Net debt	31,583	11,429	43,012
Leverage (12 month proforma)	0.53		0.68

	30 September 2019 - reported €000	*IFRS 16 impact €000*	*30 September 2019 - restated €000*
Non-current assets			
Intangible assets - goodwill	49,800	-	49,800
Intangible assets - other	326,718	-	326,718
Property, plant and equipment	53,723	(191)	53,532
Right-of-use assets	-	11,817	11,817
Investment in equity-accounted investee	16,458	-	16,458
Deferred tax assets	674	-	674
Other assets	4,720	-	4,720
	452,093	11,626	463,719
Current assets			
Inventories	43,059	-	43,059
Trade and other receivables	111,068	(29)	111,039
Current tax assets	3,588	-	3,588
Cash and cash equivalents	63,437	-	63,437
	221,152	(29)	221,123
Total assets	673,245	11,597	684,842
Non-current liabilities			
Borrowings	105,425	-	105,425

Other financial liabilities	6,115	9,919	16,034
Deferred tax liabilities	53,272	228	53,500
Provisions	1,234	-	1,234
Trade and other payables	331	-	331
	166,377	10,147	176,524
Current liabilities			
Trade and other payables	78,534	(1,172)	77,362
Borrowings	2	-	2
Other financial liabilities	1,148	3,260	4,408
Income tax payable	5,883	-	5,883
Indirect tax payable	59,714	-	59,714
Provisions	173	-	173
	145,454	2,088	147,542
Total liabilities	311,831	12,235	324,066
Net assets	361,414	(638)	360,776
Capital and reserves			
Issued capital	23,625	-	23,625
Merger reserve	99,033	-	99,033
Consolidation reserve	5,130	-	5,130
Own share reserve	(2,718)	-	(2,718)
Other reserve	12,566	-	12,566
Foreign currency translation reserve	9,774	-	9,774
Retained earnings	214,004	(638)	213,366
Total equity	361,414	(638)	360,776
Total equity and liabilities	673,245	11,597	684,842
KPIs and APMs			
Net debt	42,266	13,179	55,445
Leverage	0.67		0.83

Restatement of interim condensed consolidated statement of cash flows:

The table below shows the impact of IFRS 16 on the comparative period consolidated cash flow statement for the six months ended 31 March 2019 and APMs. IFRS 16 has no impact on total cash flow for the period or cash and cash equivalents at the end of the period. Cash generated from operations and free cash flow measures increase as operating lease rental expenses are no longer recognised as operating cash outflows. Cash outflows are instead split between interest paid and repayments of obligations under leases, which both increase.

	Six months ended 31 March 2019 reported	*IFRS 16 impact*	*Six months ended 31 March 2019 restated*
	€000	*€000*	*€000*
Operating activities			
Profit for the period	5,841	84	5,925
Adjustments to reconcile profit for the period to net cash flows:			
Income tax expense recognised in income statement	6,763	-	6,763
Interest expense and bank commissions	2,171	212	2,383
Loss on disposal of tangible and intangible assets	28	-	28
Other financial income	(83)	-	(83)
Depreciation of property, plant and equipment	3,367	-	3,367
Depreciation of right-of-use assets	-	1,424	1,424
Amortisation of intangible assets	775	-	775
Impairment of goodwill and brands	14,295	-	14,295
Net foreign exchange gain	(20)	-	(20)
Share-based compensation charge	663	-	663
Share of loss of equity-accounted investees, net of tax	422	-	422
Decrease in provisions	(570)	-	(570)
	33,652	1,720	35,372
Working capital adjustments			
Decrease in trade receivables and other assets	3,954	-	3,954
Increase in inventories	(2,456)	-	(2,456)
Increase in trade payables and other liabilities	804	-	804
	2,302	-	2,302
Cash generated by operations	35,954	1,720	37,674
Income tax paid	(8,423)	-	(8,423)
Net cash flow from operating activities	27,531	1,720	29,251
Investing activities			
Interest received	83	-	83
Payments to acquire intangible assets	(511)	-	(511)
Proceeds from sale of property, plant and equipment	7	-	7
Purchase of property, plant and equipment	(4,194)	-	(4,194)
Advance payment for investment	(3,000)	-	(3,000)
Net cash flow from investing activities	(7,615)	-	(7,615)
Financing activities			
New borrowings raised	19,505	-	19,505
Interest paid	(2,282)	(212)	(2,494)
Payment of lease liabilities	-	(1,508)	(1,508)
Dividends paid to equity holders of the Parent	(11,953)	-	(11,953)
Net cash flow from financing activities	5,270	(1,720)	3,550
Net increase in cash and cash equivalents	25,186	-	25,186
Cash and cash equivalents at the start of the period	50,143	-	50,143
Effect of exchange rates on cash and cash equivalents	366	-	366
Cash and cash equivalents at the end of the financial period	75,695	-	75,695
Free cash flow	31,256	1,720	32,976
Adjusted free cash flow conversion	93.2%		93.5%

[1] Constant currency is calculated by converting the prior period results at current period FX rates

[2] The Company and its subsidiaries, Stock Spirits Group (the "Group") uses alternative performance measures as key financial indicators to assess underlying performance of the Group. Details of the basis of calculation for Adjusted EBITDA can be found in note 5 to the Unaudited Interim Condensed Consolidated Financial Statements

[3] Adjusted basic EPS excludes the impact from exceptional items

[4] Leverage at 30 September 2019 is net debt including IFRS16 liabilities as at 30 September 2019 divided by the Adjusted EBITDA for full year 2019. Leverage at 31 March 2020 is the net debt including IFRS16 liabilities as at 31 March 2020 divided by the unaudited 12 months Adjusted EBITDA to 31 March 2020

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

IR DLLFFBELXBBF