Stock Spirits Group PLC

Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 8687223

Prospectus

Joint Sponsor, Joint Global Coordinator, Joint Bookrunner, Underwriter
J.P. Morgan Cazenove

Joint Sponsor, Joint Global Coordinator, Joint Bookrunner, Underwriter
Nomura

Joint Bookrunner, Underwriter
Jefferies International Limited

Lead Manager, Underwriter
Berenberg

This document comprises a prospectus (the "**Prospectus**") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority ("**FCA**") made under section 73A of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**"). The Prospectus has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 34 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Application has been made to the FCA for all of the issued and to be issued Ordinary Shares of the Company to be admitted to the premium listing segment of the Official List maintained by the FCA and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Conditional dealings in the Ordinary Shares are expected to commence at 08:00 on 22 October 2013. It is expected that Admission will become effective, and that unconditional dealings will commence, at 08:00 on 25 October 2013.

All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and of no effect if Admission does not take place and will be at the sole risk of the parties concerned. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.

Prospective investors should read the entire Prospectus and, in particular, Part II (*Risk Factors*) for a discussion of certain factors that should be considered in connection with an investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in the Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

STOCK SPIRITS GROUP

STOCK SPIRITS GROUP PLC

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 8687223)

Offer of 110,000,000 Ordinary Shares at an Offer Price of 235 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange

Joint Sponsor, Joint Global Coordinator, Joint Bookrunner, Underwriter	*Joint Sponsor, Joint Global Coordinator, Joint Bookrunner, Underwriter*	*Joint Bookrunner, Underwriter*	*Lead Manager, Underwriter*
J.P. Morgan Cazenove	Nomura	Jefferies International Limited	Berenberg

ISSUED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Issued and fully paid

Ordinary Shares of	Number	Nominal Value of Issued Ordinary Shares
£0.10	200,000,000	£20,000,000

This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada or Japan. Neither the Company nor any of the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. No action has been, or will be, taken in any jurisdiction other than the UK that would permit a public offering of the Ordinary Shares, or the possession, circulation or distribution of the Prospectus or any other material relating to the Company or the Offer Shares in any jurisdiction where action for that purpose is required. The offer, sale and/or issue of the Ordinary Shares has not been, and will not be, qualified for sale under any applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold or delivered within Australia, Canada or Japan, or to, or for the benefit of, any national, resident or citizen of Australia, Canada or Japan. The Offer Shares and the Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other

jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Ordinary Shares are only being offered and sold (i) in the United States to persons reasonably believed to be QIBs as defined in Rule 144A pursuant to an exemption from the registration requirements of the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S. Prospective investors in the United States are hereby notified that the Company may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.

Each of J.P. Morgan Cazenove, Nomura and Jefferies is authorised by the Prudential Regulation Authority ("**PRA**") and regulated in the United Kingdom by the PRA and the FCA. Berenberg is authorised by the German Federal Financial Supervisory Authority ("**BaFin**") and subject to limited regulation by the FCA. J.P. Morgan Cazenove and Nomura have been appointed as Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Underwriters, Jefferies has been appointed as a Joint Bookrunner and an Underwriter and Berenberg has been appointed as Lead Manager and an Underwriter. J.P. Morgan Cazenove, Nomura, Jefferies and Berenberg are acting exclusively for the Company and no one else and will not regard any person other than the Company (whether or not a recipient of this Prospectus) as their client in relation to Admission and the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for giving advice in relation to the Offer or any transaction, arrangement or other matter referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove, Nomura, Jefferies and Berenberg by the FSMA or the regulatory regime established thereunder or other applicable law, J.P. Morgan Cazenove, Nomura, Jefferies and Berenberg assume no responsibility for the accuracy, completeness or verification of this document or any related statement.

Investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, J.P. Morgan Cazenove, Nomura, Jefferies or Berenberg. In particular, the contents of the websites of the Group do not form part of this Prospectus and prospective investors should not rely on them.

The Ordinary Shares to be made available pursuant to the Offer will, on Admission, rank equally in all respects with all other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

In connection with the Offer, J.P. Morgan Cazenove (the "**Stabilising Manager**"), or any of its agents, may, but will be under no obligation to, effect stabilisation transactions with a view to supporting the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares or other securities of the Company, in each case at a higher level than that which might otherwise prevail in the open market. Such transactions may include short sales, stabilising transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilising Manager of a greater number of Ordinary Shares than the Underwriters are required to procure purchasers for, or failing which, to purchase in the Offer. Stabilising transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Ordinary Shares while the Offer is in progress. Such transactions shall be carried out in accordance with applicable rules and regulations. Such stabilisation activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period from the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there is no obligation on the Stabilising Manager or any other person (or any of their agents) to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any short sales made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may over-allot Ordinary Shares at the Offer Price up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer. To allow the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Over-allotment Shareholders have granted to it the Over-allotment Option pursuant to which the Stabilising Manager may require the Over-allotment Shareholders to transfer to it additional Ordinary Shares of up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer at the Offer Price. The Over-allotment Option is exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the thirtieth calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank equally in all respects with the other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be subscribed for on the same terms and conditions as the other Ordinary Shares being sold in the Offer and will form a single class for all purposes with the other Ordinary Shares.

The date of this Prospectus is 22 October 2013.

TABLE OF CONTENTS

PART I

SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A-E (A.1 – E.7).*

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element might be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of the words "not applicable".

Section A – Introduction and warnings		
Element		
A.1	**Introduction and warnings**	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Offer Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Subsequent resale of securities or final placement of securities through financial intermediaries**	Not applicable: the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.

Section B – Issuer		
Element		
B.1	**Legal and commercial name**	Stock Spirits Group PLC
B.2	**Domicile/legal form/ legislation/country of incorporation**	The Company is a public limited company, incorporated in the UK with its registered office situated in England and Wales. The Company operates under the Companies Act.
B.3	**Current operations/principal activities and markets**	The Group is a pre-eminent Central and Eastern European branded spirits producer whose principal product category is vodka. It has the largest market share for spirits in Poland and the Czech Republic and is the leading vodka company in both countries. It is also the leader in the vodka-based flavoured liqueurs and limoncello categories in Italy, has the largest market share for the bitters category in Slovakia and the largest market share for imported brandy in Croatia and Bosnia & Herzegovina. The Group has a portfolio of more than 25 brands across a broad

		range of spirits products including vodka, vodka-based flavoured liqueurs, Rum, brandy, bitters and limoncello, many of which have market or category-leading positions in the Group's core geographic markets. The Group's core geographic markets are Poland, the Czech Republic and Italy. The Group has fully owned sales and marketing businesses in six countries and exports products to more than 40 other countries. The Group's core vodka brands include Czysta de Luxe, Żołądkowa Gorzka, Stock Prestige, 1906 and Zubr. The Group's Amundsen, Lubelska, Keglevich and Bozkov brands include a range of vodka-based flavoured liqueurs. Stock Original and Stock 84 are core brandy brands and Bozkov Tuzemsky, Fernet Stock, Limoncè and Imperator Golden are, respectively, core Czech rum, bitters, limoncello and fruit distillate brands.
B.4a	**Significant recent trends affecting the Group and the industry in which it operates**	***Poland*** Spirits consumption per capita in Poland remained relatively constant between 2008 and 2012, fluctuating between 8.4 and 8.6 litres per capita and was 8.5 litres per capita in 2012 (according to market volume data from IWSR and population data from the EIU). IWSR data suggests the volume of sales in the Polish spirits market has remained constant between 2008 and 2012. Despite this, Euromonitor International data suggests that the spirits market grew in value terms from €3.5 billion in 2008 to €4.1 billion in 2012, representing a CAGR of 3.2%. In Poland, the spirits market is mainly led by off-trade sales and is characterised by strong local and regional participants. ***Czech Republic*** Spirits consumption per capita in the Czech Republic has remained relatively constant between 2008 and 2011, from 6.6 litres per capita in 2008 to 6.5 litres per capita in 2011. In 2012, spirits consumption declined to 5.7 litres per capita (according to market volume data from IWSR and population data from the EIU), reflecting the imposition of a temporary nationwide ban on spirits following a number of fatal poisonings caused by "black market" spirits products contaminated with methyl alcohol. IWSR data suggests the volume of sales in the Czech spirits market declined between 2008 and 2012. This is supported by Euromonitor International data which shows that the overall value of the spirits market declined from €1.5 billion in 2008 to €1.4 billion in 2011, and to €1.2 billion in 2012 following the Czech spirits ban. The majority of spirits consumption in the Czech Republic is through the off-trade distribution channel and the Czech spirits market is largely made up of local participants. ***Italy*** Spirits consumption per capita in Italy has seen a decline between 2008 and 2012, from 2.5 litres per capita in 2008 to 2.2 litres per capita in 2012 (according to market volume data from IWSR and population data from the EIU). The Italian spirits market decreased in volume terms between 2006 and 2011, with a CAGR of approximately (2.1)%, according to Euromonitor International. This trend is supported by IWSR data, which also shows a decline in volume terms of (2.1)% between 2008 and

2012. However, between 2006 and 2011, the Italian spirits market has experienced only a slight decrease in value terms (according to Euromonitor International), and between 2008 and 2012, the spirits market remained the same in value terms (according to IWSR). The distribution channels in the Italian spirits market are split fairly evenly between on-trade and off-trade channels in volume terms and the spirits market in Italy is dominated by local products.

B.5 **Description of the Issuer's group**

The Company is the UK holding company for the Group. The Group is a Central and Eastern European branded spirits producer and distributor which has manufacturing, sales and distribution operations in Poland, the Czech Republic and Slovakia, a manufacturing facility in Germany, sales and distribution operations in Italy, Croatia and Bosnia & Herzegovina and general service functions in Luxembourg, the UK and Switzerland.

B.6 **Shareholders**

At the date of this Prospectus, insofar as is known to the Company, the following will be interested in 3% or more of the Company's capital at Admission:

- OCM Luxembourg EPOF S.à r.l. (11.2%);
- OCM Luxembourg POF IV S.à r.l. (21.0%); and
- OCM Luxembourg EPOF A S.à r.l. (6.1%).

The Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or, immediately following the Offer, could exercise control over the Company.

All Ordinary Shares have the same voting rights.

B.7 **Selected historical key financial information**

The tables below summarise certain key financial measures in FY 2010, FY 2011, FY 2012, HY 2012 and HY 2013.

Consolidated income statement data

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Revenue	301,956	295,110	292,445	134,434	153,131
Cost of sales	(161,315)	(156,575)	(149,058)	(69,330)	(73,973)
Gross profit	140,641	138,535	143,387	65,104	79,158
Selling expenses	(60,791)	(60,390)	(55,043)	(27,966)	(32,134)
General and administrative and other operational expenses	(26,994)	(25,501)	(29,929)	(14,427)	(16,741)
Exceptional items	(10,796)	(14,653)	27,001	(670)	(8,197)
Operating profit	42,060	37,991	85,416	22,041	22,086
Finance revenue	11,372	44,324	1,769	859	993
Finance costs	(46,335)	(60,797)	(58,236)	(28,437)	(32,404)
Profit/(loss) before tax	7,097	21,518	28,949	(5,537)	(9,325)
Income tax expense	(5,298)	(4,242)	(2,852)	(1,373)	(1,401)
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)

Consolidated statement of comprehensive income data

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)
Other comprehensive income/(expense):					
Exchange differences arising on translation of foreign operations	9,715	(7,795)	6,911	3,543	(6,039)
Total income/(expense) for the period, net of tax	11,514	9,481	33,008	(3,367)	(16,765)

Consolidated statement of financial position data

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	€000	€000	€000	€000
Non-current assets				
Intangible assets – goodwill	75,333	75,310	60,303	60,308
Intangible assets – other	308,888	299,530	313,002	302,388
Property, plant and equipment	65,538	57,707	57,515	60,864
Deferred tax assets	7,033	7,514	9,240	7,990
Other financial assets	4,984	7,797	9,826	5,658
	461,776	447,858	449,886	437,208
Current assets				
Inventories	26,694	27,227	30,826	31,869
Trade and other receivables	164,120	126,459	129,722	117,371
Other financial assets	172	1,262	250	4,122
Current tax assets	107	2,832	1,629	1,974
Assets classified as held for sale	–	–	4,200	4,200
Cash and short term deposits	73,679	64,787	138,718	54,105
	264,772	222,567	305,345	213,641
Total assets	726,548	670,425	755,231	650,849
Non-current liabilities				
Financial liabilities	174,021	155,379	155,922	148,340
Other financial liabilities	290	782	1,448	991
Deferred tax liabilities	66,444	65,632	62,704	58,586
Provisions	5,312	5,846	5,295	5,099
	246,067	227,639	225,369	213,016
Current liabilities				
Trade and other payables	59,919	39,909	55,810	52,324
Financial liabilities	5,091	7,531	8,119	3,094
Other financial liabilities	220	240	242	240
Income tax payable	5,880	4,946	8,870	3,884
Other tax liabilities	96,615	81,506	74,986	66,621
Provisions	4,544	220	109	165
Other payables	6,955	4,373	2,934	2,857
	179,224	138,725	151,070	129,185
Total liabilities excluding shareholder debt	425,291	366,364	376,439	342,201
Shareholder debt	230,053	223,173	264,640	208,539
Total liabilities	655,344	589,537	641,079	550,740
Net assets	71,204	80,888	114,152	100,109
Capital and reserves				
Issued capital	276	279	279	279
Equity component of CECs, PECs and CPECs	55,011	55,011	55,011	55,011
Share premium	20,097	20,097	20,097	20,097
Other reserve	311	511	767	3,489
Foreign currency translation reserve	17,813	10,018	16,929	10,890
Retained earnings	(22,304)	(5,028)	21,069	10,343
Total equity	71,204	80,888	114,152	100,109
Total equity and liabilities	726,548	670,425	755,231	650,849

Consolidated statement of cash flows data

	Year ended 31 December			Six-month period ended 30 June	
				Unaudited	
	2010	2011	2012	2012	2013
	€000	€000	€000	€000	€000
Operating activities					
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)
Adjustments to reconcile profit/(loss) before tax to net cash flows:					
Income tax expense recognised in income statement	5,298	4,242	2,852	1,373	1,401
Interest expense and bank commissions	46,335	54,726	58,236	28,437	29,650
Net gain on disposal of subsidiary	–	–	(54,898)	–	–
Loss on disposal of property, plant and equipment	609	109	–	27	74
Other financial income	(2,403)	(44,324)	(1,309)	(585)	(993)
Depreciation and impairment of property, plant and equipment	6,461	9,178	9,330	4,538	3,201
Amortisation and impairment of intangible assets and goodwill	1,831	1,952	18,419	1,204	835
Net foreign exchange (gain)/loss	(8,969)	6,071	(460)	(274)	2,754
Share-based payment	311	200	256	141	2,722
	51,272	49,430	58,523	27,951	28,918
Working capital adjustments					
Decrease/(increase) in trade receivables and other assets	5,495	37,661	(3,263)	2,764	12,351
Decrease/(increase) in inventories	710	(533)	(2,513)	(4,455)	(1,043)
(Decrease)/increase in trade payables and other liabilities	(15,254)	(37,701)	7,942	(14,713)	(11,928)
Increase/(decrease) in provisions	4,168	(3,790)	(662)	792	(140)
	(4,881)	(4,363)	1,504	(15,612)	(760)

	Year ended 31 December			Six-month period ended 30 June	
				Unaudited	
	2010	2011	2012	2012	2013
	€000	€000	€000	€000	€000
Cash flows from operating activities	46,391	45,067	60,027	12,339	28,158
Income tax paid	(3,740)	(7,361)	(4,328)	(5,180)	(7,739)
Net cash flows from operating activities	42,651	37,706	55,699	7,159	20,419
Investing activities					
Interest received	140	566	1,309	585	606
Payments to acquire intangible assets	(2,401)	(2,125)	(1,355)	(785)	(534)
Purchase of property, plant and equipment	(8,278)	(4,863)	(9,950)	(2,926)	(8,741)
Acquisition of subsidiary, net of cash acquired	–	–	(6,071)	–	–
Net proceeds from sale of subsidiary	–	–	55,425	–	–
Net cash flow from investing activities	(10,539)	(6,422)	39,358	(3,126)	(8,669)
Financing activities					
Repayment of borrowings	(12,726)	(178,926)	(6,400)	(2,800)	(84,085)
New borrowings raised	16,000	166,559	–	–	–
Interest paid	(5,597)	(21,807)	(18,329)	(10,053)	(4,470)
Other financial costs	(2,145)	(3,770)	(345)	(270)	(269)
Proceeds from shares issued	42	3	–	–	–
Net cash flow from financing activities	(4,426)	(37,941)	(25,074)	(13,123)	(88,824)
Net increase/(decrease) in cash and cash equivalents	27,686	(6,657)	69,983	(9,090)	(77,074)
Cash and cash equivalents at the start of the period	44,347	73,679	64,787	64,787	138,718
Effect of exchange rates on cash and cash equivalents	1,646	(2,235)	3,948	2,561	(7,539)
Cash and cash equivalents at the end of the period	73,679	64,787	138,718	58,258	54,105

Non-IFRS Measures – Adjusted EBIT and Adjusted EBITDA

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions, except %		
Adjusted EBIT[1]	52.9	52.6	58.4	22.7	30.3
Adjusted EBITDA[1]	61.1	63.8	68.1	28.5	34.3
Adjusted EBITDA margin[2]	20.2%	21.6%	23.3%	21.2%	22.4%
Operating profit	42.1	38.0	85.4	22.0	22.1

(1) The Group defines Adjusted EBIT as operating profit before exceptional items and Adjusted EBITDA as operating profit before depreciation and amortisation and exceptional items. Adjusted EBIT and Adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. The Group presents Adjusted EBIT and Adjusted EBITDA because it believes that these measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present Adjusted EBIT and Adjusted EBITDA when reporting their results. The Group also presents Adjusted EBIT and Adjusted EBITDA as supplemental measures of its ability to service its indebtedness. Adjusted EBIT and Adjusted EBITDA are not IFRS measures and should not be considered as alternatives to IFRS measures of profit/(loss) or as indicators of operating performance or as measures of cash flow from operations under IFRS or as indicators of liquidity. Adjusted EBIT and Adjusted EBITDA are not intended to be measures of cash flow available for management's discretionary use, as they do not consider certain cash requirements for items such as exceptional costs, interest payments, tax payments, debt service requirements and capital expenditure.

The Group's presentation of Adjusted EBIT and Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. For example, Adjusted EBIT and Adjusted EBITDA (i) do not reflect changes in, or cash requirements for, the Group's working capital needs; (ii) do not reflect the Group's interest expense; (iii) do not reflect income taxes on the Group's taxable earnings; (iv) although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacement; (v) because not all companies use identical calculations, the Group's presentation of Adjusted EBIT and Adjusted EBITDA may not be comparable to similarly titled measures of other companies; and (vi) do not reflect the Group's exceptional items. The table below provides a reconciliation of Adjusted EBIT and Adjusted EBITDA to operating profit for the periods under review:

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions		
Operating profit	42.1	38.0	85.4	22.0	22.1
Exceptional items	10.8	14.7	(27.0)	0.7	8.2
Adjusted EBIT	52.9	52.6	58.4	22.7	30.3
Depreciation and amortisation	8.3	11.1	9.7	5.7	4.0
Adjusted EBITDA	61.1	63.8	68.1	28.5	34.3

(2) Adjusted EBITDA as a proportion of revenue.

Non-IFRS Measures – Free Cash Flow

The table below presents the Group's Free Cash Flow. The Group defines Free Cash Flow as net cash generated from operating activities (excluding income tax paid, certain exceptional items and their related impact on working capital adjustments) plus net cash used in/generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of a subsidiary).

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			€ in millions, except %		
Net cash generated from operating activities	42.7	37.7	55.7	7.2	20.4
plus Net cash (used in)/generated from investing activities	(10.5)	(6.4)	39.4	(3.1)	(8.7)
minus Interest received	(0.1)	(0.6)	(1.3)	(0.6)	(0.6)
Cash flow pre-financing activities	32.0	30.7	93.7	3.4	11.1
Investments(1)	—	—	9.6	—	—
Net proceeds from sale of subsidiary(2)	—	—	(55.4)	—	—
Income tax paid	3.7	7.4	4.3	5.2	7.7
Exceptional items(3)	10.8	14.7	9.8(3)	0.7	8.2
Working capital adjustments(4)	(4.0)	0.8	(2.1)	2.3	(5.4)
Free Cash Flow(5)	42.5	53.5	60.1	11.6	21.7
Free Cash Flow as a percentage of Adjusted EBITDA	69.6%	83.9%	88.2%	40.6%	63.1%

(1) Acquisition of Imperator, net of cash acquired (€6.1 million) plus the purchase of the ethanol distillery in Germany (€3.6 million).

(2) Represents the net amount received by the Group from the sale of its US business.

(3) For purposes of this reconciliation, exceptional items in FY 2012 do not include the following non-cash items: net gain on disposal of US business (€54.9 million), impairment of Italian goodwill (€16.5 million), and the impairment charge of €1.6 million to write-down the value of the property at Trieste (recorded under exceptional items as part of the restructuring of the Group's Italian business).

(4) Working capital adjustments represent the movement in trade receivables, trade payables and other liabilities, and provisions related to exceptional items.

(5) Free Cash Flow is a supplemental measure of the Group's liquidity that is not required by, or presented in accordance with, IFRS. The Group presents Free Cash Flow, as calculated above, because it believes that this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present free cash flow when reporting their results. Free Cash Flow is not an IFRS measure and should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Free Cash Flow is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider any cash flows from financing activities, income tax payments and exceptional items. The Group's presentation of Free Cash Flow has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. Further, because not all companies use identical calculations, the Group's presentation and calculation of Free Cash Flow may not be comparable to similarly titled measures of other companies.

The Group's revenue decreased 3.2% from €302.0 million in FY 2010 to €292.4 million in FY 2012 and increased 13.6% from €134.4 million in HY 2012 to €152.7 million in HY 2013.

In Poland, revenue decreased in FY 2011 primarily as a result of aggressive pricing policies adopted by some competitors in relation to sales made through discounters (to which the Group strategically refrained from responding), and foreign currency movements. Revenue increased in FY 2012 and HY 2013 (compared to HY 2012) driven by sales volumes growth and price increases.

Revenue in the Czech Republic increased in FY 2011 reflecting primarily growth in the Group's bitters market. In FY 2012, revenue decreased due to a temporary nationwide spirits ban imposed in the Czech Republic and deteriorating economic conditions. Revenue increased in HY 2013 compared to HY 2012 as, in contrast to FY 2011, there was no build-up of stock-in-trade in the market in FY 2012.

In Italy, the decrease in revenue in the periods under review was driven by the ongoing Eurozone sovereign debt crisis and the Group's decision to decrease its participation in the on-trade channel. The Group sold its US business (which was reported

		under the Italian segment) in the fourth quarter of FY 2012, which decreased revenue in HY 2013 compared to HY 2012. Revenue in the Other Operational segment increased from FY 2010 to FY 2011 reflecting primarily an increase in revenue in Slovakia. In FY 2012, revenue decreased following a temporary ban imposed by the Slovakian government on the import and sale of Czech bottled spirits. Revenue in HY 2013 reflects the contribution of Imperator and Baltic, the German ethanol distillery, both acquired by the Group in FY 2012. The Group's cost of sales: • decreased 7.6% from FY 2010 to FY 2012 (reflecting the decrease in the Group's sales volume, operational efficiencies and cost savings initiatives), which was in part offset by an increase in alcohol and sugar prices; and • increased 6.8% from HY 2012 to HY 2013 (reflecting an increase in volumes), which was partially offset by reductions in the cost of raw materials and the positive impact of the acquisition of the ethanol distillery in Germany in FY 2012. Net cash generated from operating activities was: • €37.7 million in FY 2011 compared to €42.7 million in FY 2010 (reflecting higher cash outflow associated with exceptional items); • €55.7 million in FY 2012 (reflecting higher earnings in FY 2012, particularly in Poland, and favourable net working capital movements); and • €20.4 million in HY 2013 compared to €7.2 million in HY 2012 (reflecting favourable movements in working capital compared to the prior period). Net cash used in investing activities was: • €6.4 million in FY 2011 compared to €10.5 million in FY 2010 (reflecting decreased payments for property, plant and equipment); • €39.4 million in FY 2012 (reflecting net proceeds from the sale of the Group's US business); and • €8.7 million in HY 2013 compared to net cash outflow of €3.1 million in HY 2012 (reflecting increased purchases of property, plant and equipment associated with the purchase of refrigerators for installation in traditional trade retailers in Poland). Net cash used in financing activities was: • €37.9 million in FY 2011 compared to €4.4 million in FY 2010 (reflecting increased repayment of borrowings and increased interest paid on borrowings); • €25.1 million in FY 2012 (reflecting lower repayments of borrowings and lower interest paid on borrowings compared to FY 2011); and • €88.8 million in HY 2013 compared to €13.1 million in HY 2012 (reflecting the redemption of a portion of PECs in April 2013).

The Group repaid its debt under, and cancelled, the RBS Facility and the Pekao Facility in FY 2011 and replaced these facilities with the ING Credit Facility, which was amended and restated in June 2013 in preparation for the Offer.

The Group's capital expenditure in FY 2010, FY 2011, FY 2012 and HY 2013 was €10.7 million, €7.0 million, €7.7 million and €9.2 million, respectively, which related mainly to investments in the Group's production and storage facilities. The Group also made improvements at the Plzen facility, installed new equipment, upgraded existing equipment, upgraded its IT platform and, in HY 2013, installed branded fridges in traditional trade retailers in Poland. In addition to the Group's capital expenditure in FY 2012, the Group acquired Imperator and the ethanol distillery in Germany.

The Group has continued to trade in line with Directors' expectations since 30 June 2013, and revenue for the period ended 31 August 2013 is ahead of levels achieved in the comparable period in 2012.

B.8 **Selected key pro forma financial information**

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the Group's net assets of the Offer and the use of the net proceeds, the Corporate Reorganisation, the amendment of and payments under the long-term incentive plan, the draw down of the New Term Loans of €70.0 million and the redemption of a portion of PECs totalling €82.2 million as if they had taken place on 30 June 2013. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below from the IFRS consolidated statement of financial position of the Group as at 30 June 2013. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.

	As at 30 June 2013 €000 (Note 1)	*IPO Net Proceeds €000 (Note 2)*	*Redemption of a portion of PECs €000 (Note 3)*	*Other adjustments €000 (Note 4)*	*Unaudited Pro Forma Total €000*
ASSETS					
Non-current assets					
Intangible assets –goodwill	60,308	–	–	–	60,308
Intangible assets – other	302,388	–	–	–	302,388
Property, plant and equipment	60,864	–	–	–	60,864
Deferred tax assets	7,990	–	–	–	7,990
Other financial assets	5,658	–	–	–	5,658
Total non-current assets	**437,208**	**–**	**–**	**–**	**437,208**
Current assets					
Inventories	31,869	–	–	–	31,869
Trade and other receivables	117,371	–	–	–	117,371
Other financial assets	4,122	–	–	–	4,122
Current tax assets	1,974	–	–	–	1,974
Assets classified as held for sale	4,200	–	–	–	4,200
Cash and short-term deposits	54,105	51,978	(16,924)	(53,410)	35,749
Total current assets	**213,641**	**51,978**	**(16,924)**	**(53,410)**	**195,285**
Total assets	**650,849**	**51,978**	**(16,924)**	**(53,410)**	**632,493**
LIABILITIES					
Non-current liabilities					
Financial liabilities	148,340	–	68,740	(51,616)	165,464
Other financial liabilities	991	–	–	–	991
Deferred tax liabilities	58,586	–	–	(1,348)	57,238
Provisions	5,099	–	–	(3,684)	1,415
Total non-current liabilities	**213,016**	**–**	**68,740**	**(56,648)**	**225,108**

	As at 30 June 2013 €000 (Note 1)	IPO Net Proceeds €000 (Note 2)	Redemption of a portion of PECs €000 (Note 3)	Other adjustments €000 (Note 4)	Unaudited Pro Forma Total €000
Current liabilities					
Trade and other payables	52,324	(2,306)	(4,562)	–	45,456
Financial liabilities	3,094	–	1,260	–	4,354
Other financial liabilities	240	–	–	–	240
Income tax payable	3,884	–	–	–	3,884
Other tax liabilities	66,621	–	–	–	66,621
Provisions	165	–	–	2,615	2,780
Other payables	2,857	–	–	–	2,857
Total current liabilities	**129,185**	**(2,306)**	**(3,302)**	**2,615**	**126,192**
Total liabilities excluding shareholder debt	**342,201**	**(2,306)**	**65,438**	**(54,033)**	**351,300**
Shareholder debt	208,539	–	(82,185)	(126,354)	–
Total liabilities	**550,740**	**(2,306)**	**(16,747)**	**(180,387)**	**351,300**
Net assets	**100,109**	**54,284**	**(177)**	**126,977**	**281,193**

Notes:

(1) The financial information has been extracted, without material adjustment, from the statement of financial position of the Group as of 30 June 2013.

(2) The net proceeds of the Offer of €51.6 million are calculated on the basis that the Company issues 22,127,660 new Ordinary Shares of £0.10 each at a price of £2.35 (approximately €2.77) per share, net of estimated fees and expenses in connection with the Offer of €9.8 million, of which €0.4 million was paid in the six months to 30 June 2013 using existing resources (and €2.3 million was accrued for within Trade and Other Payables as at 30 June 2013).

(3) The New Term Loans of €70.0 million were drawn down in August 2013 under the ING Credit Facility. This amount together with existing cash was utilised by the Operating Company to redeem a portion of the PECs together with interest thereon totalling €82.2 million. The associated costs were €4.9 million (of which €4.6 million was accrued for within Trade and Other Payables as at 30 June 2013 and €0.2 million was paid in the six months to 30 June 2013 using existing resources).

(4) The other adjustments give effect to (i) the Corporate Reorganisation through the issuance of Ordinary Shares in settlement of the outstanding PECs and CECs (€126.4 million) and the release of the related deferred tax liability (€1.3 million), (ii) the use of all of the net proceeds from the Offer of €51.6 million to repay part of the borrowings under the ING Credit Facility and (iii) the payment of the amounts that become due under the existing and amended long-term incentive plan of €1.8 million at the date of the Offer, accrual as a current liability for further payments of €2.6 million during 2014 and release of €3.7 million that was provided as a non-current liability as at 30 June 2013.

Other than the adjustments detailed above no other adjustments have been made for events occurring after 30 June 2013.

B.9	**Profit forecast/estimate**	Not applicable: no profit forecasts or estimates have been made.
B.10	**Audit report — qualifications**	Not applicable: there are no qualifications in the accountant's report on the historical financial information.
B.11	**Insufficient working capital**	Not applicable: in the opinion of the Company, taking into account the net proceeds of the Offer receivable by the Company, the working capital available to the Group is sufficient for its present requirements, that is for the next twelve months following the date of this Prospectus.

Section C – Securities		
Element		
C.1	**Description of type and class of securities being offered**	The Offer comprises 110,000,000 Ordinary Shares in Stock Spirits Group PLC (the "**Offer Shares**"). The nominal value of the total issued ordinary share capital of the Company immediately following Admission will be £20,000,000 divided into 200,000,000 Ordinary Shares of £0.10 each, which are issued fully paid. When admitted to trading, the Ordinary Shares will be registered with ISIN GB00BF5SDZ96 and SEDOL number BF5SDZ9.
C.2	**Currency of issue**	The Ordinary Shares are denominated in pounds sterling.
C.3	**Number of shares issued and par value**	There are at the date of this Prospectus 200,000,000 Ordinary Shares (all of which are fully paid). The Ordinary Shares have a par value of £0.10.

C.4	**Rights attaching to the shares**	The Ordinary Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote and on a poll each Shareholder has one vote per Ordinary Share held. Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding up of the Company. Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in case of a capitalisation of reserves.
C.5	**Restrictions on free transferability**	The Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.
C.6	**Admission to trading**	Application has been made for the Ordinary Shares in the Company to be admitted to trading on the London Stock Exchange's main market for listed securities. The London Stock Exchange's main market is a regulated market.
C.7	**Dividend policy**	The Board intends to adopt a progressive dividend policy. Assuming that sufficient distributable reserves are available at the time, the Board initially intends to target the declaration of an annual dividend of approximately 35% of the Group's Net Free Cash Flow. Dividends declared, if any, will be declared in euro, but paid in pounds sterling. The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of its interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. It is anticipated that the first dividend following Admission will be payable following publication of the Group's results for HY 2014. The Group may revise its dividend policy from time to time.

Section D – Risks		
Element		
D.1	**Key information on the key risks that are specific to the Issuer or its industry**	The Group operates in a highly competitive environment and faces competitive pressures from both local and international spirits producers. These pressures may have a material adverse effect on the Group's prospects, results of operations and financial condition. Competitors may adopt aggressive pricing policies and increase their sales through discounters, which may lead to downward pressure on prices and loss of market share. The Group is dependent on a few key products in a limited number of markets which contribute a significant portion of its revenue. A reduction in revenue from these products and/or a failure to develop successful new products may have a material adverse effect on the Group's prospects, results of operations and financial condition. The launch of new products and new variants of existing products by the Group is inherently uncertain. Unsuccessful launches could hinder the Group's growth potential, cause the Group to lose market share and have a material adverse effect on

		the Group's prospects, results of operations and financial condition. An aspect of the Group's strategy is expansion, particularly in the Central and Eastern European region, through the acquisition of additional businesses. The Group may be unable to fulfil these plans for expansion, due to, for example, consolidation in the industry limiting the availability of targets or difficulties associated with acquiring family-owned businesses, an ownership structure which is common in the Central and Eastern European region. If the Group makes acquisitions or enters into joint ventures in the future, these may not perform as well as expected and/or may be difficult to integrate. This could have a material adverse effect on the Group's operating results, financial conditions and profitability. Shifts in consumer preferences may also adversely affect the demand for the Group's products and weaken the Group's competitive position, thereby having a material adverse effect on the Group's prospects, results of operations and financial condition. These shifts may result from factors over which the Group has no control. A decline in the social acceptability of the Group's products may also lead to a decrease in the Group's revenue and affect its business. In some countries in Europe, the consumption of beverages with higher alcohol content has declined due to changing social attitudes towards drinking. The Group's success depends substantially on the abilities of its key personnel. The Group may be unable to retain such key personnel or attract highly skilled individuals to its business in the future. Changes in the Group's distribution channels may also have an adverse affect on the Group's profitability and business. For example, a decrease in sales through traditional trade distribution channels, such as small format independent retailers, and increased sales through modern trade distribution channels, such as hypermarkets and discounters, may reduce the Group's profitability, as sales to the traditional trade distribution channels typically have higher profit margins. A significant portion of the Group's revenue is derived from a small number of customers. The Group may not be able to maintain its relationships with these customers or renegotiate agreements on favourable terms.
D.3	**Key information on the key risks that are specific to the Ordinary Shares**	Following Admission, the Principal Shareholders will be interested in approximately 38.3% of the Company's issued share capital and will control 38.3% of the voting rights in the Company. The interests of the Principal Shareholders may not always be aligned with those of the other Shareholders. For example, the Principal Shareholders, or the funds or other entities managed or advised by them or their affiliates, may make

		acquisitions of businesses in the same sectors as the Group or be in direct competition with the Group on potential acquisitions of businesses. The terms of the Relationship Agreement and the directors' appointments may not be sufficient to safeguard the interests of the other Shareholders. The Group's results of operations and financial condition are reported in euro and the prices of the Ordinary Shares will be quoted in pounds sterling on the London Stock Exchange following Admission. Shareholders may, therefore, experience fluctuations in the market price of the Ordinary Shares as a result of, among other factors, movements in the exchange rate between euro and pounds sterling.

Section E – Offer		
Element		
E.1	**Net proceeds/expenses**	The Company will receive £43.7 million of net proceeds from the Offer (€51.6 million) (after deducting underwriting commissions (including the discretionary underwriting commission which the Company intends to pay) and other estimated offer-related fees and expenses (including amounts in respect of VAT) of approximately £8.3 million). The proceeds from the Offer receivable by the Selling Shareholders will be approximately £206.5 million, before costs. No expenses will be directly charged to the purchasers of Offer Shares in connection with Admission or the Offer by the Company or Selling Shareholders.
E.2a	**Reasons for the Offer/use of proceeds**	The Group believes that the listing of the Ordinary Shares is a natural next step in the Group's development, which will provide liquidity for existing Shareholders, further enhance its profile and brand recognition, provide access to the global capital markets and assist in recruiting, retaining and incentivising management and employees. The Company currently intends to use all of the net proceeds payable to it from the Offer of £43.7 million (€51.6 million) to repay a portion of the ING Credit Facility.
E.3	**Terms and conditions of the Offer**	The Offer Shares are Ordinary Shares which are the subject of the Offer, comprising: • 22,127,660 New Issue Ordinary Shares to be issued by the Company; • 87,872,340 Existing Ordinary Shares to be sold by the Selling Shareholders; and • up to 16,500,000 Over-allotment Shares (which will be sold by the Over-allotment Shareholders to the extent that the Over-allotment Option is utilised). The Offer is made by way of an institutional private placing. Under the Offer, Ordinary Shares will be offered to: (i) certain institutional and professional investors in the UK and elsewhere outside the United States in reliance on Regulation S; and (ii) to

QIBs in the United States in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Ordinary Shares allocated under the Offer have been underwritten, subject to certain conditions, by the Underwriters. The allocation of Ordinary Shares between the investors will be determined by the Joint Global Coordinators in consultation with the Company. All Offer Shares issued/sold pursuant to the Offer will be issued/sold at the Offer Price.

It is expected that Admission to the Official List will become effective and that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 08:00 on 22 October 2013. The earliest date for settlement of such dealings will be 25 October 2013. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 08:00 on 25 October 2013. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned.

E.4 **Material interests**

The Company considers that OCM Luxembourg EPOF S.à r.l., OCM Luxembourg POF IV S.à r.l. and OCM Luxembourg EPOF A S.à r.l. have interests that are material to the Offer by virtue of the size of their respective shareholdings in the Company.

The Company does not consider that these are conflicting interests, or that there are any other interests, including conflicts of interest, that are material to the Offer.

E.5 **Selling Shareholders and Lock-up agreements**

87,872,340 Existing Ordinary Shares (representing approximately 43.9% of the enlarged share capital of the Company) will be sold in the Offer by or on behalf of the Selling Shareholders.

The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission, together with their interests in Ordinary Shares immediately following Admission, are set out in the table below.

	Interests immediately prior to Admission(5)		Ordinary Shares to be sold pursuant to the Offer		Interests immediately following Admission(5)(6)	
Selling Shareholder	**No.**	**% of total issued**	**No.**	**% of holding**	**No.**	**% of total issued**
OCM Luxembourg EPOF S.à r.l.(1) (2)	44,193,193	24.8%	21,786,137	49.3%	22,407,056	11.2%
OCM Luxembourg POF IV S.à r.l.(1) (2)	82,842,364	46.6%	40,839,209	49.3%	42,003,155	21.0%
OCM Luxembourg EPOF A S.à r.l.(1) (2)	24,188,704	13.6%	11,924,425	49.3%	12,264,279	6.1%
Jack Keenan(2)(3)	784,320	0.4%	156,864	20.0%	627,456	0.3%
Christopher Heath(2)	4,980,864	2.8%	846,748	17.0%	4,134,116	2.1%
Ian Croxford(2)	2,181,902	1.2%	545,476	25.0%	1,636,426	0.8%
Elisa Gomez de Bonilla(2)	1,051,881	0.6%	294,527	28.0%	757,354	0.4%
Mariusz Borowiak(2)	849,238	0.5%	254,772	30.0%	594,466	0.3%
Petr Pavlík(2)	1,095,619	0.6%	328,686	30.0%	766,933	0.4%
Claudio Riva(2)	1,103,509	0.6%	275,878	25.0%	827,631	0.4%
Caelyn Limited(2)(4)	2,253,583	1.3%	676,075	30.0%	1,577,508	0.8%
Neil Everitt(2)	9,102,655	5.1%	9,102,655	100.0%	–	0.0%
Brian Hurley(2)	52,087	0.0%	26,044	50.0%	26,043	0.0%
Anthony Roberts(2)	905,382	0.5%	814,844	90.0%	90,538	0.0%

(1) Assuming the Stock Lending Arrangements are not exercised.

(2) For the purposes of the Offer, the business address of OCM Luxembourg EPOF S.à r.l., OCM Luxembourg POF IV S.à r.l. and OCM Luxembourg EPOF A S.à r.l. is 26A, boulevard Royal L-2449 Luxembourg, the business address of Caelyn Limited is 35, Theklas Lysioti, Eagle Star House, 5th floor, CY – 3030 Limassol, registered with the Cyprus Registrar of Companies under number HE 183547 and the business address of the other Selling Shareholders is Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH.

(3) Does not include the interests in Ordinary Shares of Grand Cru Consulting Limited. Jack Keenan owns 99.9% of the shares in Grand Cru Consulting Limited and is the sole director of Grand Cru Consulting Limited.

		(4) Caelyn Limited is a limited liability company governed by the laws of Cyprus, with registered office at 35, Theklas Lysioti, Eagle Star House, 5th floor, CY – 3030 Limassol, registered with the Cyprus Registrar of Companies under number HE 183547. Marek Malinowski, who is a former member of the Group's senior management team, is the sole shareholder of Caelyn Limited and a director of Caelyn Limited. (5) Includes, in the case of Christopher Heath, his interest in the JOE Shares. (6) Includes, in the case of Christopher Heath, Ian Croxford, Elisa Gomez de Bonilla, Mariusz Borowiak, Petr Pavlík and Claudio Riva, interests in Ordinary Shares arising pursuant to the grant of an option (or options, as the case may be) under the Top-Up Option Agreements and/or Substitute Option Agreements. For a 180-day lock-up period, the Company and the Principal Shareholders will not issue or dispose of any interest in the Ordinary Shares. The Directors are also subject to a 365-day lock-up period during which they will not dispose of any interest in any Ordinary Shares which they did not sell at Admission. For a 365-day lock-up period, the Senior Management Shareholders may not, without the consent of the Board, dispose of any interest in any Ordinary Shares which they did not sell at Admission. For a 180-day lock-up period, the Non-Management Shareholders may not, without the consent of the Joint Global Coordinators, dispose of any interest in any Ordinary Shares which they did not sell at Admission. All lock-up arrangements are subject to certain customary exceptions.
E.6	**Dilution**	The Existing Ordinary Shares will represent approximately 88.9% of the total issued Ordinary Shares immediately following Admission.
E.7	**Estimated expenses charged to investor**	Not applicable: there are no commissions, fees or expenses to be charged to investors by the Company under the Offer.

PART II

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any such investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial position. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial condition and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

RISKS RELATING TO THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH THE GROUP OPERATES

1. The Group operates in a highly competitive industry and competitive pressures could have a material adverse effect on its business.

The alcoholic beverage production and distribution industry in the geographic markets in which the Group operates is intensely competitive. The principal competitive factors in this industry include product range, pricing, product quality, distribution capabilities and responsiveness to changing consumer preferences and demand, with varying emphasis on these factors depending on the market and the product.

As a spirits producer in the Central and Eastern European region (especially in the Group's core geographic and product markets in Poland, the Czech Republic and Italy), the Group faces competition from local and international producers. Other market participants have sought to increase their sales and distribution capabilities by, for example, introducing new products to compete with the Group's products, including products that directly compete with Czysta de Luxe and/or Lubelska (two of the Group's successful vodka products). The Group's revenue and market share could suffer if these new competing products perform well, or if competing products are offered at prices that are lower than the prices of the Group's products. Furthermore, the Group may be unable to implement price increases on its products.

The Group may also face increased competition from multinational alcoholic beverage companies seeking to enter the Group's core markets by introducing their own brands or by acquiring local brands. Furthermore, a decline in consumer demand in the Group's core geographic and product markets could intensify competition in the regions in which the Group operates. Increased competition and unanticipated actions by competitors, including aggressive pricing policies and high levels of sales through discounters (which constitute part of the modern trade distribution channel), could lead to downward pressure on prices or a decline in the Group's market share (as occurred in Poland in FY 2011), which may materially adversely affect the Group's operations and hinder its growth potential. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

2. **A few key products in a limited number of geographical markets contribute a significant portion of the Group's revenue, and any reduction in revenue from these products could have a material adverse effect on the Group's business, financial condition, operating results and prospects.**

While the Group's portfolio comprises over 25 brands across a broad range of spirits categories, at any given time, a few key products may contribute a significant portion of the Group's revenue. The Group derived 92.9% and 89.2% of its revenue in FY 2012 and HY 2013, respectively, from its three core markets, and revenue from the Lubelska brand family and Czysta de Luxe (both key products in Poland) accounted for a significant portion of the Group's revenue in FY 2012. Revenue from the Lubelska brand family or Czysta de Luxe or any other of the Group's key products may not be maintained or increase in the future. Adverse trends or other factors that affect the Group's core markets, whether demographic trends, macro-economic conditions, governmental action (as occurred in the Czech Republic, in 2012, when the government imposed a temporary nationwide ban on the sale of spirits containing more than 20% alcohol by volume) or others, or any factors adversely affecting the sale of key products, such as changing customer preferences, or other impacts on customer selection, individually or collectively, could have a material adverse effect on the Group's prospects, results of operations and financial condition.

3. **New products and new variants of existing products are an important part of the Group's growth strategy, and the success of new products and new variants of existing products is inherently uncertain.**

Product innovation is a significant part of the Group's plans for future growth. However, the launch of new products and new variants of existing products is an inherently uncertain process. The profitable lifespan of those products is also uncertain and it largely depends on the consumer reaction to such products. For example, an unsuccessful launch of a new product may give rise to inventory write-offs and have an adverse impact on consumer perception of other more established brands of the Group, just as the success of a new product could reduce revenue from other existing Group brands. In addition, the Group cannot guarantee that it will continuously develop successful new products or new variants of existing products nor predict how consumers will react to new products. Failure to launch new products and/or new variants of existing products successfully could hinder the Group's growth potential and cause the Group to lose market share. The introduction of new products and/or new variants of existing products could also lead to reduced sales of the Group's existing products. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

4. **The Group may be unsuccessful in fulfilling its acquisition strategy.**

Part of the Group's strategy is to acquire additional businesses in the future, subject to the availability of suitable opportunities, particularly across the Central and Eastern European region and, potentially, also in other locations. The Group may not be able to identify or acquire suitable acquisition targets on acceptable terms. Moreover, if in the future, the Group seeks to acquire an acquisition target that is of a significant size, it may need to finance such an acquisition through either additional debt or equity financing or a combination of additional debt and equity financing.

Many of the alcohol production and distribution businesses across the Central and Eastern European region are small in scale and owned by families or small groups of individual shareholders. Such ownership structures may make it more difficult for the Group to acquire these businesses than it would be if they were owned by corporate or institutional shareholders.

In addition, consolidation in the alcoholic beverage industry may limit the Group's opportunities for acquisitions. Competitors may also follow similar acquisition strategies. Existing competitors and/or new entrants, including financial investors interested in entering the alcoholic beverage industry, may have greater financial resources available for investments or may have the capacity to accept less favourable terms than the Group, which may prevent the Group from acquiring target businesses and reduce the number of potential acquisition targets. The Group's ability to acquire new businesses may also be restricted under applicable competition or antitrust laws. If the Group is not able to pursue its acquisitions strategy, this could have a material adverse effect on the Group's business and growth prospects.

5. The Group's operating results and financial condition may be adversely affected if it acquires businesses or enters into joint ventures that do not perform as expected or that are difficult to integrate.

The Group's current strategy includes pursuing potential acquisitions across the Central and Eastern European region and, potentially, also other locations. These transactions may be significant. At any particular time, the Group may be in various stages of assessment, discussion and negotiation with regard to one or more potential acquisitions, not all of which will be completed. The Group may also decide to expand its operations to other countries in the future.

Acquisitions involve numerous risks and uncertainties, particularly if such acquisitions are significant. If one or more acquisitions are completed, the operating results and financial condition of the enlarged Group may be affected by a number of factors, including, for example, the failure of the acquired businesses to achieve the financial results projected in the near or long term; the assumption of unknown liabilities; the difficulties of imposing adequate financial and operating controls on the acquired companies and their management; preparing and consolidating financial statements of acquired companies in a timely manner; integrating the acquired companies into the Group; the diversion of management and other employees' time and attention from other business concerns; cultural differences; and the failure to achieve the strategic objectives of these acquisitions, such as cost savings and synergies.

Acquisitions in developing economies, such as in the Group's core markets in Central and Eastern Europe, involve further risks, including integrating operations across different cultures and languages, foreign currency exchange risks and the particular economic, political and regulatory risks associated with specific countries.

Acquisitions may also result in cash expenditures, which could be funded through the issuance of equity securities (as consideration or otherwise) or debt securities, or through the incurrence of other indebtedness. Acquisitions could also give rise to amortisation expenses related to intangible assets. Incurrence of additional debt, amortisation expenses or acquisition-related impairments could reduce the Group's profitability.

The Group may also choose to penetrate new markets by entering into joint ventures, which may involve the same or similar risks and uncertainties that are involved in acquisitions. In addition, the Group will not be able to exercise full control over joint ventures, and would therefore be reliant, to an extent, on its joint venture partner.

6. Demand for spirits products may be adversely affected by changes in consumer preferences.

The Group's success depends heavily on maintaining the equity of its brands by adapting to the changing needs and preferences of its customers and ultimately end consumers. Consumer preferences may shift due to a variety of factors that are difficult to predict and over which the Group has no control, including changes in demographic and social trends, public health regulations or economic conditions. There may be a shift in consumer preferences and the consumption of certain beverages resulting in a decrease in the consumption of spirits as a whole. In addition, there could be further shifts in consumer preferences as a result of which one category of spirits becomes more popular than another. Any such shift could have a materially adverse impact on the Group if, for example, the shift is to a category of spirits with lower profitability or to a category of spirits which the Group does not produce or distribute.

Any significant changes in consumer preferences or any failure to anticipate and react to such changes could result in reduced demand for the Group's products and weaken its competitive position. The impact of any such change could be exacerbated if any such shift affects a key brand of the Group. For example, Czysta de Luxe and Lubelska, two of the Group's vodka products, are important contributors to the Group's revenue and, therefore, changes in consumer preference for these products or for vodka more generally, could have a material adverse effect on the Group's prospects, results of operations and financial condition.

7. If the social acceptability of the Group's products declines, its revenue could decrease and business could be materially adversely affected.

In some countries in Europe, the consumption of certain beverages with higher alcohol content has declined due to a variety of factors that have affected society's attitudes towards drinking and governmental policies that follow from those attitudes. These include increasing general health consciousness, awareness of the social cost of excessive drinking and underage drinking, drinking and driving regulations, a trend toward healthier or low calorie beverages such as diet soft beverages, juices and mineral water products and, in some jurisdictions, increased national and local taxes on alcoholic beverages. These factors could affect the social acceptability of alcoholic beverages and increase governmental regulation of the industry in the markets in which the Group operates. Alcohol critics and anti-alcohol lobbyists increasingly seek governmental measures to make alcoholic beverages more expensive, less available and more difficult to advertise and promote, including through the imposition of more onerous labelling requirements. Negative publicity regarding the health and dietary effects of alcohol consumption, regulatory action or any litigation or customer complaints against companies in the industry may negatively impact the social acceptability of the Group's products, especially if future research indicated more widespread serious health risks associated with alcohol consumption. This may have a material adverse effect on the Group's prospects, results of operations and financial condition.

8. The Group's success depends on retaining key personnel and attracting highly skilled individuals.

The Group's success depends substantially upon the efforts and abilities of key personnel and its ability to retain such personnel. The executive management team has significant experience in the international alcoholic beverages industry and the FMCG industry and has made an important contribution to the Group's growth and success. The loss of the services of any member of the executive management team of the Group or of a company acquired by the Group, could have an adverse effect on the Group's operations. Competition for highly skilled individuals is intense. The Group may not be successful in attracting and retaining such individuals in the future, which could have a material adverse effect on the Group's prospects, results of operations and financial condition. The loss of certain individuals in non-managerial positions may also have a material adverse effect on the Group's business where such individuals possess specialised knowledge that is not easily replaceable, such as the knowledge necessary to ensure compliance with excise tax regulations.

9. Changes in distribution channels may have an adverse effect on the Group's business and its profitability.

The Group's profit margins are affected by the nature of its distribution channels. Sales through the traditional trade distribution channel (such as small format independent retailers) typically provide higher margins when compared to sales through modern trade distribution channels (such as hypermarkets or discounters). Distribution in Poland is predominantly off-trade and the traditional trade distribution channel accounted for approximately 63.9% of the off-trade vodka market by volume in Poland in 2012 (according to Nielsen, though the Group estimates this to be higher, at 69.4%). In recent years, however, there has been an increase in sales of alcoholic beverages through modern trade distribution channels (in particular, through discounters) in Poland and Italy, two of the Group's three core markets. If there is a further migration towards sales through modern trade distribution channels, particularly in Poland and the Czech Republic, it may have a material adverse effect on the Group's prospects, operating results and financial condition.

10. A significant portion of the Group's revenue is derived from a small number of customers and the Group may fail to maintain these customer relationships.

A significant portion of the Group's revenue is derived from a small number of customers. In FY 2012, revenue from the Group's top ten customers across its core markets accounted for 50% of its revenue, with the top three customers representing 29% of its revenue.

The Group's top customers are primarily off-trade such as wholesalers, supermarkets, hypermarkets and discounters. The Group's agreements with its customers vary depending on the type of customer. Sales to certain of the Group's customers such as supermarkets, hypermarkets and discounters tend to be on the customer's standard terms and conditions and there is significant pricing pressure from such customers on an ongoing basis. Where a written agreement is in place with customers, these tend to be for a fixed term and are generally terminable upon a relatively short notice period. The Group may not be able to maintain its customer relationships or renegotiate any agreements with its customers on reasonable terms, if at all, when they expire. Moreover, consolidation among the Group's customers may increase the Group's dependence on a smaller number of customers.

If any of the Group's key customers terminates its trading relationship with the Group or if the Group is unable to maintain agreements with such customers on favourable terms, it could have a material adverse effect on the Group's prospects, results of operations and financial condition.

11. Inconsistent quality or contamination of the Group's products or similar products in the same categories as the Group's products could harm the integrity of, or customer support for, the Group's brands and adversely affect the sales of those brands.

The success of the Group's brands depends upon the positive image that consumers have of those brands. A lack of consistency in the quality of products or contamination of the Group's products, whether occurring accidentally or through deliberate third-party action, could harm the integrity of, or consumer support for, those brands and could adversely affect their sales. Further, a lack of consistency in the quality of or contamination of products similar to the Group's products or in the same categories as the Group's products howsoever arising could, by association, harm the integrity of or consumer support for the Group's brands, and could adversely affect sales. For example, a 13-day nationwide ban in the Czech Republic on the sale of spirits containing more than 20% alcohol by volume, which followed a number of fatal poisonings resulting from the consumption of contaminated illegal spirits (none of which were produced by, or associated with products of, the Group) adversely affected the Group's results of operations in FY 2012. In addition, counterfeited versions of the Group's products, and/or a lack of consistency in the quality of or contamination of such counterfeit products, could harm the integrity of, or consumer support for, the Group's brands and adversely affect the Group's sales.

In addition, the Group purchases a large proportion of the raw materials for the production and packing of its products from third-party producers or on the open market. It may be subject to liability if contaminants in those raw materials, mislabelling of raw materials or defects in the distillation or bottling process lead to low beverage quality or illness or injury to consumers. In addition, the Group may voluntarily recall or withhold from sale, or be required to recall or withhold from sale, products in the event of contamination or damage. For example, the Group recently recalled certain batches of a product in Poland due to the presence of very small glass fragments in a small number of bottles. Although no harm to consumers was likely due to the size of the fragments, this or similar incidents may affect the Group's reputation and its financial results. A significant product liability judgment or a widespread product recall may negatively impact the reputation of the affected product or of all of the Group's brands for a period of time depending on product availability, competitive reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, resulting negative publicity could adversely affect the Group's reputation and brand image, which may have a material adverse effect on the Group's prospects, results of operations and financial condition.

12. There are risks associated with "black market" sales of alcoholic beverages.

There are risks associated with the illegal and unlicensed production of alcohol in some of the countries in which the Group operates. This parallel market for the production and sale of illegal and unlicensed alcoholic beverages is known as the "black market". For example, illegal and unlicensed (and therefore untaxed) alcoholic drinks were estimated to account for 25-30% of total sales of alcoholic beverages in the Czech Republic in 2011 (i.e. prior to the spirits ban in September 2012) (Source: Euromonitor International) and the "black market" is currently (i.e. following the spirits ban in September 2012) estimated by the Czech Finance Ministry to account for approximately 10% of the total spirits volume sales in the Czech Republic. The "black market" primarily affects the economy segment of the spirits market in the Czech Republic and its development erodes the market share for legitimate products and further increases competition. Operators in the "black market" can offer products at a reduced price level because such operators do not pay excise duty or other taxes on their products, thereby putting downward pressure on product prices. Increases in the excise duty rate applicable to spirits may cause an increase in the size of a "black market". Since the Czech spirits ban in September 2012, the Czech government has introduced more controls to regulate the "black market". Despite the introduction of these controls, the operation of the "black market" could result in reduced demand for the Group's products and erosion of its competitive position and/or lead to the introduction of regulations that may adversely impact the Group's costs or demand for the Group's products. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

13. Increases in taxes, particularly increases to excise duty rates, could adversely affect demand for the Group's products.

Distilled spirits are subject to import duties, excise and other taxes (including VAT) in each of the countries in which the Group operates. Governments in these countries may increase such taxes. 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. For example, in FY 2010, FY 2011, FY 2012 and HY 2013, excise tax represented 69.5%, 67.4%, 66.7% and 65.4%, respectively, of the Group's gross revenue. The import duty and excise regimes applicable to the Group's operations could result (and have in the past resulted) in temporary increases or decreases in revenue that are responsive to the timing of any changes in excise taxes.

For example, in January 2010, the excise duty in the Czech Republic was increased, resulting in customers purchasing higher volumes of spirits before the duty increase, and lower volumes of spirits after the increase, which led to a temporary rise in the Group's revenue in FY 2009 and a decrease in revenue in the early part of FY 2010.

In September 2013, the Polish government announced, as one of the assumptions for the budget statute for 2014, a 15% increase in the excise duty on spirits. The proposed increase of the excise duty, while it comprises one of the assumptions for the 2014 budget statute, would be implemented by an amendment to the Polish Excise Tax Act. On 3 October 2013, a draft of such amendment was sent to the Polish Parliament for approval and the legislative procedure for its prospective approval commenced on 11 October 2013. The proposed increase, if implemented, is expected to be effective from 1 January 2014. The proposed increase could, if implemented, lead to price increases across the Polish spirits market (as suppliers usually pass a price increase equivalent to any excise duty increase on to consumers) and a decrease in the Group's sales volumes in Poland. In September 2013, the Italian government announced a 13% increase in the excise duty on spirits effective from 10 October 2013, a further 2% increase effective from 1 January 2014 and a further 11% increase effective from 1 January 2015. In addition, the Italian VAT rate applicable to spirits is to increase from 21% to 22% effective from 1 October 2013. These increases in Italian excise duty and VAT may adversely impact the Group's sales volumes in Italy. These proposed or scheduled increases or future increases in excise duty, VAT, import duty or other taxes could reduce the Group's revenue by increasing taxes payable and reducing overall consumption of the Group's products or encouraging the Group's customers to switch to lower-taxed categories of alcoholic or other beverages or illegal and unlicensed "black market" alcoholic beverages, which could have a material adverse effect on the Group's prospects, results of operations and financial condition.

14. Changes in the prices or availability of supplies and raw materials could have a material adverse effect on the Group's business.

Direct material costs (which include the costs of raw materials such as sugar, raw and rectified alcohol, wine distillates, grain and packaging materials, including glass) represented by far the largest component of the Group's cost of sales in FY 2010, FY 2011, FY 2012 and HY 2013.

Commodity price changes may result in increases in the cost of raw materials and packaging materials for the Group's products due to a variety of factors outside the Group's control, such as global supply and demand, fuel/transport costs, weather conditions, agricultural uncertainty, crop failures and governmental controls. For example, in FY 2012, the price of sugar increased due, in part, to changes in EU quota regulations, and the supply of wine distillates was adversely affected by the reallocation of land used for vineyards in favour of other uses for the land. The Group purchases the majority of the raw materials required for its business at prevailing market prices; in some cases pursuant to contracts for certain time periods, such as one year. The Group cannot ensure that its centralised purchasing team's strategy can or will offset increases in the price of raw materials or that it will continue to be able to maintain its inventory of raw materials. The Group may not be able to pass on increases in the costs of raw materials to its customers, particularly with respect to supermarkets, hypermarkets and discounters. Even if it is able to pass on cost increases, the adjustments may not be immediate and may not fully offset the extra costs or may cause a decline in sales volumes. If the Group is unable to manage the prices and availability of its raw materials effectively, this could have a material adverse effect on the Group's prospects, results of operations and financial condition. The Group has entered into forward purchase contracts for grain alcohol in the past to mitigate its exposure to changes in grain price but even if the Group participates in forward contracts in the future, these may not be sufficient to protect it against the adverse consequences of significant fluctuations in the price of raw materials. Increases in commodity prices, such as the price of oil, could also impact the Group's operational costs, such as transport costs.

The Group's products also use a number of raw materials and ingredients and packaging materials, such as glass bottles, purchased from third-party suppliers. The Group maintains relationships with a variety of suppliers, but the imposition of onerous contractual terms in a supply contract with a key supplier or the consolidation of suppliers could have a material adverse effect on the Group's profitability and/or the loss of a key supplier could result in a disruption of the Group's business.

15. The Group's results depend on general economic conditions and could be affected by deterioration in the economic conditions of its key markets.

The Group's results of operations are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets.

The worldwide financial and economic downturn, which began in late 2008, affected many business sectors including the industry in which the Group operates. The Group's key geographic markets in Central and Eastern Europe experienced a growth slow-down in 2012, reflecting the widespread economic crisis and domestic policy tightening in the largest economies. According to the International Monetary Fund, exports declined, confidence suffered and Western European banks decreased cross-border lending to Central and Eastern Europe. However, the economic conditions in the Group's key geographic markets differed. For example, although Poland and Slovakia were more resilient throughout the period of the global recession, with GDP increasing by approximately 2% in 2012 in both countries, the Czech Republic and Italy both experienced GDP contraction (according to the EIU). While Poland was viewed as largely unaffected by the Eurozone sovereign debt crisis directly, the impact of the crisis on its trading partners has had an adverse effect on Poland's economic growth trends, as well as business and consumer confidence in the country. The growth of the Polish economy slowed in 2012 and has slowed further in 2013, growing according to recent government flash statistics by only 0.5% in the first quarter of 2013 over the comparable quarter in 2012. In FY 2012 and HY 2013, the Group derived 60% and 58%, respectively, of its revenue from its Polish operations and, therefore, a continued slow-down of the Polish economy could have a material adverse effect on the Group's results of operations and financial condition, particularly because participants in the traditional distribution channels (which comprise the Group's main customer base in Poland) are generally more susceptible to liquidity constraints.

It is difficult to determine the breadth and duration of the recession and the ways in which it may continue to affect the Group's end consumers, suppliers, customers, distributors and business in general. In recent years, some consumers in the Group's key geographic markets have chosen to buy fewer spirits or to buy spirits which are heavily discounted as part of a promotion or to "trade down" by buying less expensive brands. Consumers may continue to take these actions in the future. In addition, customers may reduce inventory levels (as occurred in Italy in FY 2011 and FY 2012) or increase their focus on private label brands. Competitors may also reduce prices in order to capture market share. Such actions or other reactions by the Group's customers and consumers generally may decrease demand for some or all of the Group's products, which could have a material adverse effect on its revenue and profitability.

Any worsening of the economic conditions in the Group's key geographic markets could lead to reduced consumer confidence and spending, reduced demand for products and limitations on the Group's ability to increase or maintain the prices of its products. In addition, governments may impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Group's business. Customers and end consumers may continue to curtail spending and make more value-driven and price-sensitive purchasing choices, which could adversely affect the demand for products and profitability. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition. A decline in the level of business activity of the Group's customers, a continued recessionary environment or, in particular, a continued slow-down in the growth of the Polish economy could also make it more difficult for the Group to forecast operating results and to make decisions about future investments.

16. The Group's operations are primarily in Central and Eastern European markets where there is a risk of economic and regulatory uncertainty.

The Group's operations are governed by local laws and regulations generally applicable to the alcoholic beverages industry in the jurisdictions in which it operates. The Group's business could be adversely affected by the interpretation and enforcement of, and changes in, these laws and regulations. In the Group's experience, these laws and regulations are not always fully transparent, can be difficult to interpret and may be applied and enforced inconsistently. As a result, the interpretation and enforcement of these laws and regulations in the countries where the Group operates involve uncertainties. In addition, the Group's strategy involves expanding its business in several emerging markets, including in certain Central and Eastern European countries that are not members of the European Union. Political, economic and legal systems and conditions in emerging market economies are generally less predictable than in countries with more developed institutional structures, subjecting the Group to additional risks of doing business in such economies. Additional risks associated with doing business in emerging markets include reduced intellectual property protection, uncertainty in enforcing contracts, challenges in obtaining legal redress, particularly against the state or state-owned entities, exchange rate controls, changes in tax regimes, implementation of restrictions on imports, difficulty in adequately establishing, staffing and managing operations and increased risks associated with inflation, recession and currency and interest rate fluctuations. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

17. The Group is subject to extensive regulations limiting advertising, promotions and access to its products, and these regulations and any changes to these regulations could limit its business activities.

Governments in the countries in which the Group operates impose prohibitions and/or limitations on the advertising and promotion of spirits, which can range from selective regulation to a near total ban (as is the case in Poland, where advertising and promotional activity relating to spirits is restricted to advertising at the point of sale at retailers that only sell alcoholic beverages). These prohibitions and/or limitations relate to television, print and multimedia advertising of spirits. The effect of these prohibitions and/or limitations is twofold. First, since advertising is an important way to reach customers, these limitations may inhibit or restrict the Group's ability to maintain or increase consumer recognition and support for its brands. They may also limit the Group's ability to successfully launch new products or brands in key markets or new markets. In addition, regulatory bodies in certain of the countries in which the Group operates have passed, and other countries may pass, laws or regulations that seek to restrict or have the effect of restricting consumer access to alcohol by, for example, controlling the times when outlets are allowed to sell alcohol or increasing the minimum drinking age. Such laws or regulations or any changes to such laws or regulations may adversely affect consumer demand for the Group's products.

In addition, these prohibitions and/or limitations act as a barrier to entry to the alcoholic beverage markets in certain countries, which, if removed, could allow more competitors to enter the market in which the Group operates. For example, in Poland, spirits producers are unable to rely on television, print and multimedia advertising to create consumer demand for their products. Market participants have to establish distribution networks or engage third-party distributors to distribute their products. If the restrictions on the advertising and promotion of spirits in Poland were to be removed or their scope reduced in any way, this could lower or remove the potential barrier to entry and encourage other businesses to enter the Polish market. Any resulting competition could have a material adverse effect on the Group's prospects, results of operations and financial condition.

18. The Group's business and production facilities are subject to significant governmental regulation and failure to comply with such regulations or any changes in such regulations could result in interruptions to supply and increased costs.

In the countries in which the Group operates, the production, trade and distribution of alcohol are subject to strict regulations and the Group is required to obtain various administrative permits and approvals to carry out its business. Failure to comply with applicable regulations, including tax regulations, can result in criminal sanctions and loss of the permits or approvals required to operate the Group's business. The enactment of more stringent regulations, such as the regulations introduced by the Czech government in response to the illegal alcohol crisis of September 2012, has resulted in, and could in the future result in, increased compliance costs. In addition, the Group's production and bottling facilities and the Group's ethanol distillery are subject to varying levels of government regulation.

The Group is also subject to numerous environmental, occupational and health and safety laws and regulations in the countries in which it operates. The Group may incur significant costs to maintain compliance with increasingly stringent environmental and occupational, health and safety requirements, or to defend challenges or investigations relating to such requirements. A failure by the Group to comply with regulations which apply to it could result in personal injury and/or financial loss and expose the Group to liability or sanction from governmental authorities. It could also expose the Group to negative publicity and the Group's reputation could suffer. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

19. The Group is subject to extensive regulations regarding the production and sale of its products and changes to these regulations could increase costs and decrease demand for its products.

The countries in which the Group operates have implemented regulations relating to the production and sale of the Group's products, such as labelling requirements for, and limitations on, the ingredients permitted in spirits products. Changes to production and sales requirements for alcoholic beverages, such as the introduction of regulations that require any potential adverse effects of alcohol consumption to be highlighted on product labels or a ban on the use of certain ingredients, could cause consumers to shift their beverage preferences and result in a reduction in the Group's revenue or in the Group incurring additional marketing or production expenses.

There is also a risk of sudden regulatory change. For example, fatal poisonings caused by the consumption of illegally produced spirits in the Czech Republic caused the Czech government to impose a nationwide ban on the sale of all spirits containing more than 20% alcohol by volume in September 2012. After a 13-day period, the Czech government lifted the ban on spirits with more than 20% alcohol content: (a) if they were produced in the Czech Republic before 1 January 2012; or (b) if they were produced after 1 January 2012 in the Czech Republic and had a certificate of origin. Following the imposition of the ban in the Czech Republic, the Slovakian government imposed a 21-day ban on the import and sale of Czech bottled products containing more than 20% alcohol by volume. The adverse impact of the bans on the spirits markets in the Czech Republic and Slovakia continued even after the bans were lifted and these bans had an adverse effect on the Group's results of operations for FY 2012. The Group estimates that the ban in the Czech Republic had an adverse impact on its revenue in FY 2012 in the order of €7.4 million and that the Slovakian ban had an adverse impact on its revenue in the order of €2.5 million in FY 2012. The Group also incurred €1.0 million in exceptional costs in connection with the bans; these costs were associated with additional advertising and promotional activities and administrative processes in FY 2012. Any ban on the sale of spirits in any key market or any ban on imports from a country where a manufacturing site is located may have an adverse effect on the Group's prospects, results of operations and financial condition.

20. The Group's revenue is subject to seasonal fluctuations in consumer demand.

The Group's business is affected by holiday and seasonal consumer buying patterns, as well as any end of year price increases or decreases. The Group typically generates a large amount of its revenue and cash during the fourth quarter of each fiscal year as customers and distributors increase stock for the Christmas and New Year season (November and December) and other key holidays, and the Group's sales are generally lower in the first quarter of each fiscal year. If a major unexpected adverse event occurred during this period, such as a natural disaster, pandemic or economic or political crisis, this may result in a significant reduction in revenue, and, consequently, a disproportionate deterioration in full-year earnings. Similarly, changes in temperature such as extreme hot spells in the summer or extremely cold temperatures in the winter can result in temporary changes in consumer preferences and impact demand for the types of alcoholic beverages the Group produces and distributes.

21. The Group's operating results may be adversely affected by disruption to its production and storage facilities.

The Group operates two main production and bottling sites in Lublin, Poland and Plzen, Czech Republic and operates an ethanol distillery in Germany. The Group also has storage facilities in Poland, the Czech Republic, Italy and Slovakia. The Group would be affected if there were a significant disruption to any of its production facilities, in particular to its main production facilities in Poland and the Czech Republic. As alcohol is highly inflammable, fire is a risk to the Group's facilities and employees, particularly at its production and storage sites. The measures which the Group has in place to mitigate this risk may prove to be insufficient or ineffective. If there were a technical failure, fire, explosion or any other event resulting in a major or prolonged disruption at any of its facilities, this could result in a significant loss in production capacity and significant costs and/or regulatory action, legal liability or damage to the Group's reputation, all of which could have a material adverse effect on the Group's prospects, results of operations and financial condition. Although the Group carries insurance, not all risks may be covered by its policies, and any insurance coverage available may be insufficient to cover some or all costs.

22. The Group's operating results may be adversely affected by a breakdown of its information technology systems or a failure to develop those systems.

The Group uses information technology systems for the processing, transmission and storage of electronic data relating to its operations and financial reporting. A significant portion of communications among the Group's personnel, customers and suppliers relies on the efficient performance of information technology systems.

Despite the Group's security measures and back-up systems, its information technology and infrastructure may be vulnerable to attacks by hackers, computer viruses or malicious code or may be breached due to employee error, malfeasance or affected by other disruptions, including as a result of natural disasters or telecommunications breakdown or other reasons beyond the Group's control. If one or more such events occur, it could cause disruptions or delays to the Group's operations and result in the loss of confidential information, which could expose the Group to liability and cause its business and reputation to suffer. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

23. The Group's operations in certain markets may be disrupted if it is unable to enter into or maintain distribution agreements on favourable terms or at all.

In certain countries, the Group enters into agreements with third-party distributors for the distribution of the Group's products on an exclusive basis. These agreements are generally for a fixed term and terminable upon a short notice period. Any failure to renew agreements with third-party distributors on terms acceptable to the Group, the termination of these agreements or a dispute with a distributor could result in disruption of the Group's normal distribution channels, incurrence of breakage costs and loss of sales or customers. The Group may not be able to satisfactorily replace any of its third-party distributors on a timely basis or at all, which could disrupt the Group's operations in the relevant market. In addition, the Group relies on the performance of its distributors and its operations may be adversely affected by poor performance, misconduct or fraud on their part. Any consolidation among distributors may also impact the Group's ability to renegotiate distribution agreements on favourable terms, if at all, which could adversely affect the Group's competitive position and operations in the relevant market.

24. The Group is subject to stringent labour and employment laws in certain jurisdictions in which it operates.

Labour and employment laws are relatively stringent in certain jurisdictions in which the Group operates. Some jurisdictions grant significant job protection to certain employees, including temporary employees, such as rights on termination of employment. These regulations, laws or requirements could increase the Group's costs or limit the Group's flexibility to change production arrangements, which could have a material adverse effect on the Group's prospects and results of operations. Such laws also provide for periodic inspections by the authorities, and any findings of violations of applicable regulations may result in administrative, civil and criminal penalties.

In certain jurisdictions, such as Poland and the Czech Republic, some of the Group's employees are members of unions or are represented by a works council. The Group may be required to consult with and seek the consent, advice or opinion of the representatives of these unions or works councils about specific matters materially affecting employees' rights and obligations. The terms and conditions of any agreements with unions or works councils could increase the Group's costs or otherwise affect its ability to implement future operational changes to enhance its efficiency and performance.

25. The Group may not be able to protect its intellectual property rights.

The Group owns and licenses trademarks (for, among other things, its product and brand names and packaging) and other intellectual property rights that are important to its business and competitive position. The Group cannot ensure that third parties will not infringe on or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns and licenses. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property. Applications filed by the Group in respect of new trademarks or patents may not be granted.

In addition, some of the Group's intellectual property, such as brands that are deemed generic, may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property which is not registered as belonging to the Group) at all or in a particular market. For example, the Group is currently in dispute with a third party regarding one of the Group's key economy vodka brands, due to similarities between that brand and the third-party's brand, even though the two brands are active in different categories of alcoholic beverages and in different geographical markets.

Certain countries in which the Group operates may offer less stringent intellectual property protection than is available in Western Europe and the United States. For example, the Group has been and is currently engaged in litigation in Bosnia & Herzegovina for unauthorised production and distribution of one of its products by a former distributor. In addition, the Group is currently in commercial discussions with a former local partner in Brazil in relation to outstanding royalties owed by the local partner and the consequential unauthorised use of the one of the Group's brands. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could materially adversely affect the Group's brand equity, results of operations and financial condition and its ability to develop its business. Moreover, third parties may sell, and have in the past sold, products that are counterfeit or unauthorised versions of the Group's brands or inferior brands which look like the Group's brands. While the Group's policy is to report such counterfeiting to authorities and pursue legal action against counterfeiters, it is unable to take such action until it is aware of the production and/or sale of such products. Consumers could confuse the Group's products with counterfeited and/or unauthorised brands. This could also have a material adverse effect on future sales by impairing the Group's reputation and brand equity.

26. The Group may be affected by litigation directed at the alcoholic beverages industry and other litigation.

The Group, like many companies in the alcoholic beverages industry, is and may in the future be subject to litigation in the ordinary course of its operations such as intellectual property claims, product liability claims, product labelling disputes and administrative claims. If such litigation results in fines or damages, payments, or the Group being required to alter its trademarks, labels or packaging, or causes reputational damage to the Group or its brands, the Group's business could be materially adversely affected. Significant claims or a substantial number of small claims may also be expensive to defend and may divert time and money away from the Group's operations, which could disrupt the Group's operations and have a material adverse effect on the Group's results of operations and financial condition. In addition, litigation and complaints from consumers or government authorities relating to beverage quality, illness, injury, alcohol abuse, illegal sales, targeted advertising of alcoholic beverages to underage consumers and health concerns or other issues resulting from excessive alcohol consumption may affect the industry as a whole. Any such litigation or adverse publicity and any future governmental restrictions regarding the production, marketing, advertising, sale or consumption of alcoholic beverages sold due to any such litigation may result in a significant reduction in the Group's revenue.

27. The Group may be exposed to liabilities under anti-bribery laws and any violation of such laws could have a material adverse effect on its reputation and business.

The Group is subject to laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the Bribery Act. Despite internal policies and controls, the Group's activities in Central and Eastern Europe and other markets may create the risk of unauthorised payments or offers of payments by employees, consultants, sales agents or distributors, because these parties are not always subject to the Group's control. Existing safeguards (such as the Group's anti-bribery and anti-corruption policies and training programmes) and any future improvements may prove to be ineffective, and the Group's employees, consultants, sales agents or distributors may engage in conduct for which the Group might be held responsible. Violations of anti-bribery laws could result in severe criminal or civil sanctions being imposed on the Group and the Group may be subject to other liabilities and reputational harm. In addition, regulatory or governmental bodies may seek to hold the Group liable for successor liability violations of these laws committed by companies in which it invests or that it acquires. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

28. The Group may be exposed to tax liabilities resulting from certain tax audits.

The Group is subject to tax laws in the jurisdictions where it operates. The Group's effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years and may be affected by the interpretation of the tax laws of the jurisdictions in which the Group operates, or changes to such laws. Changes in tax laws and related interpretations and increased enforcement actions and penalties may alter the environment in which the Group does business. In addition, certain tax positions taken by the Group are based on industry practice and external tax advice and/or are based on assumptions and involve a significant degree of judgment.

In addition, the Group has in the past faced, currently faces and may in the future face, audits and other challenges brought by tax authorities. The Group's Italian subsidiary is currently being audited by the Italian tax authorities in respect of FY 2008, FY 2009 and FY 2010, and the Group has not made any provision for a potential tax liability for these periods as no tax assessment has yet been issued for FY 2008, FY 2009 and FY 2010. Following an audit in respect of FY 2006 and FY 2007, the Italian tax authorities issued an additional tax assessment against the Group in June 2013. After settlement talks in respect of the additional FY 2006 and FY 2007 tax assessment were unsuccessful, the Group appealed the assessment to the Trieste tax court and is awaiting judgment. The aggregate amount at issue is €5.7 million (representing additional tax, penalties and interest). As at 30 June 2013, the Group included a provision of €1.6 million in respect of these years. In addition, a tax audit of one of the Group's Polish subsidiaries was concluded by the Polish tax authorities in April 2013 and in June 2011 an audit by the Czech tax authorities on the Group's Czech subsidiary in respect of FY 2008 was concluded.

If challenges to the Group's tax positions (through audits or otherwise) were to be successful, the Group's effective tax rate may increase, the Group may be required to pay additional taxes, penalty charges and interest and it may incur costs in defending litigation or reaching a settlement with the relevant tax authority. The Group could be liable for amounts that are either not covered by provisions or in excess of provisions that are established. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

29. The terms of the Group's financing arrangements may limit its commercial and financial flexibility.

The Group's commercial and financial flexibility is restricted by certain restrictive covenants under the terms of the ING Credit Facility. These include (without limitation) restrictions relating to mergers and acquisitions, joint ventures, the granting of security over or disposal of assets, the incurrence of financial indebtedness, guarantees and indemnities, the funding and structuring of pension schemes and derivative transactions. Specifically, such covenants could have important consequences for the Group's business and operations, including, but not limited to: (i) making it more difficult to satisfy obligations with respect to debts and liabilities; (ii) requiring the Group to dedicate a portion of cash flow from operations to payments on debt; (iii) increasing the Group's vulnerability to a downturn in business or general economic or industry conditions; (iv) limiting the Group's flexibility in planning for or reacting to competition or changes in its business and industry; (v) restricting the Group from pursuing strategic acquisitions or exploiting certain business opportunities or other growth projects; and (vi) limiting the Group's ability to borrow additional funds or raise equity capital in the future. Any breaches of the restrictions or covenants contained in the ING Credit Facility or any of the Group's outstanding borrowings in the future may result in acceleration of the repayment of such existing or future indebtedness prior to maturity, which may have a material adverse effect on the Group's ability to service other liabilities and consequently may lead to its insolvency. The financial covenants in the ING Credit Facility are tested in euro. Consequently, movement in the other currencies in which the earnings, assets and liabilities of certain of the Group's subsidiaries are denominated could adversely impact the Group's ability to comply with these financial covenants. The ING Credit Facility also contains certain prepayment provisions, including the mandatory prepayment of all borrowings and the cancellation of all commitments under this facility upon a change of control of the Company or certain of its subsidiaries (these provisions will not be triggered by the Offer and/or Admission). In addition, the Group may be able to incur substantial additional debt in the future, including indebtedness in connection with any future acquisition. If new debt is added to the current debt levels, the risks described above could intensify.

30. The Group could be subject to unexpected needs for liquidity, which could be exacerbated by factors beyond its control, including adverse capital and credit market conditions.

Market conditions could subject the Group to unexpected needs for liquidity, which may require the Group to increase its levels of indebtedness. Access to financing in the longer term depends on a variety of factors outside the Group's control, such as market conditions, the general availability of funding, the overall availability of credit to the industry, the value of assets which may be used to secure loans, credit ratings and credit capacity, as well as lenders' perception of the Group's long- or short-term financial prospects. For example, capital and credit markets have from time to time experienced significant volatility and disruption. From 2008 onwards, these markets exerted downward pressure on the availability of liquidity and credit capacity. While this pressure has recently lessened, this trend may not continue and credit markets may deteriorate beyond levels seen previously. As a result, the Group may not be able to obtain additional financing on favourable terms or at all in the longer term (following expiry of the ING Credit Facility). If access to financing is not available to the Group in amounts sufficient to enable it to fund unexpected liquidity needs, the Group may be required to: (i) reduce or delay its capital expenditures; (ii) limit its growth; (iii) seek additional debt financing or equity capital; (iv) forgo opportunities, such as the acquisition of other businesses; (v) sell its assets; (vi) not pay dividends to Shareholders; or (vii) restructure or refinance its debt. The Group may not be able to undertake these actions on favourable terms or at all. In addition, if the Group needs access to additional capital and funding prior to the expiration of the ING Credit Facility, its ability to obtain such capital may be limited by restrictions and covenants in the ING Credit Facility and other outstanding debt. The cost of any such capital and funding may be significant. Any of the foregoing may have a material adverse effect on the Group's prospects, results of operations and financial condition.

31. The Group is exposed to foreign currency exchange rate risk that could affect operating results and comparability of results between financial reporting periods.

The Group's business operations are subject to risks associated with fluctuations in currency exchange rates. The Group generates revenue primarily in Polish złoty and secondarily in Czech koruna and a large portion of the Group's assets and liabilities are denominated in złoty and koruna. In addition, the financial covenants in the ING Credit Facility are tested in euro. Translation risk arises from the fact that, for each accounting period, the Group needs to translate into euro the foreign currency statements of financial position and income statements of its subsidiaries whose functional currency is not the euro, in order to prepare the consolidated accounts of the Group. This currency translation can cause unexpected fluctuations in both the statement of financial position and the income statement. As a result, movements in the exchange rate of the euro against the złoty, koruna and other currencies in which the Group's subsidiaries' assets and liabilities are denominated could create translation adjustments in financial statements and affect the Group's results of operations and financial condition.

The Group is also subject to foreign currency exchange risk in its transactions because its business involves transactions in a variety of currencies due to its wide distribution market and sourcing of raw materials in various jurisdictions. To the extent that it has incurred expenses that are not denominated in the same currency as related revenue, exchange rate fluctuations could cause the Group's expenses to increase as a percentage of its revenue. In addition, the Group currently does not have any hedging contracts with respect to foreign exchange rates.

32. The Group may be adversely impacted by fluctuations in interest rates, mainly through increased interest expense.

Through the ING Credit Facility, the Group maintains seven floating-rate fixed-term loans and one floating-rate multicurrency revolving credit facility. As at 30 June 2013, the floating-rate interest debt under the ING Credit Facility amounted to €151.4 million. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could increase the Group's financing charges and reduce profitability. Pursuant to the ING Credit Facility, the Group is required to hedge two-thirds of projected floating-rate interest payments in respect of certain of the fixed-term loans (with an aggregate total commitment of €170 million). Such interest payments are calculated by reference to WIBOR, PRIBOR or EURIBOR according to the currency of the relevant loan. The Group has therefore entered into hedging arrangements comprising two interest rate swaps exchanging floating-rate interest for fixed-rate interest, and one interest rate cap. However, these hedging arrangements only continue until 30 September 2014 and there is a risk that any hedging instruments used may not be completely effective, and the Group may be unable to enter into necessary extensions or renegotiations of financing agreements or hedging instruments on the same terms or to the extent required. Furthermore, volatile credit markets such as those experienced since 2008 may materially adversely affect the Group in the future through increases in interest payments.

RISKS RELATING TO THE OFFER AND THE ORDINARY SHARES

33. The price of the Ordinary Shares may fluctuate significantly and investors could lose all or part of their investment.

The share price of quoted companies can be highly volatile, which may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid for them. The Offer Price may not be indicative of prices that will prevail in the trading market and investors may not be able to resell the Ordinary Shares at or above the price they paid for them. The market price for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside the Group's control. These factors could include performance of the Group, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

34. A liquid market for the Ordinary Shares may fail to develop.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active trading market will develop or be sustained after Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected.

35. Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares.

Other than in connection with Admission or pursuant to employee share plans or other similar incentive arrangements, the Company has no current plans for an offering of Ordinary Shares. It is possible that the Company may decide to offer additional Ordinary Shares in the future. Future sales or the availability for sale of substantial amounts of the Ordinary Shares in the public market could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of equity securities.

36. There is no guarantee to Shareholders of the payment of dividends.

Any dividend on the Ordinary Shares will be limited by the underlying growth in the Group's businesses. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally the receipt of sufficient dividends from its subsidiaries. The Company's direct and indirect subsidiaries may be precluded from paying dividends by various factors, such as their own financial condition, restrictions in existing or future financing documents to which they are party or applicable law. For example, the ING Credit Facility restricts Stock Spirits Group Luxembourg Holdings S.à r.l. from paying a dividend or redeeming or repurchasing share capital unless, among other conditions, the group's leverage (for these purposes, the "group" constitutes Stock Spirits Group Luxembourg Holdings S.à r.l. and its subsidiaries for the time being and leverage is calculated as the ratio of Total Net Debt to Adjusted EBITDA, as such terms are defined in the ING Credit Facility) in the twelve-month period to the end of the most recent financial quarter is less than or equal to 3.00:1 and no event of default or potential event of default under the ING Credit Facility is continuing or would result from the transaction. Any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by Shareholders. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

37. Changes in taxation legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders.

Any change in taxation legislation or the interpretation of tax legislation could affect the Company's ability to provide returns to Shareholders. Statements in this Prospectus concerning the taxation of investors in the Ordinary Shares are based on current tax law and practice in the UK and the United States, which are subject to change. The taxation of an investment in the Company depends on the individual circumstances of the relevant investor.

38. The Principal Shareholders will retain a significant interest in the Company following Admission and their interests may differ from those of the other Shareholders.

Following Admission, the Principal Shareholders will be interested in approximately 38.3% of the Company's issued share capital. The Principal Shareholders have entered into the Relationship Agreement, which governs their conduct in relation to the Company. The interests of the Principal Shareholders and the Shareholders that buy Ordinary Shares in the Offer may not be aligned. Furthermore, as the Principal

Shareholders control 38.3% of the voting rights in the Company, they will be able to exercise negative control over matters through blocking a special resolution of the Company.

The Principal Shareholders may make acquisitions of, or investments in, other businesses in the same sectors as the Group. These businesses may be, or may become, competitors of the Group. In addition, funds or other entities managed or advised by the Principal Shareholders (or the same entities or individuals which manage or advise the Principal Shareholders) may be in direct competition with the Group on potential acquisitions of, or investments in, certain businesses, although the terms of the Directors' appointments and the Relationship Agreement contain provisions seeking to restrict Directors appointed by the Principal Shareholders from voting on matters where there are conflicts of interest and from using information obtained in the course of their appointments. These and other measures may not be sufficient to safeguard the interests of other Shareholders. In addition, subject to or following the expiry of the lock-up undertakings, the Principal Shareholders could sell a substantial number of Ordinary Shares in the public market following the Offer. Such sales, or the perception that such sales could occur, may materially adversely affect the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell the Ordinary Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

39. Shareholders outside the UK may not be able to participate in future equity offerings.

The Articles provide for pre-emptive rights to be granted to Shareholders on the offer of equity securities for cash, unless such rights are disapplied by a Shareholder resolution. However, securities laws of certain jurisdictions may restrict the Group's ability to allow participation by Shareholders in future offerings. In particular, Shareholders in the US may not be entitled to exercise their pre-emption rights unless such an offering is registered under the Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Shareholder who is unable to participate in future equity offerings may suffer dilution.

40. Shareholders may have difficulty in effecting service of process on the Company or the Directors in the US, in enforcing US judgments in the UK or in enforcing US securities laws in UK courts.

The Directors are residents of countries other than the United States. The Company is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon all of the Directors and officers or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. US Shareholders may have difficulties enforcing in courts outside the United States judgments obtained in US courts against some of the Directors or the Company (including actions under the civil liability provisions of the US securities laws). Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

41. The market price of the Ordinary Shares may be affected by fluctuations in exchange rates.

The Group's results of operations and financial condition are reported in euro. Following Admission, the prices of the Ordinary Shares will be quoted in pounds sterling on the London Stock Exchange. As a consequence, Shareholders may experience fluctuations in the market price of the Ordinary Shares as a result of, among other factors, movements in the exchange rate between euro and pounds sterling. In particular, dividends declared, if any, will be declared in euro, but paid in pounds sterling.

PART III

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Jack Keenan (*Chairman*) Christopher Heath (*Director/CEO*) Lesley Jackson (*Director/CFO*) Karim Khairallah (*Non-Executive Director*) David Maloney (*Senior Independent Non-Executive Director*) Andrew Cripps (*Independent Non-Executive Director*) John Nicolson (*Independent Non-Executive Director*)
Company Secretary	Elisa Gomez de Bonilla
Deputy Company Secretary	Capita Company Secretarial Services Limited
Registered Office	Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH

ADVISERS:

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Underwriters

J.P. Morgan Cazenove 25 Bank Street London E14 5JP	Nomura International plc 1 Angel Lane London EC4R 3AB
Lead Manager and Underwriter	**Joint Bookrunner and Underwriter**
Joh. Berenberg, Gossler & Co. KG 60 Threadneedle Street London EC2R 8HP	Jefferies International Limited Vintners Place, 68 Upper Thames Street London EC4V 3BJ
Legal advisers to the Company	**Legal advisers to the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Lead Manager and Underwriters**
As to English law: Slaughter and May One Bunhill Row London EC1Y 8YY	*As to English law and US law:* Linklaters LLP One Silk Street London EC2Y 8HQ
As to US law: Paul, Weiss, Rifkind, Wharton & Garrison LLP Alder Castle 10 Noble Street London EC2V 7JU	
Auditor and Reporting Accountant	**Registrars**
Ernst & Young LLP 1 More London Place London SE1 2AF *(registered to carry out audit work by the Institute of Chartered Accountants in England and Wales)*	Capita Registrars Limited The Registry 34 Beckenham Road, Beckenham Kent BR3 4TU

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

TIMETABLE OF PRINCIPAL EVENTS

All times are London times. The times and dates in the table below are indicative only and are subject to change.

Prospectus published/Announcement of Offer Price and allocation	22 October 2013
Commencement of conditional dealing in Ordinary Shares on the London Stock Exchange	08:00, 22 October 2013
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange	08:00, 25 October 2013
CREST accounts credited with uncertificated shares	08:00, 25 October 2013
Despatch of definitive share certificates (where applicable)	by 8 November 2013

It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

OFFER STATISTICS

Offer Price	235 pence
Number of Ordinary Shares in issue	200,000,000
Number of Ordinary Shares being offered in the Offer (excluding any Over-allotment Shares)	110,000,000
Percentage of the Company's issued share capital being offered in the Offer	55.0%
Maximum number of Ordinary Shares subject to the Over-allotment Option to be sold by the Over-allotment Shareholders	16,500,000
Estimated gross proceeds of the Offer receivable by the Company	£52.0 million
Estimated net proceeds of the Offer receivable by the Company	£43.7 million
Estimated net proceeds of the Offer receivable by the Selling Shareholders (excluding any proceeds receivable from the sale of any Over-allotment Shares)	£201.0 million
Expected market capitalisation of the Company at the Offer Price	£470.0 million

PART V

PRESENTATION OF INFORMATION

1. General

Investors should rely only on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or the Banks. No representation or warranty, express or implied, is made by any of the Banks or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or sale made pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as at any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs prior to Admission or if this Prospectus contains any material mistake or substantial inaccuracy. This Prospectus and any supplement hereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their subscriptions made prior to the publication of such supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) (which shall not be shorter than two clear business days after publication of such supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Banks or any of their representatives that any recipient of this document should subscribe for or purchase Offer Shares. Prior to making any decision whether to subscribe for or purchase Offer Shares, prospective investors should read this Prospectus in its entirety and, in particular, Part II (*Risk Factors*). In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved. Any decision to subscribe for or purchase Offer Shares should be based solely on this Prospectus and any supplement hereto.

Investors who subscribe for and/or purchase Offer Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied solely on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors or any of the Banks.

None of the Company, the Directors or any of the Banks or any of their representatives is making any representation to any offeree, subscriber or purchaser of Offer Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, the Banks and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or purchase Offer Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Offer Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to Offer Shares being issued, offered, subscribed for, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, any Bank and any of its affiliates acting as an investor for its own accounts. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Banks and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. The Banks and any of their respective affiliates may provide such services to the Company and any of their affiliates in the future.

2. Presentation of financial information

The Group's consolidated historical financial information included in Part XII (*Historical Financial Information*) of this Prospectus has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules and in accordance with IFRS. The significant accounting policies are set out within note 3 (*Accounting Policies*) of the Group's consolidated historical financial information in Part XII (*Historical Financial Information*).

Throughout this Prospectus, references to "FY" are to the financial year ended 31 December and references to "HY" are to the six months ended 30 June.

3. Non-IFRS financial measures

In this Prospectus, the Group presents certain financial information and measures which are not calculated in accordance with IFRS, such as "Adjusted EBIT" and "Adjusted EBITDA" and "Free Cash Flow".

The Group defines Adjusted EBIT as operating profit before exceptional items. The Group defines Adjusted EBITDA as operating profit before depreciation and amortisation and exceptional items. The Group defines Free Cash Flow as net cash generated from operating activities (excluding income tax paid, certain exceptional items and their related impact on working capital adjustments) plus net cash used in / generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of a subsidiary) ("**Free Cash Flow**"). Adjusted EBITDA, Adjusted EBIT and Free Cash Flow are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS.

The Group presents Adjusted EBITDA, Adjusted EBIT and Free Cash Flow because it believes that these measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present Adjusted EBITDA, Adjusted EBIT and Free Cash Flow when reporting their results.

The Group also presents Adjusted EBITDA and Adjusted EBIT as supplemental measures of its ability to service its indebtedness. Adjusted EBITDA and Adjusted EBIT are not IFRS measures and should not be considered as alternatives to IFRS measures of profit/(loss) or as indicators of operating performance or as measures of cash flow from operations under IFRS or as indicators of liquidity. Adjusted EBITDA and Adjusted EBIT are not intended to be measures of cash flow available for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments, debt service requirements and capital expenditures. The Group's presentation of Adjusted EBITDA and Adjusted EBIT has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. For example, Adjusted EBITDA and Adjusted EBIT:

- do not reflect changes in, or cash requirements for, the Group's working capital needs;
- do not reflect the Group's interest expense;
- do not reflect income taxes on the Group's taxable earnings;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacement;
- because not all companies use identical calculations, the Group's presentation of Adjusted EBITDA and Adjusted EBIT may not be comparable to similarly titled measures of other companies; and
- do not reflect the Group's exceptional items.

Free Cash Flow is not an IFRS measure and should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Free Cash Flow is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider any cash flows from financing activities, income tax payments and exceptional items. In particular, debt service requirements or other non-discretionary expenditures are not deducted from the measure. The Group's presentation of Free Cash Flow has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. Further, because not all companies use identical calculations, the Group's presentation and calculation of Free Cash Flow may not be comparable to similarly titled measures of other companies.

Please see Part XI (*Operating and Financial Review*) for a reconciliation of Adjusted EBITDA and Adjusted EBIT to the Group's profit from operations and for a reconciliation of Free Cash Flow to the Group's net cash generated from operating activities.

4. Rounding

Percentages and certain amounts which appear in this Prospectus have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Percentages in tables have been rounded and, accordingly, may not add up to 100%.

5. Currencies and exchange rate information

In this Prospectus:

- "€", "EUR" or "euro" refer to the single currency of the participating Member States in the Eurozone;
- "PLN", "Polish złoty" or "złoty" refer to the lawful currency of Poland;
- "CZK", "Czech koruna" or "koruna" refer to the lawful currency of the Czech Republic;
- "US$", "USD", "US dollars" or "dollars" refer to the lawful currency of the United States; and
- "£", "GBP" or "pounds sterling" refer to the lawful currency of the United Kingdom.

The euro is the Group's reporting currency. The Group's operating subsidiaries have different functional currencies, including the euro in Italy, the złoty in Poland and the koruna in the Czech Republic.

Polish złoty to euro

The functional currency of the Group's operations in Poland is the złoty. The following tables set forth, for the periods indicated, certain information regarding the National Bank of Poland, or NBP, exchange rate for the euro, expressed in złoty per euro. The rates below may differ from the actual rates used in the preparation of the Group's consolidated historical financial information and other financial information appearing in this Prospectus. Inclusion of the exchange rates is not meant to suggest that the złoty amounts actually represent such euro amounts or that such amounts could have been converted into euro at the rates indicated or at any other rate.

	Złoty per euro										
	Year ended 31 December					*2013*					
	2008	*2009*	*2010*	*2011*	*2012*	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*June*
Average exchange rate during period(1)	3.532	4.341	4.004	4.140	4.174	4.137	4.173	4.158	4.141	4.176	4.287

(1) The average of the NBP exchange rate, złoty per euro, on the last business day of each month during the applicable period. For 2013, the figures represent the average of the NBP exchange rate, złoty per euro, for the business days of each month.

On 21 October 2013, the latest practicable date prior to publication of this Prospectus, the average NBP exchange rate, złoty per euro, was PLN 4.185 per €1.00.

Czech koruna to euro

The functional currency of the Group's operations in the Czech Republic is the koruna. The following tables set forth, for the periods indicated, certain information regarding the Czech National Bank, or CNB, exchange rate for the koruna, expressed in koruna per euro. The rates below may differ from the actual rates used in the preparation of the Group's consolidated historical financial information and other financial information appearing in this Prospectus. Inclusion of the exchange rates is not meant to suggest that the koruna amounts actually represent such euro amounts or that such amounts could have been converted into euro amounts at the rates indicated or at any other rate.

	Koruna per euro										
	Year ended 31 December					*2013*					
	2008	*2009*	*2010*	*2011*	*2012*	*Jan*	*Feb*	*Mar*	*Apr*	*May*	*June*
Average exchange rate during period(1)	25.045	26.499	25.271	24.599	25.115	25.563	24.207	25.662	25.840	25.889	25.761

(1) The average of the CNB exchange rate, koruna per euro, on the last business day of each month during the applicable period. For 2013, the figures represent the average of the CNB exchange rate, koruna per euro, for the business days of each month.

On 21 October 2013, the latest practicable date prior to publication of this Prospectus, the average CNB exchange rate, koruna per euro, was CZK 25.810 per €1.00.

Foreign currency presentation in the financial statements of the Group's subsidiary entities

The individual financial statements of each of the Group's subsidiary entities are presented in the currency of the primary economic environment in which such entity operates (its functional currency). For the purpose of the Group's financial statements, the results and financial position of each entity are expressed in euro, which is the functional currency of the parent company and the presentation currency for the Group financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. For the purpose of presenting the Group's financial statements, the assets and liabilities of the Group's foreign operations are expressed in euro using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's foreign currency translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Please see note 3 (*Accounting Policies*) of the Group's consolidated historical financial information in Part XII (*Historical Financial Information*) for an additional description of its foreign currency presentation.

6. Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. All statements other than statements of historical facts included in this Prospectus are forward-looking statements. They appear in a number of places throughout this Prospectus and include statements regarding the Directors' or the Group's intentions, beliefs or current expectations concerning, among other things, its operating results, financial condition, prospects, growth, expansion plans, strategies, the industry in which the Group operates and the general economic outlook.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and therefore are based on current beliefs and expectations about future events. The Group believes that these risks and uncertainties include, but are not limited to:

- changes in consumer preferences;
- competitive pressures;
- the success of the Group's key products and performance of its new products and new variants of existing products;
- tax increases;
- ability to effect price increases successfully;
- changes in the Group's distribution channels;
- failure to comply with applicable legislation, changes to the regulatory environment, or specific government action that adversely impacts the markets in which the Group operates;
- general economic conditions in the Group's key markets;
- litigation the Group may be involved in from time to time,

and other factors described in Part II (*Risk Factors*). These factors should not be construed as exhaustive and should be read with the other cautionary statements in this Prospectus. Moreover, new risk factors may emerge from time to time and it is not possible to predict all such risks or assess their impact for disclosure in this Prospectus.

Forward-looking statements are not guarantees of future performance and the Group's actual operating results, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Group's operating results, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Accordingly, potential investors should not rely on these forward-looking statements.

Any forward-looking statements that the Group makes in this Prospectus speak only as of the date of such statement, and none of the Company, the Directors or the Banks undertakes any obligation to update such statements unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

7. Market and industry data and forecasts

This Prospectus includes market share and industry data and forecasts that the Company has obtained from industry publications and surveys and internal company sources. As noted in this Prospectus, the Company has obtained market and industry data relating to the Group's business from providers of industry data, including:

- International Wine and Spirit Research ("**IWSR**");
- The Nielsen Company ("**Nielsen**");

- Euromonitor International;
- The Economist Intelligence Unit (“**EIU**”);
- ZoomInfo;
- Information Resource Incorporated (“**IRI**”);
- Drinks International; and
- IPSOS.

Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. The Company has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. Statements or estimates as to the Group’s market position, which are not attributed to independent sources, are based on market data or internal information currently available to the Company. The Company confirms that information sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published from third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Group’s estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in Part II (*Risk Factors*).

8. Presentation of market and industry data

The following terms have specific meanings when used in relation to the alcoholic beverages industry and these terms are used throughout this Prospectus. The meanings of these terms are described below:

- equivalent litres are a measure used by several companies in the alcoholic beverages industry to make wine and beer volumes comparable with spirits volume based on typical serving size assumptions. Wine volumes are divided by five, and beer volumes are divided by 10. This is consistent with 25ml/125ml/250ml average serving sizes;
- in the Czech Republic, the “Rum” category of the spirits market includes traditional rum, which is a spirit drink made from sugar cane, and so-called “local rum”, or “Tuzemak”, which is made from sugar beet. As used herein, “Rum” refers to both traditional and local rum, while “Czech rum” refers to local rum;
- the term “flavoured vodka” also includes vodka-based flavoured liqueurs unless the context requires otherwise;
- the term “limoncello” also includes liqueurs de limone, unless the context requires otherwise;
- the “on-trade” distribution channel includes hotels, catering, bars, clubs and restaurants where the products are consumed on-premises. The “off-trade” distribution channel includes discounters, supermarkets, wholesalers, hypermarkets and small local retailers where the products are consumed off-premises. Often, in Poland, the “small local retailers” distribution channel is also referred to as the traditional trade distribution channel, while larger chains of hypermarkets and discounters are referred to as the modern trade distribution channel;
- “share of throat” refers to the proportion of the overall alcohol sales volume in equivalent serving sizes belonging to each specific product category, such as vodka or bitters, and each specific product sector, such as spirits or wine; and
- the term “millionaire brand” is used in the spirits industry to describe a brand which has achieved sales of more than one million 9-litre cases in a calendar year.

In general, figures and statements in the Prospectus relating to the share of throat and the overall volume development in the alcohol and spirits markets are based on data for both the on-trade and off-trade distribution channels. Similarly, figures and statements in the Prospectus relating to the Group’s share of the spirits market are, in general, also based on data for both the on-trade and off-trade distribution channels. In contrast, figures and statements in the Prospectus relating to the Group's market share or the market share of its competitors for each product category (for example, clear vodka, flavoured vodka, Rum, limoncello or bitters) are generally based on data from the off-trade distribution channel only. The reason for this difference is that the source data as provided in the third-party industry publications have been compiled using different methodologies:

- IWSR data measures the volume of sales at the point of shipment and includes data for both the on-trade and off-trade distribution channels. To collate its data, IWSR states that it uses all available published statistics (government, association, foreign trade, press articles) and conducts face-to-face interviews in annual market visits by its researchers;

- Nielsen data used in this Prospectus measures the volume of sales at the point of sale and therefore includes data only for the off-trade distribution channels. Nielsen states that it gathers information from scanning cash registers, carrying out supplementary store audits and monitoring households' consumer behaviour through consumer panels;

- ZoomInfo data measures the volume of sales at the point of sale and uses data from specific customers in the off-trade distribution channels; and

- IRI data measures the volume of sales at the point of sale and includes data only for the off-trade distribution channels.

Where possible, the Group has used Nielsen, ZoomInfo and IRI data in the Prospectus on the basis that it considers the point of sale measure to be a more accurate indicator of consumer and shopping behaviour in the market.

In Part VII (*Information on the Group's business and the industry in which it operates*), the Group has used Euromonitor International data in relation to general industry information, for example, for forecasts of the sales volume growth in the spirits market and the percentage of distribution split between the on-trade and off-trade channels. Euromonitor International data is based on information from official sources, such as national statistics offices, trade associations, trade press, company research, trade interviews, other trade sources, consumer interviews, focus groups, surveys, store audits and site visits.

The sources of figures and statements in the Prospectus have been indicated alongside the relevant figures or statements and the information provided in this section regarding the methodologies used by the different third-party industry publications to compile data should be taken into consideration when reading this Prospectus.

9. No incorporation of website information

The contents of the Group's websites do not form any part of this Prospectus.

10. Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this document is correct as of any time subsequent to the date hereof.

PART VI

DETAILS OF THE OFFER

1. Ordinary Shares subject to the Offer

The "**Offer Shares**" are Ordinary Shares which are the subject of the Offer, comprising:

- 22,127,660 New Issue Ordinary Shares to be issued by the Company;
- the "**Secondary Offer**" of 87,872,340 Existing Ordinary Shares that are beneficially owned by the Selling Shareholders; and
- up to 16,500,000 Over-allotment Shares (which will be sold by the Over-allotment Shareholders to the extent that the Over-allotment Option is utilised).

The New Issue Ordinary Shares will represent 11.1% of the enlarged issued share capital of the Company. The Company will receive proceeds of £43.7 million (€51.6 million) from the Offer, net of aggregate underwriting commissions and other estimated fees and expenses (including amounts in respect of VAT) of approximately £8.3 million.

Assuming the Over-allotment Option is fully utilised, the Secondary Offer will represent no more than approximately 52.2% of the enlarged issued share capital of the Company. The Selling Shareholders will together receive proceeds of no more than £245.3 million from the Offer, before any costs. The Company and certain of the Selling Shareholders are subject to the lock-up arrangements detailed in section 10 (*Lock-up arrangements*) below.

2. The Offer

The Offer is made by way of an institutional private placing. Under the Offer, Ordinary Shares will be offered to: (i) certain institutional and professional investors in the UK and elsewhere outside the United States in reliance on Regulation S; and (ii) to QIBs in the United States in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Certain restrictions that apply to the distribution of this Prospectus and the offer and sale of Ordinary Shares in jurisdictions outside the UK are described in section 16 (*Selling Restrictions*) below.

Participants in the Offer will be advised verbally or by electronic mail of their allocation as soon as practicable following pricing and allocation. Prospective investors in the Offer will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

When admitted to trading, the Ordinary Shares will be registered with ISIN GB00BF5SDZ96 and SEDOL number BF5SDZ9. The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes.

Immediately following Admission, it is expected that approximately 55.0% of the Company's issued ordinary share capital will be held in public hands assuming no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to approximately 63.3% if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

In connection with Admission, the Group undertook the Corporate Reorganisation, which is more fully described in Part XV (*Additional Information*).

3. Reasons for the Offer and Admission

The Group believes that the listing of the Ordinary Shares is a natural next step in the Group's development, which will provide liquidity for existing Shareholders, further enhance its profile and brand recognition, provide access to the global capital markets and assist in recruiting, retaining and incentivising management and employees.

The net proceeds payable to the Company from the Offer will be £43.7 million (€51.6 million) after deduction of underwriting commissions (including the discretionary underwriting commission which the Company intends to pay) and estimated fees and expenses incurred in connection with the Offer.

The Company currently intends to use all of the net proceeds payable to it from the Offer of £43.7 million (€51.6 million) to repay a portion of the ING Credit Facility.

The Selling Shareholders own Existing Ordinary Shares and have been given the opportunity to participate in the Offer. Their participation is a result of the decision by the Company to admit its Ordinary Shares to trading on the London Stock Exchange. The Selling Shareholders will together receive approximately £206.5 million (before costs and assuming there is no exercise of the Over-allotment Option). How each Selling Shareholder spends the amount they receive is a matter of personal choice for that Selling Shareholder.

4. Financial impact of the Offer

A pro forma statement illustrating the hypothetical effect, on the net assets of the Group, of the Offer and the use of the net proceeds of €51.6 million, the Corporate Reorganisation, the amendment of and payments under the long-term incentive plan, the draw down of the New Term Loans of €70.0 million and redemption of a portion of PECs totalling €82.2 million as if they had taken place on 30 June 2013 is set out in Part XIII (*Unaudited Pro Forma Financial Information*). This information is unaudited and has been prepared for illustrative purposes only. It shows that the actions described above, including the receipt of the net proceeds payable to the Company from the Offer of €51.6 million, would lead to an increase in the net assets of the Group from €100.1 million to €281.2 million as at 30 June 2013.

Had the net proceeds of €51.6 million payable to the Company from the Offer been received by the Company on 1 January 2013, the resulting impact on earnings would have been to reduce losses for the six months ended 30 June 2013 by the amount the Group would have reduced its interest expense as a result of the reduction in net debt by those proceeds.

5. Offer Price

The price payable under the Offer will be the Offer Price.

6. Dilution

The Existing Ordinary Shares will represent approximately 88.9% of the total issued Ordinary Shares immediately following Admission.

7. Withdrawal rights

If the Company is required to publish any supplementary prospectus, applicants who have applied for Ordinary Shares in the Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their application to acquire Ordinary Shares in the Offer in its entirety. The right to withdraw an application to acquire Ordinary Shares in the Offer in these circumstances will be available to all investors in the Offer. If the application is not withdrawn within the stipulated period, any application to apply for Ordinary Shares in the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published.

8. Allocations under the Offer

The allocation of Ordinary Shares between the investors will be determined by the Joint Global Coordinators in consultation with the Company.

Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing may not begin before notification is made.

All Offer Shares issued/sold pursuant to the Offer will be issued/sold at the Offer Price. Liability for UK stamp duty and SDRT is described in Part XIV (*Taxation*).

9. Underwriting arrangements

The Company, the Directors, the Underwriters and the Principal Shareholders have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained therein (which are customary in agreements of this nature), each of the Underwriters has severally agreed to underwrite a proportion of, and together to underwrite in aggregate all of, the issue of the Ordinary Shares available under the Offer before any exercise of the Over-allotment Option.

The Offer is conditional upon, *inter alia*, Admission occurring not later than 08:00 on 25 October 2013 (or such later date and time as the Joint Global Coordinators may agree with the Company) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. The underwriting commitment of the Underwriters in respect of the New Issue Ordinary Shares and the Existing Ordinary Shares which are the subject of the Secondary Offer will cease to be conditional at the point of Admission. If the conditions to the Underwriting Agreement have not been satisfied, or if the Underwriters otherwise cease to underwrite the Offer in accordance with the terms of the Underwriting Agreement, Admission will not occur.

The Underwriting Agreement provides for the Underwriters to be paid certain commissions by the Company and the Principal Shareholders in respect of the Offer Shares issued and sold and by the Over-allotment Shareholders in respect of any Over-allotment Shares transferred by the Over-allotment Shareholders upon the Stabilising Manager exercising the Over-allotment Option. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Under the terms and conditions of the Underwriting Agreement, the Joint Sponsors have severally agreed to provide certain assistance to the Company in connection with Admission.

Further details of the terms of the Underwriting Agreement are set out in Part XV (*Additional Information*).

10. Lock-up arrangements

Each of the Company, the Directors, the Principal Shareholders, the Senior Management Shareholders and the Non-Management Shareholders has agreed to certain lock-up arrangements.

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, issue, lend, mortgage, assign, charge, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XV (*Additional Information*).

Pursuant to the Underwriting Agreement, each of the Directors has agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, he or she will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) which that Director did not sell at Admission or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XV (*Additional Information*).

Pursuant to the Underwriting Agreement, the Principal Shareholders have agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, they will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XV (*Additional Information*).

Pursuant to the Small Selling Shareholder Arrangements, each Non-Management Shareholder has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, they will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. Further details are set out in Part XV (*Additional Information*).

Pursuant to the Offer, at Admission each Senior Management Shareholder can sell up to 30% of the Ordinary Shares he owns the day before Admission. During the period of 365 days from the date of Admission, any Ordinary Shares (or any interest therein or in respect thereof) that a Senior Management Shareholder did not sell at Admission can only be offered, sold subject to a contract for sale, or otherwise disposed of, subject to certain exceptions, with the consent of the Board.

11. Stabilisation and Over-allotment Option

In connection with the Offer, the Stabilising Manager, or any of its agents or affiliates, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares and effect other transactions to maintain the market price of the Ordinary Shares at a level other than that which might otherwise prevail in the open market.

The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period from the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents or affiliates to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken with the intention of stabilising the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents or affiliates intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 15% of the total number of Ordinary Shares comprised in the Offer. The Stabilising Manager has entered into the Over-allotment Option with the Over-allotment Shareholders pursuant to which the Stabilising Manager may require the Over-allotment Shareholders to transfer at the Offer Price additional Ordinary Shares representing up to 15% of the total number of Ordinary Shares comprised in the Offer, to allow it to cover short positions arising from over-allotments and/or stabilising transactions. The Over-allotment Option may be exercised in whole or in part, upon notice by the Stabilising Manager, at any time during the period commencing on Admission and ending 30 days thereafter. The Over-allotment Shares made available pursuant to the Over-allotment Option will be sold on the same terms and conditions as, and will rank equally with, the other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will form a single class for all purposes with the other Ordinary Shares.

Liability for UK stamp duty and SDRT on transfers of Existing Ordinary Shares pursuant to the Over-allotment Option is described in Part XIV (*Taxation*).

Following allocation of the Ordinary Shares pursuant to the Offer, the Stabilising Manager may seek to agree the terms of deferred settlement with certain investors who have been allocated Ordinary Shares pursuant to the terms of the Offer. No fees will be payable to such investors.

12. Stock Lending Agreement

In connection with settlement and stabilisation, the Stabilising Manager has entered into the Stock Lending Agreement with the Lending Shareholders pursuant to which the Stabilising Manager will be able to borrow from the Lending Shareholders a number of Ordinary Shares equal in aggregate to up to 15% of the total number of Ordinary Shares comprised in the Offer for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholders in accordance with the terms of the Stock Lending Agreement.

13. Dealing arrangements

Application will be made to the FCA, in its capacity as the UK Listing Authority, for all of the Ordinary Shares to be admitted to the Official List with a Premium Listing and application will be made to the London Stock Exchange for those Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 08:00 on 22 October 2013. The earliest date for settlement of such dealings will be 25 October 2013. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 08:00 on 25 October 2013. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. The above-mentioned dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Ordinary Shares sold to such investor in such manner as shall be directed by the Joint Global Coordinators. Pricing information and other related disclosures will be published on the Website on 22 October 2013.

It is intended that, where applicable, definitive share certificates in respect of the Offer will be distributed by 8 November 2013 or as soon thereafter as is practicable, although it is expected that Ordinary Shares allocated in the Offer will normally be delivered in uncertificated form. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

Following Admission, the Ordinary Shares held by the Directors, the Principal Shareholders and certain of the Selling Shareholders will be subject to the lock-up arrangements described in this Part VI.

14. CREST

CREST is a paperless settlement system enabling securities to be transferred from one CREST account to another without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and, also with effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

15. Conditionality of the Offer

The Offer is subject to the satisfaction of conditions which are customary for transactions of this type contained in the Underwriting Agreement, including Admission becoming effective by no later than 08:00 on 25 October 2013, determination of the Offer Price, and the Underwriting Agreement not having been terminated prior to Admission. See Part XV (*Additional Information*) for further details about the underwriting arrangements.

The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

16. Selling restrictions

The distribution of this Prospectus and the offering, issue and on-sale of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the sections that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Ordinary Shares may be circulated in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

16.1 *European Economic Area*

In relation to each Relevant Member State, an offer to the public of any Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(A) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(B) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or

(C) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or either Joint Sponsor or any of the Banks to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the relevant Joint Sponsor or Bank and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

16.2 *United States*

The Offer is not a public offering (within the meaning of the Securities Act) of securities in the United States. The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Joint Bookrunners may offer Ordinary Shares (i) in the United States only through their US registered broker affiliates to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer, any offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act.

Each purchaser of Ordinary Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(A) the purchaser is, and at the time of its purchase of any Offer Shares will be, a QIB within the meaning of Rule 144A;

(B) the purchaser understands and acknowledges that the Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder, and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph D below;

(C) the purchaser is purchasing the Offer Shares (i) for its own account, or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such shares;

(D) the purchaser understands and agrees that offers and sales of the Offer Shares are being made in the United States only to QIBs in transactions not involving a public offering or which are exempt from the registration requirements of the Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph C above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such shares into the United States) or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. The purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Ordinary Shares;

(E) the purchaser understands that for so long as the Offer Shares are "restricted securities" within the meaning of the US federal securities laws, no such shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such shares will not settle or trade through the facilities of DTCC or any other US clearing system;

(F) the purchaser has received a copy of this Prospectus and has had access to such financial and other information concerning the Company as it deems necessary in connection with making its own investment decision to purchase shares. The purchaser acknowledges that none of the Company and the Underwriters or any of their respective representatives has made any representations to it with respect to the Company or the allocation, offering or sale of any shares other than as set forth in this Prospectus, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares. The purchaser also acknowledges that it has made its own assessment regarding the US federal tax consequences of an investment in the Offer Shares. The purchaser has held and will hold any offering materials, including this Prospectus, it receives directly or indirectly from the Company in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it;

(G) the purchaser understands that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Underwriters and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. The purchaser irrevocably authorises the Company and the Underwriters to produce this Prospectus to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein;

(H) the purchaser undertakes promptly to notify the Company and the Underwriters if, at any time prior to the purchase of Ordinary Shares, any of the foregoing ceases to be true; and

(I) the purchaser understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-b, OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING, NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR

CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Ordinary Shares are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. The Company expects that it will be exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

16.3 ***Switzerland***

The Ordinary Shares may not be offered or sold, directly or indirectly, in Switzerland except in circumstances that will not result in the offer of the Ordinary Shares being a public offering in Switzerland within the meaning of the Swiss Code of Obligations ("**CO**"). Neither this document nor any other offering or marketing material relating to the Ordinary Shares constitutes a prospectus as that term is understood pursuant to article 652a or 1156 CO, and neither this document nor any other offering or marketing material relating to the Ordinary Shares may be publicly distributed or otherwise made publicly available in Switzerland. No application has been made for a listing of the Shares on the SIX Swiss Exchange and, consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. The Company is not authorised by or registered with the Swiss Financial Market Supervisory Authority ("**FINMA**") as a foreign collective investment scheme. Therefore, investors do not benefit from protection under the Swiss collective investment schemes law or supervision by FINMA.

PART VII

INFORMATION ON THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES

Please refer to section 8 of Part V (Presentation of Information) of this Prospectus for a description of the presentation of market and industry data in this section.

1. Overview

The Group is a pre-eminent Central and Eastern European branded spirits producer whose principal product category is vodka. It has the largest market share for spirits in Poland and the Czech Republic and is the leading vodka company in those markets. It is also the leader in the vodka-based flavoured liqueurs and limoncello categories in Italy, has the largest market share for the bitters category in Slovakia and the largest market share for imported brandy in Croatia and Bosnia & Herzegovina. The Group has a portfolio of more than 25 brands across a broad range of spirits products including vodka, vodka-based flavoured liqueurs, Rum, brandy, bitters and limoncello, many of which have market or category-leading positions in the Group's core geographic markets. In FY 2012, 36% of the Group's revenue was derived from clear vodka, 32% from flavoured vodka and vodka-based flavoured liqueurs, 6% from bitters, 5% from each of Rum and brandy, 3% from limoncello and 13% from other categories of spirits.

The Group's core geographic markets are Poland, the Czech Republic and Italy which, together, accounted for 92.9% of its revenue for FY 2012 and 89.2% of its revenue in HY 2013. The Group has fully owned sales and marketing businesses in six countries. In total, the Group exports products to more than 40 other countries and this part of the Group's business (together with the Group's activities in its other non-core geographic markets) accounted for 7.1% of the Group's FY 2012 revenue and 10.8% of its revenue in HY 2013.

The Group's core vodka brands include Czysta de Luxe, Stock Prestige, 1906, Zubr and Bozkov. The Group's Amundsen, Lubelska, Keglevich and Bozkov brands include a range of vodka-based flavoured liqueurs. Stock Original and Stock 84 are the Group's core brandy brands and Bozkov Tuzemsky, Fernet Stock, Limoncè and Imperator Golden are, respectively, core Czech rum, bitters, limoncello and fruit distillate brands. A summary of how certain of these brands relate to the Group's core geographic markets is set out below.

The Group's history dates back to 1884 and many of the Group's products are made from long-established traditional recipes and have a pedigree which the Group believes appeals to consumers internationally. Product innovation and new product development runs alongside this history as an important part of the Group's vision for future growth. The Group aims to bring to market original brands designed and adapted to consumer tastes while maintaining its historic reputation for quality. In addition, the Group believes that there are significant opportunities for value enhancing acquisitions across the Central and Eastern European region.

2. The Group's strengths

Successful business model utilising global FMCG best practices combined with local insight.

The Group aims to combine a rigorous approach to business processes throughout the organisation, in line with best practices followed by global FMCG operators, with deep local insight in each of its core markets. Key members of the Group's senior management team have significant experience in the FMCG sector in general, and the international spirits industry in particular. This experience and the knowledge and expertise gained from it have been utilised by the Group in its effort to implement best practices across the organisation, to implement its strategy successfully and to ensure its operations are fast, flexible and low cost, while investing in its new product development programme (the "**NPD Programme**") in a focused manner. The Group believes that its business model differentiates it from many of its local competitors, and has contributed significantly to the Group's performance, as evidenced by its strong track record of delivering profit growth, most visibly in its largest market, Poland. The Group is highly focused on end-to-end business improvement and aims to add value across its entire business spectrum, from procurement, production and business processes through to sales and marketing, portfolio expansion and consumer insight.

As a general principle, the Group adopts a consumer-led approach to the markets in which it operates, to its brand and product portfolio and to its operations. The Group analyses consumer motivations and trends in detail, benefiting from the scale of its on-the-ground sales presence in its core geographic markets. As well as investing in consumer research and insight, the Group has a focused approach to brand planning and development. Promotional spending is planned and evaluated in what the Group believes is a sophisticated manner, and the Group's NPD processes are highly targeted and tightly controlled. Based on its understanding of consumer motivation and trends, the Group continues to broaden and deepen its portfolio through the introduction of new brands, new products and new variants of existing products. The extension of the Group's Lubelska family of products from a range of vodka-based flavoured liqueurs to include a clear vodka is a recent example of the Group's ability to extend a strong brand in a successful manner.

The Group believes that the quality and breadth of its sales and marketing platform gives it a significant competitive advantage. The Group has invested materially in its sales force over recent years (increasing it from a headcount of 56 in 2006 (in Poland only) to 272 in December 2008 to 351 (including third-party agents) in June 2013), and now has a platform which it believes positions it strongly for future growth. The Group endeavours to ensure that its sales teams are provided with best-in-class sales and marketing tools and the training required to sell the Group's products effectively. Furthermore, the Group adopts a conscious approach to distribution channel optimisation and tailors its sales force to reflect this. As an example, in Poland, its largest market, the Group has made a conscious decision to focus on selling products through the traditional off-trade distribution channel rather than focusing on the modern off-trade channel (including discounters) and, in line with this decision, increased its Polish sales force by a further 50 people between June 2012 and June 2013. The Group believes that it has world-class marketing capabilities based on consumer research and insight, brand development skills, promotional planning, its controlled NPD Programme and brand positioning processes.

While the Group believes that it is now a fast, flexible and low-cost operator, it is nevertheless focused on the constant improvement of the quality, efficiency and speed of its processes. The Group has invested significantly in its facilities, and believes this to have driven the strong KPI trends delivered by its manufacturing facilities. The Group's facilities have significant spare production capacity, enabling the business to support significant growth without a material capital expenditure requirement. The Group also invests heavily in its employees, and believes it has a culture of accountability throughout its hierarchy.

The Group operates a central procurement operation from Zug, Switzerland that works with the Group's local procurement teams to attain economies of scale, as well as coordinating and negotiating procurement on a centralised basis. The Group has also implemented a central policy on intellectual property management, a code of conduct for employees and ethics and anti-corruption procedures. The Group believes these measures demonstrate its commitment to operate its business in a manner which is in line with best practice of global multinational companies.

Proven international spirits management team.

The Group believes it has a strong, professional and cohesive management team with extensive multinational experience and backgrounds in leading global FMCG and alcoholic beverage companies. As a result, the Group believes that it benefits from industry-leading practices in finance, sales and marketing, brand management, distribution, procurement, administration, operations and value engineering. The Group's management team also has a strong track record of integrating acquired companies, reorganising operations and transferring resources and expertise across sites, which are skills that the Group believes are critical for the effective integration of any future brands or businesses that the Group may acquire. The Group is also committed to sophisticated and professional people management to improve both capability and performance. This is achieved through several initiatives, such as refocusing resources, accountability and reward systems, in-depth training, succession planning and effective internal communications. The Group believes that its focus on people development, coupled with the strength and experience of its management team, positions the Group favourably for growth in the Central and Eastern European region and in other markets.

Proven innovation capabilities through strong and effective NPD Programme.

The Group has a strong track record of developing successful new products and new variants of existing products. Between 1 January 2008 and 30 June 2013, 74 new products and variations of existing products have been launched, including Stock Prestige and Lubelska Cytrynowka (lemon). Following the Group's success with Czysta de Luxe, which gained the market-leading position in the mainstream segment for clear vodka in Poland within three years of launch (according to Nielsen), the Group formalised its NPD Programme to provide a structured framework for new product development which expedites its ability to launch new products and new variants of existing products. A large proportion of the products that have been launched through this programme have enjoyed a relatively high degree of success, exceeding the target volume and profit envisaged by the Group at the time of launch. Products launched through the NPD Programme comprised approximately 49.0% of the Group's sales volumes in FY 2012 and 46.9% of the Group's sales volumes in HY 2013.

Strong brand portfolio with market-leading positions and brands in core markets.

The Group had the largest market share for spirits in Poland and the Czech Republic for 2012 (according to Nielsen and ZoomInfo, respectively). In Poland, the Group had the largest market share in the vodka category for 2012 (according to Nielsen), which was the principal category of spirits sold in Poland (according to IWSR). In the Czech Republic, the Group had the largest market share in each of the vodka and bitters categories as well as the Rum category in 2012 (according to ZoomInfo). In Italy, for 2012, the Group was the market leader in the limoncello and vodka-based flavoured liqueur categories, and it has the second largest market share for brandy and clear vodka (according to IRI). The Group has a range of more than 25 brands across a broad range of spirits products of which five brand portfolios achieved sales of more than 1 million equivalent 9-litre cases in 2012 (often referred to in the international spirits industry as "millionaire" brands). Many of these brands have market or category-leading positions in the Group's core geographic markets. Żołądkowa Gorzka, a core vodka-based flavoured liqueur brand in the Group's most important market, Poland, has long-standing heritage (having been launched in the 1950s) that has been extended into other product categories, such as Czysta de Luxe in the clear vodka category. Lubelska, another of the Group's core brands in Poland had sales volume growth of 340% between 2008 and 2012 (according to Drinks International Millionaires' Club).

Leading presence in attractive Polish and Czech markets.

Poland and the Czech Republic are the Group's two largest markets and it has the largest market share for spirits in Poland and the Czech Republic and is the leading vodka company in those markets. The Group believes that both countries have attractive characteristics, including the potential for long-term economic growth. Poland and the Czech Republic are the second and third largest economies in the Central and Eastern European region, respectively (behind Russia) and are projected by the EIU to have GDP growth over the next five years. The Polish economy proved to be resilient during the global economic crisis and was the only major European economy that did not experience a recession. These two countries also have a long tradition of relatively high per capita spirits consumption in comparison to neighbouring countries in Western Europe. For example, in 2012, Poland and the Czech Republic had per capita spirits consumption of 8.5 and 5.7 litres, respectively, significantly exceeding the EU15 average of 4.5 litres per capita (according to market volume data from IWSR and population data from EIU).

Broad sales and marketing capabilities and strong distribution network.

The Central and Eastern European region is characterised by limited sales of international premium spirits brands. Instead, local market participants currently hold leading positions in most product categories in the markets in which the Group operates. The Group has a broad distribution platform in its core geographic markets, which provides it with a significant competitive advantage in a market where local brands are dominant. The Group has its own local sales and marketing operations in six countries as well as third-party distributors for sales of its products into more than 40 countries worldwide, representing a large international export platform. The Group believes it has strong customer relationships and has long-standing relationships with all of its top customers. In all of its core markets, the Group tailors its sales and marketing strategy depending on the unique traits of the target market. For example, Poland, in particular, has a very high percentage of off-trade sales and the Group's sales and distribution operations have successfully developed relationships with local retailers and have been focused on increasing the Group's market share through the traditional distribution channel. Further, the Group has recently invested in the installation of approximately 12,000 branded refrigerators at point of sale in local retailers in Poland, in order to meet consumer demand for chilled vodka. The Group's focus on sales and marketing has helped it to achieve a market share of the Polish vodka market of approximately 36.0% as at December 2012 and a market share of 37.7%, 37.8% and 37.8% in June 2013, July 2013 and August 2013, respectively (on an MAT (moving annual total) basis) (according to Nielsen). Through its sales force and its relationships with customers, the Group has achieved high penetration of certain brands, such as Czysta de Luxe in Poland, Fernet Stock in the Czech Republic and Limoncè in Italy. The Group also utilises its established distribution platform to distribute certain third-party brands. In August 2013, the Group's operational Polish subsidiary entered into a distribution agreement with Beam Inc. ("**Beam**") pursuant to which the Group is to be the exclusive distributor of Beam's portfolio of brands in Poland from 1 September 2013.

Proven profit growth profile and highly cash generative.

The Group has delivered a strong operating financial performance over the past five years, with Adjusted EBITDA increasing at a CAGR of 8.2% between FY 2008 and FY 2012 (from €49.6 million for FY 2008 to €68.1 million for FY 2012). The Group's Adjusted EBITDA margin was 20.2% in FY 2010, 21.6% in FY 2011, 23.3% in FY 2012 and 22.4% in HY 2013. The Group believes that its Adjusted EBIT growth track record is comparable with several global spirits operators. This strong operating financial performance has been accompanied by a consistently high ratio of Free Cash Flow to Adjusted EBITDA (69.6% in FY 2010, 83.9% FY 2011, 88.2% in FY 2012 and 63.1% in HY 2013), even in the context of continuing investment in the business to enable future growth. See Part XI (*Operating and Financial Review*) for a reconciliation of Adjusted EBITDA and Adjusted EBIT, each a non-IFRS measure, to the Group's operating profit and a reconciliation of Free Cash Flow, also a non-IFRS measure, to the Group's net cash from operating activities.

Management expects to maintain a strong cash flow profile, with limited capital expenditure planned for existing production facilities in the medium term. The Group has invested in several significant projects over the last five years in order to facilitate the long-term growth of the Group, including investment in its production facilities and the acquisition of an ethanol distillery in Germany by one of its subsidiary entities, Baltic Distillery.

The Group believes that it has a good relationship with its group of lenders and that it has been able to access funds needed for capital expenditure and other requirements at competitive rates and terms. While management is mindful of the Group's overall leverage levels, they expect to retain access to these funding sources as required.

Modernised well-invested production platform with capacity to support further growth.

In the five years to 31 December 2012, the Group undertook a significant operational reorganisation programme focused on upgrading and right-sizing its production facilities. Since 2007, the Group has invested €44 million of capital expenditure (defined as additions to property, plant and equipment – this figure excludes the acquisition of the ethanol distillery in Germany and the small Slovakian production facility acquired as part of the acquisition of Imperator). Much of this investment has been on its production facilities and as a result of this investment, the Group estimates that its production plants now offer a combined bottling production capacity of approximately 329 million litres per year (based on a 20-shift work week for 50 weeks per year, its current product mix and 80% overall equipment effectiveness). The improved efficiency of the Group's Polish facility resulting from the investment made is demonstrated by the reduction of the facility's production and warehouse headcount from 335 to 273 between 2008 and 2012 and an increase in production over the same period from approximately 57.8 million litres in 2008 to approximately 111.1 million litres in 2012. The Group believes that its production plant in Poland is one of the largest and fastest bottling plants, and has the fastest single spirit bottling line, in Europe. The Group has the production capacity to support significant further volume growth. All of the Group's production capacity (excluding the capacity of its ethanol production facility in Germany) is located in Central and Eastern European countries, which are low cost compared to Western Europe.

In addition, the Group has developed a centralised procurement operation in Switzerland that enables it to source high quality raw materials at competitive prices, and is currently upgrading its administrative operations with systems and processes that it believes are appropriate for a leading international spirits business.

3. The Group's strategy

The Group's aim is to become the leading spirits player across the Central and Eastern European region. Its strategy for pursuing this aim is described in greater detail below.

Extend the Group's strong brand portfolio in current markets.

The Group intends to maintain its leading brand positions in the various spirits categories and segments in which it competes and plans to leverage its strong brand portfolio to increase revenue from its existing products, as well as revenue from new products and new variants of existing products. The Central and Eastern European markets have also exhibited a trend of increasing market share of brands in the mainstream segment and premium segment as consumers' increasing disposable income and aspiration, coupled with purchasing power, have led them to "trade up" to premium products which tend to have higher profit margins. The Group plans to leverage its brands in the premium segment, such as Stock Prestige and Stock XO, in order to benefit further from this premiumisation trend.

Continue to invest in attractive markets with strong growth prospects.

The Group intends to continue its growth in its core markets through its broad portfolio of products. It also plans to expand sales of its products into attractive neighbouring Central and Eastern European markets as well as other international markets. The Group believes it can use its experience and expertise in its core geographic markets to capture growth opportunities in neighbouring and other international markets. In addition, the Group also intends to target growth by extending the number of its brands and products currently distributed by third-party distributors in regions where it does not have fully owned sales and marketing operations.

Continue to develop new products and extend the product portfolio.

Innovation is a key driver for both the Group's revenue growth and its operating profit. The Group has a strong track record of developing successful new products and new variants of existing products, with 74 new products and new variants of existing products launched between 1 January 2008 and 30 June 2013. In the Group's established markets, it has found that its new products, flavours and variants enable its brands to win market share from its competitors, thereby increasing the Group's revenue. The NPD Programme gives the Group flexibility and enables it to respond rapidly to changes in consumer preferences and demand, as well as a focus on product innovation as a key strategy to deliver incremental sales and gain market share. This has resulted in the successful launch of many new products and new variants of existing products, adding significantly to the Group's revenue and profits. The Group intends to continue to utilise this capability to launch and develop new products and new variants of existing products in its existing and new markets.

Pursue significant opportunities for acquisitions across the Central and Eastern European region.

The Group considers the Central and Eastern European region to be an attractive market for expansion, as the Central and Eastern European countries in which the Group is not currently active had an aggregate spirits market volume of approximately 107 million 9-litre cases in 2012 (according to IWSR). The Group believes the spirits industry in the Central and Eastern European region offers significant acquisition-led growth opportunities and that there is limited local or international competition for assets in this region. The Group intends to acquire brands, companies and assets in the territories in which it is currently active and companies and assets in the territories in the Central and Eastern European regions in which it is not currently active. The Group may also consider acquisition targets in other locations where it can leverage its current platform. The Group's intention is to target acquisitions which are expected to exceed their WACC (which the Group would generally calculate using a hurdle rate tailored to each specific acquisition and to the market circumstances existing at the time of acquisition) by the third full financial year after acquisition. The Group has identified various potential acquisition targets. As to certain of these targets (which it considers to be priority), the Group has completed initial assessments of potential areas of operational improvement, and has identified potential synergies that could be derived from such acquisitions. While the Group has been in regular discussions with potential sellers or targets, any acquisition would be subject to completion of satisfactory due diligence, agreement as to terms and negotiation of definitive documentation.

When acquiring target businesses in the past, the Group has implemented its brand building processes and used portfolio synergies and cross-selling opportunities between its core and international markets. The Group also has additional capacity within its current production network, which creates the potential for significant production synergies. The Group's business has been created through acquisitions and significant reorganisation, and management has demonstrated competency in reorganising operations and transferring resources and expertise across sites. The same competencies would also enable a disciplined approach to any potential acquisitions in the future and effective integration of any future brands or businesses that the Group may acquire. Generally, the Group's aim is to increase an acquired target's gross margin by at least 5%, though this aim depends on the acquired target and the market circumstances existing at the time of acquisition.

Utilise purchasing and production capability to deliver quality products with a competitive cost advantage.

In the five years to FY 2012, the Group invested in the reorganisation of its production footprint to create modern manufacturing operations across its two main production plants and has acquired one ethanol distillery. As a result, the Group has fast, flexible and effective manufacturing with spare capacity to support sales growth. In addition, the Group has also increased efficiency through innovation in value engineering by reducing change-over time, managing complexity in the production process and reducing waste across all production sites. In its supply chain, the Group seeks closer integration with suppliers and logistics providers and further centralisation of planning and purchasing processes. The Group's centralised purchasing capability allows it to negotiate competitive pricing for supply contracts. This allows the Group to produce high quality products at lower costs and to price competitively in the markets where the Group distributes its products.

Expand distribution capability in current markets and new markets.

The Group's strong distribution capability in the markets in which it operates has allowed it to increase sales, gain or maintain market share and obtain leadership positions in those markets. The Group intends to further expand its distribution capability through the continuous training and development of an effective sales force in each of its current markets. The Group expects that the extension of its distribution capability will allow it to remain competitive and increase sales and market share. The Group believes it can also use its previous experience in establishing and maintaining distribution capability to expand into new markets. The Group also intends to target further growth by entering into distribution agreements to distribute third-party products through its established distribution network.

Invest in people and develop management capability.

A major factor in the Group's success has been the investment in and development of personnel throughout the organisation. The investment in and training of people and the continual development of management capability will remain a key objective of the Group. The Group believes this creates a real competitive advantage and will continue to be critical to its future success.

4. The Group's leading positions in core markets and core brands in those markets

The Group's three principal geographic markets are Poland, the Czech Republic and Italy.

(A) *Poland*

The Group has the largest market share in the overall spirits market and in the clear vodka and vodka-based flavoured liqueur categories for 2012 (according to Nielsen). Poland is the world's fourth largest vodka market, and vodka (clear vodka and vodka-based flavoured liqueurs) is the principal spirit category in Poland, accounting for approximately 90% of the overall spirits category (according to IWSR).

Within the vodka category, clear vodka constitutes approximately 72.7% and vodka-based flavoured liqueurs constitute approximately 16.8% of consumption in the Polish market (according to IWSR). Between FY 2007 and FY 2012, the proportion of the Group's Polish sales volume attributable to clear vodka has decreased and the proportion attributable to flavoured vodka and vodka-based flavoured liqueurs has increased (in FY 2007: 84.6% clear vodka and 15.4% flavoured vodka and vodka-based flavoured liqueurs and in FY 2012: 80.5% clear vodka and 19.5% flavoured vodka and vodka-based flavoured liqueurs) (all figures according to IWSR). For 2012, the Group had a market share of approximately 29.2% in the clear vodka market (according to Nielsen). While vodka-based flavoured liqueurs constitute a smaller proportion of the Polish spirits category relative to clear vodka, they generally have higher gross margins. The Group has a large proportion of vodka-based flavoured liqueurs in its product portfolio, having captured approximately 59.5% of the vodka-based flavoured liqueurs market in Poland in 2012 (according to Nielsen). Mainstream and economy brands made up 81% of the overall vodka market volume in Poland as at November 2012 (according to Nielsen), and the Group believes that there is significant potential for growth in the premium segment.

Since 2008, the Group has grown its share of the vodka market (from 16.5% in December 2008 on an MAT (moving annual total) basis) through increased sales of former products, existing products and the introduction of new products to take a market leadership position in the vodka market, with market share of approximately 36.0% in 2012 and a market share of 37.7%, 37.8% and 37.8% in June 2013, July 2013 and August 2013, respectively (on an MAT basis) and the Group's share of the total vodka market increased from 34.4% in HY 2012 to 37.8% in HY 2013 on an MAT basis (according to Nielsen). Revenue from the Group's Polish operations has increased organically by approximately 84% in the five years to 31 December 2012. The Polish operations accounted for 60% of the Group's revenue in FY 2012 and 58% of its revenue in HY 2013.

The Group has benefited from several factors to achieve this growth, including the strength of its core brands, especially Żołądkowa Gorzka, as a platform for penetration of the mainstream segment for clear vodka. Its sales strategy has been focused on the traditional trade channel consisting of small retail and convenience stores and the reorganisation of its Polish distribution network. Furthermore, the Group has been able to use operational efficiencies in its manufacturing facilities to mitigate the negative effect on profitability of increased raw material costs in FY 2011 and FY 2012. When combined with the Group's investment in its production capacity and in branded refrigerators installed at point of sale in small local retailers to meet consumer demand for chilled vodka, the Group believes it is positioned for growth in its most important market.

Core brands in Poland
Czysta de Luxe
Czysta de Luxe competes in the mainstream segment for clear vodka in Poland and is the Group's largest selling product measured by revenue and sales volume. It was launched in November 2007 and has become the largest single brand by volume in the Polish clear vodka market (according to Nielsen), first achieving 'millionaire' brand status in 2008. Czysta de Luxe accounted for 36.3% of the Group's Polish sales volume for FY 2012 (compared to 2.3% for FY 2007). It is made from grain and goes through a six-step distillation and filtration process to ensure an exceptionally smooth high quality vodka. Czysta de Luxe has received several international awards, including the Gold Medal award at the Vodka Masters in Cannes in 2009, two golden stars from the International Taste & Quality Institute iTQi awards 2013, and a bronze medal in the 2013 International Spirits Challenge. Czysta de Luxe was also named the fastest growing vodka brand in the world in 2009 by Drinks International.

Lubelska
Lubelska is a range of vodka-based flavoured liqueurs currently with eight varieties and is also a clear vodka. It competes in the mainstream segment of the flavoured vodka market and was the largest brand in the vodka-based flavoured liqueurs category in Poland in 2012 (according to IWSR). Lubelska has performed exceptionally well in recent years, having first achieved 'millionaire' brand status in 2010 and retaining this status for 2011 and 2012, and having been named as the fastest growing liqueur in the world in 2010 and 2011 in Drinks International's Millionaires rankings. For FY 2007, the flavoured variants of Lubelska accounted for 8.8% of the Group's Polish sales volumes. This increased to 18.5% of the Group's Polish sales volumes for FY 2012 when the clear variant of Lubelska accounted for 2.9% of the Group's Polish sales volumes. Along with Żołądkowa Gorzka, Lubelska has enabled the Group to continue to gain market share in the mainstream segment for vodka-based flavoured liqueurs. Lubelska has received several international awards, including a silver medal in the 2013 International Spirits Challenge and a golden star from the International Taste & Quality Institute iTQi awards 2013 for the grapefruit variety.
Żołądkowa Gorzka
The Group's core brand in Poland has historically been Żołądkowa Gorzka, which competes in the mainstream segment for vodka-based flavoured liqueurs. Żołądkowa Gorzka accounted for 11.2% of the Group's Polish sales volume for FY 2012 (compared to 43.3% for FY 2007). It has been produced since 1950 with the same recipe of selected herbs, spices and dried fruits, which are then matured in vats before bottling. It is available in a variety of flavours including original, mint and honey. Żołądkowa Gorzka was the second largest brand in the vodka-based flavoured liqueurs category in Poland in 2012 (according to IWSR), and has also been introduced to other international markets. It has received several international awards, including three golden stars from the International Taste & Quality Institute iTQi awards 2013. Żołądkowa Gorzka is also a 'millionaire' brand, having sold in excess of one million 9-litre cases in 2012.
Stock Prestige
Stock Prestige was launched as a new brand at the end of 2009 and competes in the premium segment of the clear vodka market and, to a lesser extent, the flavoured vodka market. It is produced through a six-step distillation process with additional chilled filtration, from raw materials selected according to a multi-step control process. The Group produces three varieties of Stock Prestige flavoured vodka – cranberry, lemon and grapefruit. In FY 2012, the clear variety of Stock Prestige accounted for 6.4% of the Group's Polish sales volume. The quality of Stock Prestige has been recognised through several international awards including two golden stars for the clear variety and the cranberry variety and one golden star for the lemon variety from the International Taste & Quality Institute iTQi awards 2013 and a silver medal in the 2013 International Spirits Challenge.
Economy Clear Vodka Brands
The Group competes in the economy segment for clear vodka with the brands 1906 and Zubr. 1906 was the leading brand in the economy segment for clear vodka in Poland in 2012 (according to Nielsen), and was the second fastest growing vodka brand in the world in 2009 (according to Drinks International). In 2012, 1906 and Zubr each won a bronze medal in the 2013 International Spirits Challenge. In FY 2012, 1906 and Zubr accounted for 12.5% and 7.7%, respectively of the Group's Polish sales volumes (compared to FY 2007 when 1906 and Zubr accounted for 22.6% and 16.0%, respectively). 1906 is also a 'millionaire' brand, having sold in excess of one million 9-litre cases in 2012.

(B) ***Czech Republic***

The Group is the market leader in the overall spirits market in the Czech Republic for 2012, with leadership positions in the vodka, vodka-based flavoured liqueurs and bitters categories as well as in the Czech rum category (according to ZoomInfo). The Group had a market share of 28.7% of the Czech spirits market in 2012 and its market share of the Czech spirits market over the four years to December 2012 has remained relatively stable, dipping to 27.7% (2010) but peaking at 33.7% (2009) (according to IWSR). The Group's market share by volume in the core categories in which it competes in the Czech Republic (Rum, vodka (clear and vodka-based flavoured liqueurs) and bitters) increased from 45.9% in HY 2012 to 49.1% in HY 2013 on an MAT basis (according to ZoomInfo).

Spirits accounted for approximately 23.8% of total alcohol sales volumes (in equivalent litres) in the Czech Republic in 2012 (according to IWSR). Vodka, Rum, bitters and liqueurs are the four largest spirits categories and accounted for approximately 80% of total spirits volumes for 2012 (according to IWSR). Most of the Rum products in the Czech Republic are priced in the mainstream segment and economy segment. Clear vodka is more evenly balanced with significant volumes in the mainstream segment and some in the premium segment, although more than half of the vodka products remain in the economy segment (according to IWSR). The Group's Czech operations accounted for 19% of its revenue for FY 2012 and 20% of its revenue for HY 2013.

The Group's results in FY 2012 were affected by the Czech government's nationwide ban, in September 2012, on the sale of all spirits containing more than 20% alcohol by volume. The ban was the result of fatalities caused by illegally produced spirits (none of which were produced by, or associated with products of, the Group). After a 13-day period, the ban was lifted on spirits with more than 20% alcohol content: (a) if they were produced in the Czech Republic before 1 January 2012; or (b) if they were produced in the Czech Republic after 1 January 2012 and had a certificate of origin. The adverse impact of the ban on the spirits markets in the Czech Republic continued even after the ban was lifted. Despite this, the Group emerged from the crisis well, generally maintaining its value share of the Czech market at a higher level than before the ban. The Group believes that this is, in part, because consumers have turned to safe, established, well-manufactured and properly certified brands over the illegal products that caused the crisis. The Group positioned itself well to capitalise on this trend by, for example, introducing a new safety valve feature in its Bozkov bottles which prevents replacement of the branded products. The Group's Bozkov brand range, which is positioned in the economy segment of the market, is well-placed to continue to benefit from this switch to legally produced brands from illegally produced products over the longer term by consumers entering the legal drinks market at that economy segment level.

Core brands in the Czech Republic
Bozkov Family
The Bozkov brand family consists of Bozkov Tuzemsky (Czech rum) which has been produced in the Czech Republic since the 1950s, Bozkov Vodka, vodka-based flavoured liqueurs and other flavoured liqueurs such as apple, apricot, cherry and peppermint. Bozkov Tuzemsky accounted for 35.7% of the Group's Czech sales volume in FY 2012 (compared to 28.9% for FY 2007). Bozkov Vodka accounted for 11.3% of the Group's Czech sales volume in FY 2012 (compared to 11.5% in FY 2007). The Bozkov brand family, which is priced in the economy segment, benefited from consumers "trading down" from premium products during the economic downturn and consumers entering the legal spirits market from the illegal spirits market at the economy segment following the Czech spirits crisis in 2012. In 2012, the Bozkov brand gained market share in both the Rum and the vodka categories, according to ZoomInfo. Bozkov Tuzemsky was the market leader for Rum and Bozkov Vodka was the market leader in the vodka and vodka-based flavoured liqueurs categories in the Czech Republic in 2012 (according to ZoomInfo). Bozkov was awarded a silver medal in the 2013 International Spirits Challenge and the Bozkov brand family is a 'millionaire' brand, having sold in excess of one million 9-litre cases in 2012 (according to IWSR).

Fernet Stock Family
Fernet Stock is the Group's primary bitters product and is complemented by Fernet Stock Citrus and Fernet Stock Z Generation. First produced in 1927 by Lionello Stock in his liqueur factory in Plzen Bozkov, Fernet Stock is made from a recipe based on 14 herbs. The combined Fernet Stock brand range had the largest market share in the Czech bitters market in 2012 (according to ZoomInfo). Fernet Stock Original accounted for 12.6% of the Group's sales volume in FY 2012 (compared to 17.3% in FY 2007). Fernet Stock Citrus accounted for 5.6% of the Group's Czech sales volume in FY 2012 (compared to 10.9% in FY 2007). The Fernet Stock brand range has won several international awards including two stars at the 2011 International Taste & Quality Institute iTQi awards. The bitters category declined during the economic crisis, primarily due to consumers "trading down" and switching to lower priced products and categories. However, the Group has recently seen indications that the market for bitters is recovering.
Amundsen
The Amundsen brand is composed of a clear vodka as well as vodka-based flavoured liqueurs currently available in ten different fruit flavours. In FY 2012, Amundsen clear accounted for 4.0% and Amundsen fruit accounted for 4.7% of the Group's Czech sales volume (compared to 3.5% and 3.0%, respectively, in FY 2007). It is a key brand in the mainstream segment and is produced from six-times distilled spirit and soft Plzen water, which has been cleansed of minerals and impurities, giving it a smooth taste. It was re-launched in 2010 with new packaging and a media campaign and has since shown an increase in sales and market share. For 2012 it had the third largest market share of the Czech mainstream vodka market (according to ZoomInfo). The Amundsen brand range has won several international awards including two golden stars from the International Taste & Quality Institute iTQi awards 2013 for the peach variety and the lime & mint variety, a silver medal in the 2012 International Wine and Spirits Competition for the cranberry variety, a silver medal for the clear vodka and bronze medals for the peach variety and the lime & mint variety in the 2013 International Spirits Challenge. The Amundsen vodka-based flavoured liqueurs were not directly impacted by the spirits ban imposed by the Czech authorities in September 2012 due to their alcohol level being less than 20% (alcohol by volume).

(C) ***Italy***

While the Group competes in significant categories of spirits in Italy, the Italian alcoholic beverages market has traditionally been dominated by wine. Wine accounted for approximately 63.7% of alcohol volume (in equivalent litres) in Italy compared to 15.8% for spirits in 2012 (according to IWSR). The primary spirits categories in Italy are liqueurs, brandy and bitters, which accounted for approximately 68.1% of sales volumes of spirits in 2012 (according to IWSR). The four main spirits categories in which the Group competes are the vodka-based flavoured liqueurs, limoncello, clear vodka and brandy. The Group also competes in the bitters, Rum and grappa categories in Italy. The Group's Italian operations accounted for 14% of its revenue in FY 2012 and 11% of its revenue in HY 2013 (in FY 2012, the Group sold its US business (which comprised Gran Gala and Gala Caffe brands and the Group's US subsidiary), which the Group reported in its financial results in the Italian segment as the brands sold in the United States were manufactured largely in Italy). The Group's market share in key off-trade categories for the modern trade channel (brandy, clear vodka, vodka based flavoured liqueurs and limoncello) in Italy was 28.5% in 2012 and its market share of the Italian spirits market was 5.8% in 2012 (according to Nielsen and IWSR). The Group's market share of these key off-trade categories increased from 27.4% in HY 2012 to 28.3% in HY 2013 on an MAT basis (according to IRI).

Core brands in Italy
Keglevich
The Keglevich brand competes in both the clear vodka and the vodka-based flavoured liqueur categories in Italy. Keglevich increased its market share within the clear vodka category in Italy in 2012. As an individual brand, it was the market leader in vodka-based flavoured liqueurs and in clear vodka in 2012 (according to IRI). Keglevich K-Guar, a vodka-based flavoured liqueur containing a distillate of ginseng and guarana, was awarded a bronze medal in the 2012 International Wine and Spirits Competition. The clear variety of Keglevich accounted for 14.9% of the Group's Italian sales volume in FY 2012 (compared to 12.4% for FY 2007). The flavoured varieties of Keglevich accounted for 35.3% of the Group's Italian sales volume for FY 2012 (compared to 26.8 for FY 2007).
Limoncè Family
Limoncè is the Group's liqueur de limone product in the limoncello category. Limoncè accounted for 19.6% of the Group's Italian sales volume in FY 2012 (compared to 21.8% in FY 2007). It was the market leader in this category in 2012 (according to IRI). Made through infusing the zest of lemon peels in sugar and alcohol, it is an aromatic sweet liquid with an intense lemon flavour. Limoncè is currently available in five variants: classic, cream, fresh, ice and Amaro. Limoncè was awarded a gold medal in the 2013 International Spirits Challenge and the cream variety was awarded a bronze medal in the 2012 International Wine and Spirits Competition. Limoncè Amaro is a bitter variant of Limoncè, which was launched in 2010. It is a blend of traditional herbal bitter and lemon peel infusion.
Stock Brandies
Stock Original was launched in the early 1900s, competes in the mainstream segment of the Italian brandy market and had the largest market share for brandy in Italy in 2012 (according to IRI). The product is targeted at the middle-aged consumer and is created from high quality wine distillates. Stock 84 competes in the premium segment of the Italian brandy market. It is produced from high quality wine distillates with long maturation in oak vats to produce a mellow taste. Stock 84 was awarded two golden stars from the International Taste & Quality Institute iTQi awards 2013 and Stock Crema 84, a cream-based, brandy-flavoured liqueur, was awarded a silver medal in the 2012 International Wine and Spirits Competition. Together, Stock Original and Stock 84 accounted for 15.1% of the Group's Italian sales volume in FY 2012 (compared to 16.2% in FY 2007).

5. The Group's other key and international export markets

In addition to its businesses in its three core markets, the Group has fully owned sales and marketing operations in Slovakia, Croatia and Bosnia & Herzegovina. The Group also has an international export team which services export markets not directly managed by specific subsidiary entities of the Company. The Group's other key and international export markets (which the Group reports in its financial results in the Other Operational segment) accounted for 7% and 11% of the Group's revenue in FY 2012 and HY 2013, respectively.

Slovakia

The Group was the largest spirits importer in volume terms in Slovakia in 2012 (according to IWSR) and it also acquired a Slovakian spirits producer, Imperator, in December 2012. This acquisition strengthened the Group's market position (taking it from having the fifth largest market share to the third largest market share of the Slovakian spirits market) (according to IWSR), gave the Group greater authenticity as a local producer in the Slovakian spirits market and provided access to the fruit distillates category (in which the Group (following the acquisition and according to Nielsen) held the second largest market share in Slovakia in 2012). The Group's sales in Slovakia are primarily of brands produced in the Czech Republic and Slovakia. The Slovakia team is managed under the Group's Czech Republic operations. The Group's Slovakian business was materially adversely impacted in FY 2012 by a 21-day ban imposed by the Slovakian government (as a result of the Czech ban) on the import and sale of Czech bottled products containing more than 20% alcohol by volume.

Croatia

The Group has a sales force of seven people in Croatia, which is indirectly managed by the managing director of the Group's international export team. Stock 84 had the largest market share for an imported brandy in Croatia in 2012 (according in IWSR) and the Group's intention is to continue to build the strength of Stock 84 and Stock XO, the Group's premium segment brandy, in Croatia. The Group also believes that there are portfolio expansion opportunities in Croatia for two of its vodka brands, Stock Prestige and Keglevich.

Bosnia & Herzegovina

The Group has a sales force of six people in Bosnia & Herzegovina which, similar to the Group's Croatian team, is indirectly managed by the managing director of the Group's international export team. Stock 84 had the largest market share for brandy in Bosnia & Herzegovina in 2012 (according to IWSR) and the Group's focus for this market is to increase shipments of Stock 84 following a de-stocking which occurred in FY 2012.

International export

The Group's international export team was established between 2008 and 2009 and restructured in 2012, with a new managing director of the team appointed in September 2012. In addition to Slovakia, Croatia and Bosnia & Herzegovina, the Group's main international export markets are Austria, the United States, Germany, Canada, the UK, Slovenia and other Balkan countries. The Group's products are also available in travel retail outlets. The Group's products are generally sold in its international export markets through exclusive third-party distributors.

The Group's international export sales are primarily made up of the following brands: Stock 84, certain of the Group's Polish vodka brands (1906, Stock Prestige, Czysta de Luxe and Żołądkowa Gorzka), the Fernet Stock brand family, certain Stock brands (for example, Stock Vermouth and Stock VSOP), Keglevich and Limoncè.

The position of the Group's brands in the United Kingdom has been strengthened and several of its brands (Stock XO, Limoncè and Grappa Julia) are available to UK consumers through a major supermarket chain. In addition, Keglevich has recently been launched in the UK and is currently available in a number of bars in the north of England and Scotland. The Group has also launched Hammer Head, its Czech vintage single malt whisky through Masters of Malt across Europe.

The Group's primary strategies for its international export operations are to increase profitability, expand the Group's distribution footprint into attractive markets beyond those in which it is currently active and increase brand visibility in the travel retail sector (duty free shops).

6. Competition in the Group's core markets

The Group has a market-leading position in the overall spirits markets in Poland and the Czech Republic for 2012, largely due to its leading position in the vodka categories of both countries and the dominance of vodka in their spirits markets (according to Nielsen and ZoomInfo, respectively). The Group's key geographic markets are generally characterised by the predominance of well-established domestic market participants with strong local brand portfolios and distribution channels. The concentration of local participants is in part caused by consumer loyalty to locally produced products, brand awareness and reputation among consumers. It is also a result of the significant time and effort required to establish a strong distribution network and sales force and, specifically in Poland, the stringent advertising restrictions relating to spirits.

(A) ***Poland***

The two largest market participants (one of which is the Group) accounted for approximately 59.0% of the total vodka category in Poland for 2012 (according to Nielsen), which is the predominant product category within the Polish spirits market. For the twelve months ended in June 2013, the Group's market share for vodka was 37.7%, as compared to its nearest competitor with a market share of 22.7% (according to Nielsen). The vodka category is dominated by local producers. While certain multinational spirits players have a relatively minor although steadily increasing share of sales, others have experienced a decline in their market share over recent years; these players are primarily active in the premium and/or super-premium segments. The Group held the largest position in the vodka category by market share in volume terms in 2012, including both the clear and the vodka-based flavoured liqueur vodka categories (according to Nielsen). Its principal competitors are CEDC and Sobieski.

(B) ***Czech Republic***

In the Czech Republic, the Rum and bitters categories are highly concentrated, with the two largest market participants accounting for 75% of the market share in Rum and 86.3% of the market share in bitters for 2012 (according to ZoomInfo). The Group's key competitor in the Rum category is Fruko Schulz and the Group's key competitor in the bitters category is Pernod Ricard. The vodka category is less concentrated, with the two largest players (one of which is the Group) accounting for approximately 55.7% of this category for 2012 (according to ZoomInfo). The Group's key competitor in the vodka category is Granette. The Group holds the largest position by market share in each of the vodka, vodka-based flavoured liqueurs, bitters and Rum categories (according to ZoomInfo). The Group held the largest market share, at 28.7%, in the overall Czech spirits market in 2012, compared to its nearest competitor with a market share of 10.8% (according to IWSR).

(C) ***Italy***

The Italian spirits market is more fragmented than the Polish and Czech markets due to the predominance of bitters, grappa and sweet liqueurs that are dominated by domestic producers. The Group (when each of its brands are aggregated) had the largest market share in volume terms in the limoncello and vodka-based flavoured liqueurs markets and the second largest market share in the brandy and clear vodka categories for 2012 (according to IRI). Key competitors include Casoni (limoncello), Gruppo Montenegro (brandy), Illva Saronno (vodka-based flavoured liqueurs) and Pernod Ricard (clear vodka). The Group held the fifth largest market share in the overall Italian spirits market in 2012 (according to IWSR).

7. Sales force capabilities

Over recent years, the Group has significantly strengthened its sales force, increasing it from 272 people in December 2008 to a headcount of 351 (including third-party agents) in six European countries as at June 2013. Sales and marketing teams have been trained in the use of sales and marketing tools and techniques based on best practices in the international FMCG industry. The Group has also customised its sales teams, on the basis of the unique characteristics of each local market and the distribution channels. The Group believes that its sales force has been an important factor in the increased market share of its core brands and the Group's high success rate for new product launches.

As at June 2013, the Group's Polish sales force had a team of 183 people (including third-party agents), an increase of 87 since December 2008, focused on achieving coverage of more than 19,000 traditional trade retail outlets, which remain the dominant retail sales channel for vodka in Poland. In the Czech Republic, as at June 2013, the Group had a sales force of 32 people, supported by 32 third-party independent sales agents working on exclusive terms. In Italy, as at June 2013, the Group employed 61 people in its sales team (a decrease of 46 since December 2008 to reflect the Group's shift of focus in Italy from the on-trade distribution channel to the off-trade distribution channel), of which 40 are sales agents. Unlike the Czech Republic third-party agents, sales agents in Italy do not sell the Group's products exclusively. In Slovakia, the Group has 30 sales force members (as at June 2013), who are managed as part of the Group's local Slovakian team. As at June 2013, the Group also had a sales team of seven people in Croatia and six people in Bosnia & Herzegovina.

8. Distribution capabilities and network

The Group has a broad distribution network across its key geographic markets. In addition, it has its own international export platform and exports its products to third-party distribution partners in more than 40 countries. The Group believes that its existing sales and distribution network also has the capacity to handle a larger portfolio of brands.

The Group also utilises its established distribution platform to distribute certain third-party brands. In August 2013, the Group's operational Polish subsidiary entered into a distribution agreement with Beam, pursuant to which the Group is to be the exclusive distributor of Beam's portfolio of brands in Poland from 1 September 2013.

Sales to end consumers in the spirits industry take place through either on-trade or off-trade distribution channels. On-trade includes distributions into the hospitality (primarily pubs, bars and clubs), restaurant and catering ("**HoReCa**") channels. Off-trade sales and distribution in the core markets take place through two major sales channels representing different price tiers: (i) traditional trade channels such as small, local retailers; and (ii) modern trade channels, which include discounters and hypermarkets. Sales to the on-trade distribution channel and off-trade traditional distribution channel typically take place through wholesalers, while sales to the off-trade modern distribution channel generally take place directly. Sales to discounters and hypermarkets tend to result in lower profit margins for spirits producers than sales through local retailers via wholesalers. In Poland, the Group's sales are made predominantly indirectly (for example, via wholesalers), in the Czech Republic and in Italy the Group's sales are made predominantly directly.

The strength of the Group's sales and distribution network and its coverage of the primary distribution channels have been key drivers of growth during the five years to FY 2012, particularly in Poland where the focus has been on the traditional small retail outlets. The Group believes that the success of its brand launches in the small retail outlets has increased interest in its brands from larger modern retailers in Poland.

The Group's approach to on-trade channels in each of its core geographic markets was reviewed in 2009 and 2010. In order to deliver targeted brand distribution, visibility and consumer activity, the Group segmented the HoReCa channel by type, achieving effective coverage of each type and maximising brand building and volume potential. As a result, it has a targeted approach to the various sub-channels of HoReCa, such as pubs, high-end restaurants, night clubs and sports bars.

A description of the Group's distribution capabilities and sales networks in each of its core markets is set out in the table below.

Poland
In line with purchase and consumption patterns, the Group's main focus in Poland is on the off-trade traditional distribution channel. It primarily sells its products in Poland directly to wholesalers (who in turn sell to small retail outlets). For this reason, the Group's distribution network targets small retail outlets so that such outlets demand the Group's products from wholesalers. The Group also sells directly to the modern trade distribution channels, which include hypermarkets and discounters. The Group believes that the key differentiating factors in its channel strategy have been its coverage of small retail outlets and its significant recent investment in branded refrigerators installed at point of sale to meet consumer demand for chilled vodka. The Group believes that the branded refrigerators which it has installed at point of sale in approximately 12,000 traditional trade retail outlets gives it penetration of approximately 30% of the traditional trade channel (on a weighted distribution basis). The Group believes that the success of its vodka brands has motivated these small retail outlets to further recommend the Group's brands to their customers. The Group has also developed its Polish sales force by creating a dedicated HoReCa on-trade promotions team to support distribution and consumer activity in bars.

Czech Republic
The Group believes that its strong sales force has been a key competitive advantage in the Czech Republic. The Group's distribution channel mix in the Czech Republic is fairly evenly balanced, with 53% of revenue in FY 2012 occurring through the modern trade channel, and with HoReCa accounting for 27% of the balance and the remainder divided between discounters and other wholesalers or traditional retailers, which accounted for 17% and 3% of revenue, respectively. The Group has achieved significant distribution penetration in the off-trade, modern trade channel as well as strong coverage of the HoReCa channel. The discounters channel also accounts for a portion of distribution in the Czech Republic.
Italy
The Group's largest sales channel in Italy in FY 2012 consisted of large retailers which accounted for 72% of revenue, followed by discounters, with approximately 21% of revenue and 5% of revenue through the on-trade HoReCa channel. The sales organisation is tightly linked to the marketing department in order to ensure that the Group's strategy of growing core brands in all sales channels is carried out efficiently.
Other Key Markets and International Exports
The Group has fully owned sales and marketing operations in Slovakia, Bosnia & Herzegovina and Croatia. These operations allow the Group to increase distribution efforts in these geographic markets and reduce dependence on third-party distributors. The Group also has an international export platform in place, through which it exports its products to more than 40 countries worldwide, including countries in the Balkans, Austria, the US, Germany, Canada and the UK. Its products are distributed both through independent distributors and directly to major grocers, convenience stores and other retailers.

9. Marketing

Over the past five years, the Group has developed more sophisticated marketing tools and working practices. It has reviewed its marketing activities across brands and geographies, wherever possible, eliminating ineffective marketing activities, refocusing investment and activities behind core brands and focusing on the NPD Programme. For example, it carries out research on an ongoing basis in each of its three core geographic markets and on an ad hoc basis in other markets to better understand consumer preferences. It evaluates consumer trends monthly in certain key markets to review their impact on brands. It also undertakes qualitative and quantitative concept studies, packaging research, extensive product taste tests and taste mapping and advertising focus groups compiling results by gender, age group and other key social demographic data. The Group believes this systematic approach results in products tailored to consumer preferences and trends in individual markets and targeted communications and promotional programmes for various sales channels. A recent example of the output of the Group's approach to marketing is the installation of branded refrigerators at point of sale in small local retailers in Poland. These branded refrigerators address consumer demand for chilled vodka while also promoting the Group's brands in a manner which complies with the restrictions on spirits advertising in Poland.

Marketing restrictions also vary in each of the jurisdictions in which the Group operates. For example, advertising of spirits is generally not allowed in Poland. Brand promotion is only allowed at the point of sale in Poland. By contrast, in the Czech Republic and Slovakia, marketing can be undertaken relatively liberally, and is only prohibited if it targets consumers under 18 years of age.

The Group has refocused and reviewed its advertising and promotional spending over the three years to FY 2012 and now continually reassesses the level of advertising expenditure in each of its geographic markets and on each of its brands. For example, it reduced spending in the Czech Republic in 2008 and 2009 and reallocated more spending to the Italian and international export markets in order to support products which have high growth potential in the near future. In 2010, the Group increased spending in the Czech Republic as part of its reinvigoration of the Amundsen and Fernet Stock brands.

10. New Product Development ("NPD") Programme

The Group operates a successful NPD Programme with the aim of optimising its brand portfolio in each of its selected profit pools. Following the Group's success with Czysta de Luxe, which gained the market-leading position in the mainstream segment for clear vodka in Poland within three years of launch (according to Nielsen), the Group formalised its NPD Programme in May 2009 to provide a structured framework for new product development which expedites its ability to launch new products and new variants of existing products.

As part of the NPD Programme, the Group carries out a comprehensive profit pool analysis whereby it identifies all profit pools by category and price segment, prioritises the profit pools in terms of size and analyses the macroeconomic trends driving consumer preferences in each of the profit pools. It then identifies gaps in the profit pools for future expansion and determines targeted strategies to address these gaps, for example, through the introduction of new products, the development of existing products to capture greater market share or the identification of cross-selling opportunities. In Poland, a profit pool analysis completed in 2009 saw the introduction of brands in the premium and super-premium segments and an expansion of the Group's brand portfolio in the mainstream segment, thereby consolidating the Group's position within the Polish market.

The Group launched 74 new products and new variants of existing products through the NPD Programme between 1 January 2008 and 30 June 2013. The success of the Group's NPD Programme to date is demonstrated by the fact that products launched through the NPD Programme comprised 49.0% of the Group's sales volumes in FY 2012 and 46.9% of the Group's sales volumes in HY 2013. While a substantial portion of the new products and new variants of existing products launched through the NPD Programme are deemed by the Group to be outstanding or successful based on target volume and profit envisaged by the Group at the time of launch (almost three-quarters of the new products and new variants of existing products launched through the NPD Programme between 2007 and 2012), others are unsuccessful and are therefore discontinued. Products in the clear vodka category accounted for 66.9%, flavoured vodka and vodka based flavoured liqueurs constituted 30.1%, liqueurs and other categories of spirits accounted for 2.7% and whiskey constituted 0.3% of the FY 2012 sales volume of products launched through the NPD Programme.

11. Relationships with major customers

The Group has long-standing relationships with all of its top customers. For FY 2012, revenue from the top ten customers across the Group's core markets accounted for 50% of revenue with the top three customers representing 29% of revenue. One customer (in Poland) represented more than 10% of the Group's revenue in HY 2013. In Poland, which represented 60% of the Group's total revenue in FY 2012, the top five customers, which included large distributors and wholesalers, represented 62% of Polish revenue in FY 2012. In the Czech Republic, the top five customers, which included a leading wholesaler and a leading retailer for the on-trade distribution channel, represented 65% of revenue for FY 2012. In Italy, the top five customers, which included leading retailers, represented 12% of revenue in Italy for FY 2012.

The Group believes its relationships with its key customers are good. There have been no significant customer losses in the past three years, other than certain discontinued supply agreements and consolidation among customers.

12. Production facilities and other properties

The Group operates one main production facility in Poland, a second main production facility and a small distillery, production and bottling unit in the Czech Republic and a smaller production facility located in Slovakia. The Group estimates that these facilities provide a total combined annual bottling production capacity of approximately 329 million litres based on current product mix. It also owns an ethanol distillery located in Germany. In addition, it either owns or leases five storage and warehouse facilities in Poland, the Czech Republic, Italy and Slovakia. The Group has a head office in the United Kingdom and it has offices to support its local sales and marketing operations in six countries (Poland, the Czech Republic, Italy, Bosnia & Herzegovina, Croatia and Slovakia). It also has offices in Luxembourg and Switzerland.

The Group seeks to ensure that each production facility and property is properly maintained. In the five years to FY 2012, the Group invested €44 million in capital expenditure, much of which has been on its production facilities (defined as additions to property, plant and equipment – this figure excludes the acquisition of the ethanol distillery in Germany and the small Slovakian production facility acquired as part of the acquisition of Imperator). The Group has also introduced efficiency measures such as the introduction of modern manufacturing techniques, skill enhancement, crew size reduction, working hours optimisation and value engineering, which has allowed it to reduce its cost of sales. Since 2008, the Group has reduced its number of production facilities, including selling its production facility in Austria in FY 2008, closing its facility in the United States in FY 2009 and closing its production facility in Italy in FY 2012 and selling it in July 2013.

The Group generally meets all material environmental requirements with respect to its properties and it is not involved in any material proceedings regarding environmental matters.

A summary of the Group's production facilities and properties is set out in the table below.

Poland
The production facility in Poland, held under a perpetual lease, is located in the city of Lublin, 170 kilometres southeast of Warsaw. This seven-line facility has spirits rectification and mixing equipment and the Group believes that it is Europe's largest and fastest spirits bottling facility, which is capable of producing 62 bottle formats and has a maximum single line speed of 42,000 bottles per hour. The Group estimates that its Lublin facility has a production capacity of over 500 million bottles a year. The facility includes two rectifiers which can produce high quality alcohol and six bottling lines with a combined capacity of approximately 230 million litres (based on a 20-shift work week for 50 weeks per year, the current product mix and 80% overall equipment effectiveness). This facility represents approximately 70% of the Group's total bottling production capacity. The Lublin facility also has a quality control facility to test incoming shipments of raw alcohol for conformance to specified standards. During the three years to FY 2010, all the major production equipment at this location was replaced or upgraded at an aggregate investment of €26.8 million to significantly increase production capacity, improve flexibility, reduce change-over times, reduce production costs and minimise stock. The liquids produced at the Polish facility are mainly vodka-based. The brands bottled in the plant include, among others, Żołądkowa Gorzka, Czysta de Luxe, Lubelska, 1906, Zubr and Stock Prestige. Based on a 20-shift work week for 50 weeks per year, the current product mix and 80% overall equipment effectiveness, the Group estimates (based on production estimates for FY 2013) that the Lublin plant has approximately 50% spare production capacity. The Group uses two storage facilities in Poland: • Lublin: A storage facility, held under a perpetual lease built in 2008 with on-site storage capacity of approximately 1,300 pallet spaces; and • Niemce: A third-party owned warehouse complex, held under a lease, located 15 kilometres from the Lublin plant with a storage capacity of almost 18,000 sqm. As at June 2013, the headcount of the Group's Polish production and warehouse team totalled 289 (increased from 273 at June 2012 and reduced from 335 at June 2008).

Czech Republic
The Group owns its main production facility in the Czech Republic, which is located in Plzen, 90 kilometres southwest of Prague. The site focuses on liquid production and bottling all products for the Group's Czech operations and most of the products sold by the Group in Italy. The plant consists of four bottling lines with a combined capacity of approximately 99 million litres. The plant also has a fifth manual line that produces specialist bottles for low volume applications such as gift boxes. Similar to Lublin, the Plzen plant also has a quality control facility to test incoming shipments of raw alcohol for conformance to specified standards. The products produced in the Plzen plant include clear vodka, vodka-based flavoured liqueurs, brandy, bitters, Rum, limoncello and thick liquids (for example, egg and cream-based liqueurs). Brands bottled include, among others, Bozkov, Amundsen, Limoncè, Fernet Stock, Keglevich and Stock Original. The Plzen plant supplies each of the Group's markets other than the Polish market and provides temporary contingency production for some of the products sold in the Polish market. Based on a 20-shift work week for 50 weeks per year, the current product mix and 80% overall equipment effectiveness, the Group estimates (based on production estimates for FY 2013) that the Plzen plant has approximately 60% spare production capacity. The Group also operates a distillery and a small bulk liquid production unit in nearby Prádlo. The unit is used for bulk production, including fruit and grain distillation, Fernet macerate production, hand bottling and cask storage and maturation for malt whisky. The Group uses two warehouses in the Czech Republic. The on-site warehouse in Plzen has a finished product storage capacity of approximately 500 pallet spaces. The Group also has access to a warehouse in Hořovice, pursuant to a contract with a third-party logistics provider. Typically, the Hořovice warehouse contains 7,500 pallets of the Group's products; but the Group is able to use more or less space in the warehouse if such is required. The average annual headcount of the Group's Czech production and warehouse team was 92 for FY 2012 (reduced from 96 for FY 2008).
Germany
The Group owns an ethanol distillery near Rostock in Germany. The plant was established in 2005 and was acquired by the Group in December 2012. It has a production capacity of approximately 20 million litres of ethanol per year. The ethanol produced by the distillery supplies the Group's manufacturing plants in Poland and the Czech Republic and is used in particular in the manufacture of the Group's premium products. The plant has a grain storage unit and fermentation, distillation and rectification equipment.
Slovakia
The Group owns a small production unit in Drietoma, Slovakia. This unit comprises a pot production facility and a hand-finishing line. The Group also leases a warehouse in Trenčín, Slovakia. Both the small production unit and the warehouse were acquired by the Group in 2012 as part of the acquisition of Imperator.
Italy
The Group uses one storage facility in Massalengo in Italy. This facility is a third-party owned warehouse, held by the Group's Italian logistics provider under a lease, which the Group uses pursuant to an agreement with its Italian logistics provider. The facility has a storage capacity of up to 6,000 pallet spaces. The warehouse is used for storing products sold in the Italian market.

13. Raw materials, suppliers and procurement

The Group operates a centralised procurement centre in Zug, Switzerland, which provides contract advisory and negotiation services to the local procurement teams and identifies arbitrage opportunities for the entire business in the pricing of raw materials and supplies across national boundaries. Centralisation of the procurement process provides benefits to the entire business by enabling the Group to attain economies of scale. The procurement team takes advantage of the Group's scale by switching purchase volumes among suppliers, using regional and local suppliers, maintaining excess capacity in the supplier market where feasible, using an annual tendering process for certain raw materials and tracking commodity prices and quality. As of 30 June 2013, the procurement team consisted of nine people, including administrators, located in Zug, Lublin and Plzen. Procurement takes place on a local basis but is coordinated, negotiated and supported centrally.

For the periods under review, raw materials represented the largest component of the Group's cost of sales. The main raw materials required for the Group's operations include sugar, raw and rectified alcohol, wine distillates, grain and packaging materials, including glass, closures, cartons and labels. The prices of raw materials for spirits, particularly alcohol prices, are subject to fluctuations and, as such, managing input price fluctuations is a key driver of the Group's profitability. The Group has been able to take more control over the input price of alcohol through its acquisition of an ethanol distillery in Germany. Using the Group's aggregate cost of goods per case for Poland, the Czech Republic and Italy and the consumer price index (CPI) for Poland, the Czech Republic and Italy (weighted by the Group's volumes of sales in these three core markets) for 2008 as base measures, over the four years to 2012, the Group's cost of goods per case tracked below the movement of the CPI.

A substantial part of the Group's value engineering consists of reviewing raw material inputs and process designs to reduce unit production costs while maintaining or improving product quality. The Group's focus historically has been on reducing packaging costs, increasing savings from raw materials costs and improving operations and production efficiencies. Value engineering has been applied to all of the Group's existing products and has been made an integral part of the NPD Programme.

14. Intellectual property

The Group owns a large portfolio of trademarks and several domain names as well as copyright, know-how and confidential information relating to its business. It also owns the trademarks relating to all of the brands it produces as part of its business. The Group is, therefore, substantially dependent on the maintenance and protection of its trademarks and all related rights. The Group's principal trademarks include Żołądkowa Gorzka, Czysta de Luxe, Stock Prestige, Stock 84, Stock Original, 1906, Zubr, Keglevich, Fernet, Stock Spirits Group, Bozkov and Limoncè. It licenses out, to a limited extent, certain of its trademarks to third parties and it receives payments from such third parties in respect of these licensing arrangements.

The Group generally seeks to protect its formulas and production processes by keeping them secret, in line with the prevailing industry practice. In certain cases, the Group licenses the use of a third-party's trademarks to support the sale of third-party products in its capacity as a distributor. It also licenses in a limited amount of technology from third-parties. The Group's policy is to actively protect its intellectual property rights throughout the world.

15. Employees

The Group believes it has a strong, professional and cohesive management team with extensive multinational experience and backgrounds in leading global FMCG and alcoholic beverages companies. It is committed to continually improving people management through investment in training, talent development, performance management and internal communications. It also creates succession plans in order to ensure future business continuity. This is done by monitoring internal staff whom the Group believes to have the potential to progress to more senior roles and then providing them with the correct training to help their development.

As of June 2013, the Group employed 921 full-time employees and twelve part time employees. Of that number, approximately 47% of the total workforce consisted of production employees and approximately 39% consisted of sales and marketing employees, with the remaining 14% of employees involved in administration, financing, human resources, legal, and logistics. As at June 2013, the employee headcount in the Group's core markets was: 536 in Poland, 226 in the Czech Republic and 110 in Italy. As of June 2013, the Group employed 127 temporary employees. As of 31 December 2012, 2011 and 2010, the Group employed 855, 739 and 845 full-time employees.

Certain employees are members of trade unions or works councils in Poland and the Czech Republic. The Group believes that its relations with its employees are good.

As prescribed by Italian legislation, relevant employees in Italy are entitled to employee severance indemnities. The mandatory indemnity payment is payable to employees at the time the employee leaves for any reason such as death, retirement, dismissal or voluntary redundancy. Other than making required contributions into statutory pension plans in certain of the jurisdictions in which it operates, the Group has no pension schemes.

16. Insurance

The Group's insurance is managed through a global insurance broker and it is insured under insurance policies that are customary in the alcoholic beverages industry. Its insurance policies are with several insurance firms covering various risks, including global material damage and business interruption, global public and product liability, personal accident and travel, marine and director and officer insurance. The Group also maintains certain local insurance policies, for example in relation to cars. The Group believes it is in compliance with the material terms of its insurance policies and that the insurance coverage is adequate for the business, both as to the nature of the risks and the amounts insured. However, there can be no assurance that this coverage will be sufficient to cover the damages or cost of defence of any particular claim.

17. History

Stock Spirits Group PLC is incorporated in the UK and operates as the holding company for the Group's business. The Group's present structure is a result of the combination of Polmos Lublin in Poland and Eckes & Stock, which had operations in the Czech Republic, Italy, Slovakia, Slovenia, Austria and the United States, in March 2008. The origins of Eckes & Stock date back to 1884 when Lionello Stock formed Camis & Stock in Trieste, Italy and began to distribute alcoholic beverages throughout Europe. In 1920, Camis & Stock bought a distillery in Plzen Bozkov, in what is now the Czech Republic and over the next decade constructed or acquired distilleries, bottling plants and facilities in Italy, Austria and Poland. Polmos Lublin was founded in 1906 and was nationalised in 1948. It was privatised in 2001 and floated on the Warsaw Stock Exchange in 2005, before being acquired and delisted by the Principal Shareholders in 2006.

Since its acquisition by the Principal Shareholders, the Group has undertaken a significant number of reorganisation initiatives including the establishment of a central procurement function and production advisory services in Switzerland, the disposal of its Austrian and US businesses and the acquisition of an ethanol distillery in Germany and Imperator in Slovakia. The Group has also significantly expanded its product portfolio and established what it considers to be best brand practices. The Group has installed a central senior management team with extensive multinational industry experience in leading global alcoholic beverages and other FMCG companies. Furthermore, the Group has strengthened its sales force and distribution platform, invested in its production facilities and streamlined its operations, which included the formalisation of its organisational structure, employee training and corporate governance policies and it is currently upgrading its IT systems.

18. Principal investments

Past principal investments

In December 2012 the Group completed the acquisition of the assets of Novel Ferm Brennerei Dettmannsdorf GmbH & Co KG ("**Novel Ferm**"), an ethanol distillery in Rostock, Germany, through a newly incorporated German subsidiary, Baltic Distillery GmbH ("**Baltic Distillery**"). The structure of the acquisition was the asset purchase of land and buildings, plant and machinery, inventories and certain customer and supplier contracts, and the assumption of employment relationships with all 36 employees. Novel Ferm was in administration when its assets were acquired by Baltic Distillery. The assets acquired are utilised primarily for supplying the Group's rectified alcohol requirements. The total consideration paid for this acquisition was €3.6 million.

In December 2012 the Group completed the acquisition of 100% of the issued share capital of Imperator s.r.o. ("**Imperator**"), a producer of fruit distillates and vodka in Slovakia. Imperator was acquired in order to strengthen the Group's presence in the Slovakian vodka market as well as to gain entry to the fruit distillates market. The total consideration paid for this acquisition in FY 2012 was €7.5 million and the Group recognised goodwill in the amount of €1.8 million. A purchase price adjustment in the Group's favour of €360,000 was agreed in August 2013 and paid in September 2013, reducing the total consideration paid for this acquisition and goodwill to €7.1 million and €1.5 million, respectively.

There were no principal investments in FY 2011 or in FY 2010.

Current and future principal investments

At the date hereof, the Company does not have any principal investments in progress and has not made any firm commitments in respect of any principal investments.

19. Dividend policy

The Board intends to adopt a progressive dividend policy. Assuming that sufficient distributable reserves are available at the time, the Board initially intends to target the declaration of an annual dividend of approximately 35% of the Group's Net Free Cash Flow (EBITDA excluding exceptional items less interest or debt service, taxation, capital expenditure, working capital adjustments (excluding any movements in relation to exceptional items) and any amounts relating to investments, acquisitions or disposals "**Net Free Cash Flow**"). Dividends declared, if any, will be declared in euro, but paid in pounds sterling. The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of its interim and preliminary results in the approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. It is anticipated that the first dividend following Admission will be payable following publication of the Group's results for HY 2014. The Group may revise its dividend policy from time to time.

20. Recent developments and prospects

See "Current trading and prospects" in Part XI (*Operating and Financial Review*).

INDUSTRY

Please refer to section 8 of Part V (Presentation of Information) of this Prospectus for a description of the presentation of market and industry data in this section.

1. Introduction

On a global basis, the alcoholic beverage market is generally divided into the spirits, wine and beer markets. The Group is primarily active in the spirits market.

The main spirits categories, on a global basis, are vodka (clear and flavoured), vodka-based flavoured liqueurs, whisky, liqueurs, brandy, gin, Rum, bitters, tequila, sugar cane spirit (which includes Czech rum) and eaux de vie (also known as flavoured spirits or fruit distillates).

The "share of throat" of the three alcoholic beverage categories and, within the spirits market, of the various spirits categories, differs materially on a market-by-market basis.

The Group operates primarily in the spirits markets in the Central and Eastern European region and in Italy, with the majority of its sales taking place in Poland, the Czech Republic and Italy. Together, these markets accounted for 92.9% and 89.2% of the Group's revenue in FY 2012 and HY 2013, respectively. The Group has a portfolio of more than 25 brands across a broad range of spirits products, including vodka (clear and flavoured), vodka-based flavoured liqueurs, Rum, brandy, bitters and limoncello, many of which have market or category-leading positions in the Group's core geographic markets.

Central and Eastern European countries have a long tradition of relatively high per capita spirits consumption in comparison to the neighbouring countries in Western Europe. For example, in 2012, Poland and the Czech Republic, two of the Group's core geographic markets, had per capita spirits consumption of 8.5 and 5.7 litres, respectively, which was lower than consumption in Russia and Ukraine (with per capita spirits consumption of 16.4 and 9.0 litres, respectively), but significantly exceeded the EU15 average of 4.5 litres per capita (all data according to IWSR and the EIU).

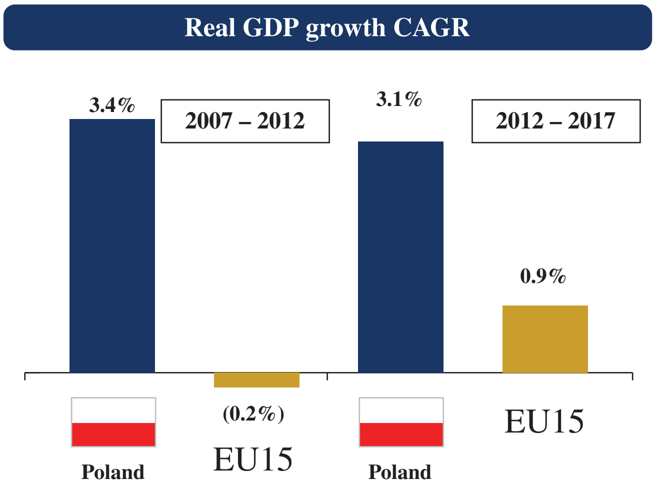
Notwithstanding the high levels of per capita spirits consumption, the expected general outlook for the spirits market is relatively positive in the regions in which the Group operates in Central and Eastern Europe, with growth expected in volume and value terms in the Group's core markets in Poland and in volume terms in the Czech Republic between 2011 and 2016 (according to Euromonitor International).

The Central and Eastern European region is characterised by local market participants currently holding leading positions in most markets due to their well-established brand equities and their strength in the mainstream and economy price segments. Currently, sales of multinational brands in these markets are limited. The distribution and sales channels in this region are primarily off-trade channels (i.e. where products purchased are not for consumption on the premises of purchase). In order to access these channels, local sales networks and local insight are highly important. Where multinational brands have entered these markets, their products tend to be concentrated in the premium and super-premium segments, which are less developed in the Group's markets than in Western Europe.

2. The macroeconomic background to the Group's core markets and the Central and Eastern European region

Poland and the Czech Republic are the second and third largest economies in the Central and Eastern European region, respectively (behind Russia) (according to the EIU). Italy is the fourth largest economy among the EU15 countries (according to the EIU).

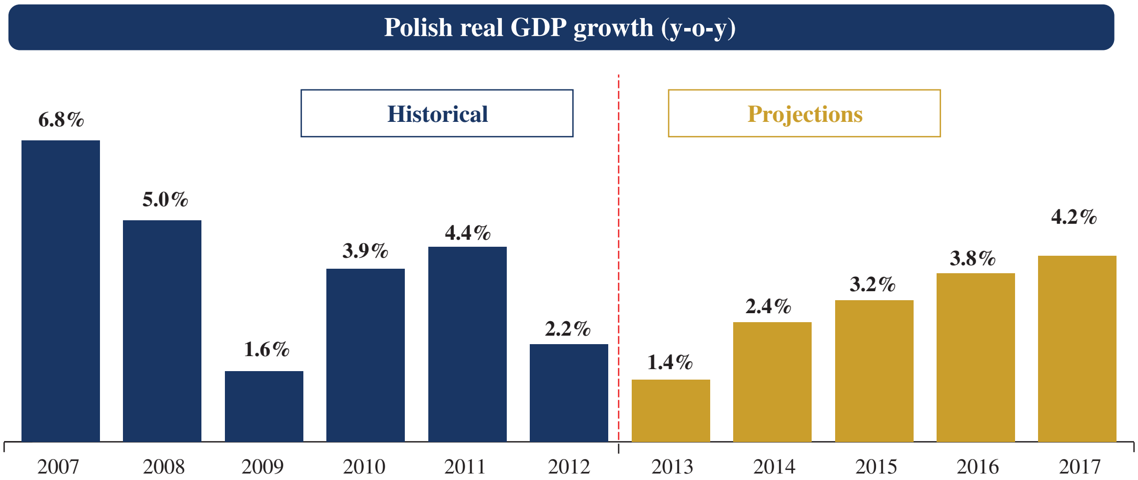
Poland



Source: EIU

Poland's economy has proven to be comparatively resilient, being the only major European economy not to experience a recession during the economic crisis and one of the fastest-growing economies in Central Europe (according to the EIU). However, Poland is exposed to weaknesses in Western European economies due to the interdependence of economies within the EU.

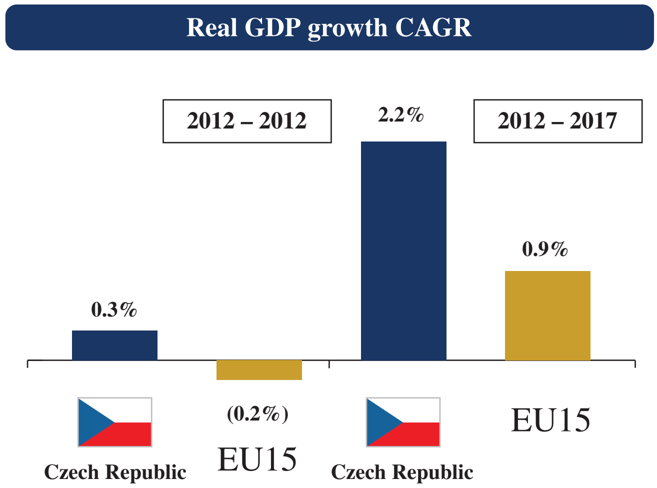
According to the EIU, Poland experienced real GDP growth from 2007 to 2012, its real GDP CAGR outstripping that of the average for the EU15 countries. In 2013, Poland's real GDP growth rate is projected to slow down, but the rate is expected to increase from 2014 onwards (according to the EIU). For the period from 2012 to 2017, Poland's real GDP CAGR is projected to exceed that of the EU15 average (according to the EIU). Private consumption expenditure is also expected to increase over the same period (according to the EIU).



Source: EIU

From January 2011 to May 2013, consumer confidence has remained relatively steady at monthly indices of between 72.0 and 88.2 (according to Bloomberg). The drinking age population increased between 2007 and 2012 but is projected to remain flat between 2013 and 2017 (according to the EIU). The overall population is aging and the total population is projected to decrease marginally (according to the EIU).

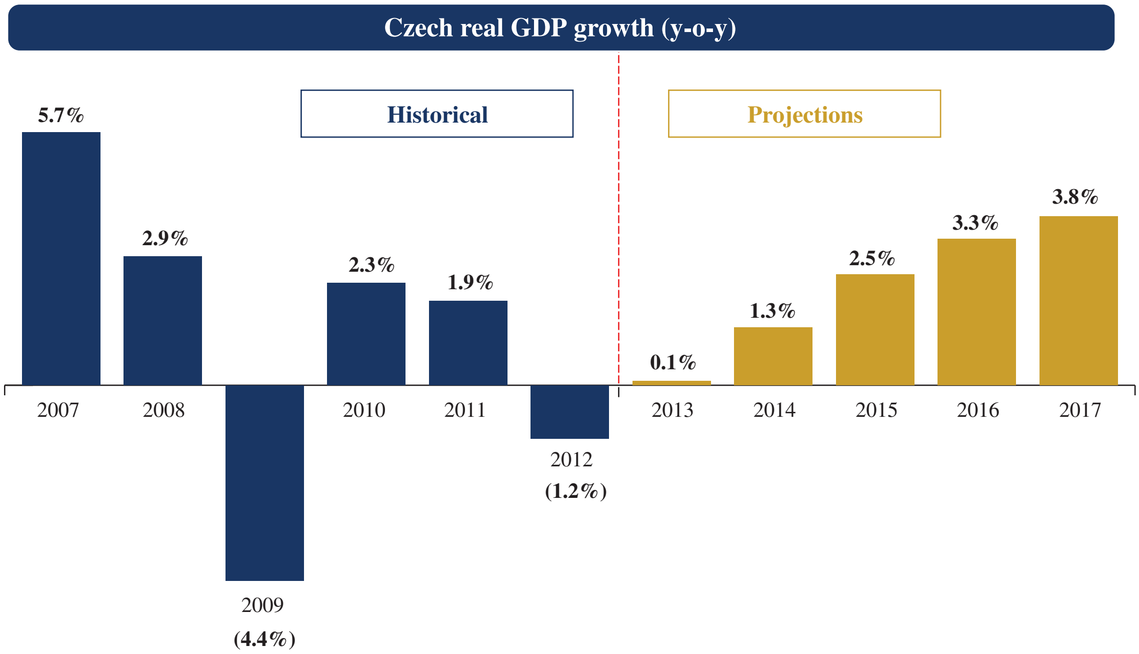
Czech Republic



Source: EIU

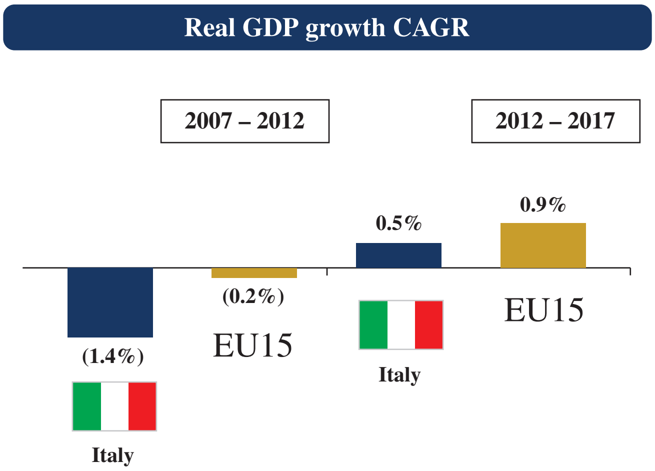
In the Czech Republic, the economy is expected to grow modestly in the medium term (according to the EIU). Despite experiencing negative real GDP growth in 2009 at the height of the economic crisis, the Czech economy recovered somewhat in 2010 and 2011, before experiencing negative real GDP growth in 2012 (according to the EIU). This downturn in growth is also reflected by decreasing consumer confidence (according to Bloomberg).

However, Czech real GDP is expected to grow from 2013 onwards, with a CAGR higher than the average for the EU15 countries, and private consumption expenditure is also expected to increase between 2013 and 2020 (according to the EIU). The drinking age population and the overall population have historically remained stable and are expected to remain stable from 2013 to 2016 (according to the EIU).



Source: EIU

Italy



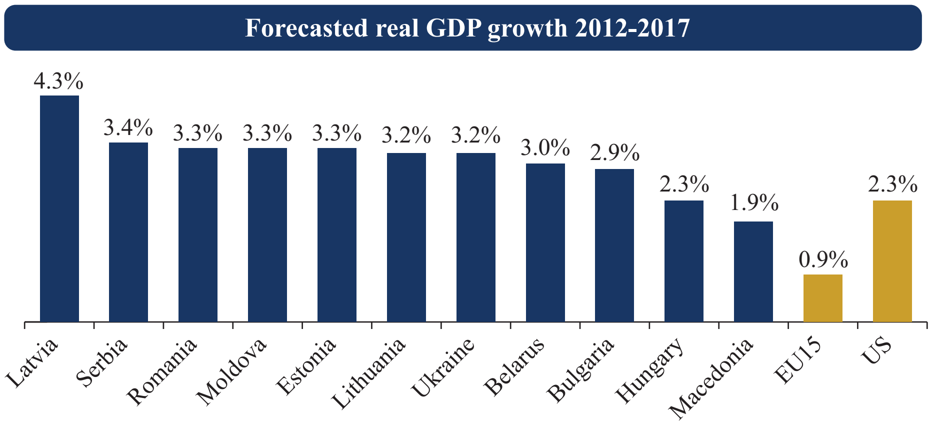
Source: EIU.

Italy is expected to experience a slower rate of GDP growth compared to Poland and the Czech Republic (according to the EIU). According to the EIU, after a slight decline of (1.5)% for 2013, GDP growth is expected to increase by 0.5% from 2012 to 2017, signalling a slow recovery from recession. However, the rate of recovery in terms of real GDP growth is still expected to be below that of the average for the EU15 countries (according to the EIU).

In addition, Italy has an aging population, though the overall population is expected to remain stable in the medium term following an increase in population between 2008 and 2012 (according to the EIU).

Central and Eastern Europe

With regard to the South Eastern European region, the EIU expects growth in real GDP of 4.9% between 2012 and 2017 in Slovakia, average growth in real GDP of 2.4% between 2012 and 2017 in Bosnia & Herzegovina and weak economic growth in Croatia between 2012 and 2017. Within the wider Central and Eastern European region, real GDP growth for the next five years is expected to exceed that of more developed countries (according to the EIU). Between 2012 and 2017, the real GDP growth rates of central European countries, such as Ukraine, Latvia, Belarus and Lithuania, are expected to be higher than the average real GDP growth for the EU15 countries and the US (according to the EIU).



Source: EIU. Note that for Belarus, the figures from EIU are available for 2012-2014 only.

3. Characteristics of the spirits markets in the Group's existing core markets

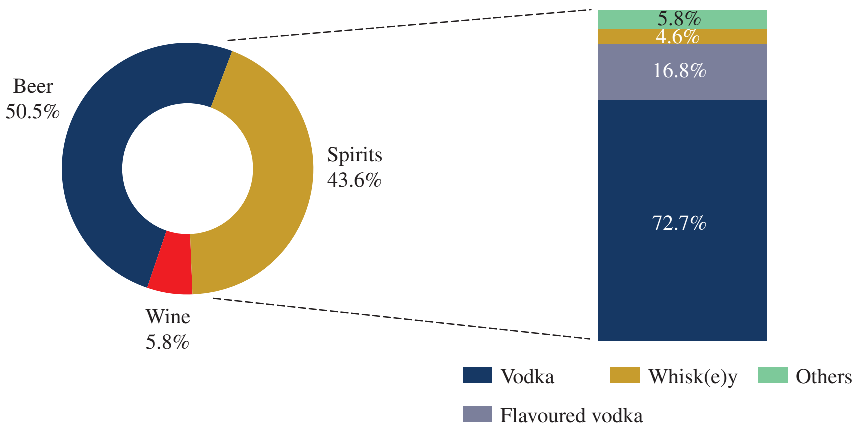
The main characteristics of the spirits markets in Poland, the Czech Republic and Italy are described below.

Poland

Poland is the third largest alcoholic beverage market in Central and Eastern Europe, after Russia and Ukraine, with total sales volumes of approximately 82.9 million equivalent 9-litre cases in 2012 (according to IWSR) and is the world's fourth largest vodka market, behind Russia, the US and Ukraine (according to IWSR). The Polish spirits market is also the fifth largest in Europe, after Russia, Germany, Ukraine and France (according to IWSR).

According to IWSR data for 2012, the Polish spirits market represented approximately 43.6% of the country's total alcoholic beverage market by volume (in equivalent litres). Beer was the largest alcoholic beverage market in Poland, with approximately 50.5% of the total alcoholic beverage market by volume (in equivalent litres). In Poland, clear vodka is by far the largest category within the spirits category with sales of approximately 26.3 million equivalent 9-litre cases in 2012, accounting for approximately 72.7% of total spirits market volume in Poland (according to IWSR). In 2012, flavoured vodka (which includes vodka-based flavoured liqueurs) accounted for a further 16.8% of the Polish spirits market volume (according to IWSR).

Share of throat and category in 2012



Source: IWSR

According to Euromonitor International, the Polish spirits market experienced growth over recent years, in both volume and value terms, with CAGRs of approximately 4.4% and 5.4% between 2006 and 2011, respectively, outperforming the overall alcoholic beverage market for the same period. However, IWSR data (presented in the graph below) suggest the volume of sales in the Polish spirits market has remained constant between 2008 and 2012. Euromonitor International data also suggest that the spirits market grew in value terms from €3.5 billion in 2008 to €4.1 billion in 2012, representing a CAGR of 3.2%. Euromonitor International projects a volume CAGR of 0.9% and a value CAGR of 1.7% between 2011 and 2016 in the Polish spirits market. Nielsen data suggests that the volume of total vodka sales in Poland grew 0.8% on an MAT basis in respect of December 2012 as compared to December 2011, but decreased by 4.4% in HY 2013 compared to HY 2012. Spirits consumption per capita has remained relatively constant between 2008 and 2012, fluctuating between 8.4 and 8.6 litres per capita and was 8.5 litres per capita in 2012 (according to market volume data from IWSR and population data from the EIU).

Polish spirits market volume development

Source: IWSR

In Poland, the spirits market is mainly led by off-trade sales, with 93.9% of the total spirits volume being sold through off-trade distribution channels in 2012 (according to IWSR). In 2012, approximately 90% of vodka was sold through off-trade channels (according to IWSR), as a result of the local preference for vodka to be consumed at home (typically in small individual measures (i.e. "shots") chilled and neat – i.e. without a mixer), due to the cold climate, lesser affordability of drinks in on-trade premises and the tradition of in-home entertaining. Consumers typically purchase small quantities of vodka on a frequent basis, often from local convenience stores shortly prior to consumption. This trend is also reflected in the strength of the mainstream and economy brands, which accounted for 81% of the total vodka market volume in Poland as at the end of November 2012 (according to Nielsen), and the dominance of the traditional trade channels (i.e. small retailers), which accounted for approximately 63.9% of the off-trade vodka market by volume in 2012 (according to Nielsen, though the Group estimates this to be higher, at 69.4%). The rest of the off-trade vodka market by volume in 2012 was split between hypermarkets (7%), supermarkets (10%) and discounters (19%) (all according to Nielsen). According to Euromonitor International, the economic downturn impacted the already limited on-trade channel in Poland, as consumers reduced discretionary spending and limited socialising at bars, pubs and restaurants. The Group believes that, as compared to the retail prices of key products in its other core markets (Czech Republic and Italy), there is relatively less spread between the retail prices of key products (vodka, flavoured vodka and vodka-based flavoured liqueurs) in the economy, mainstream and premium segments in Poland.

The spirits market in Poland is characterised by strong local and regional participants. In 2012, local spirits accounted for 89.4% of total spirits consumption by volume, representing a slight decrease from 92.2% in 2008 (according to IWSR).

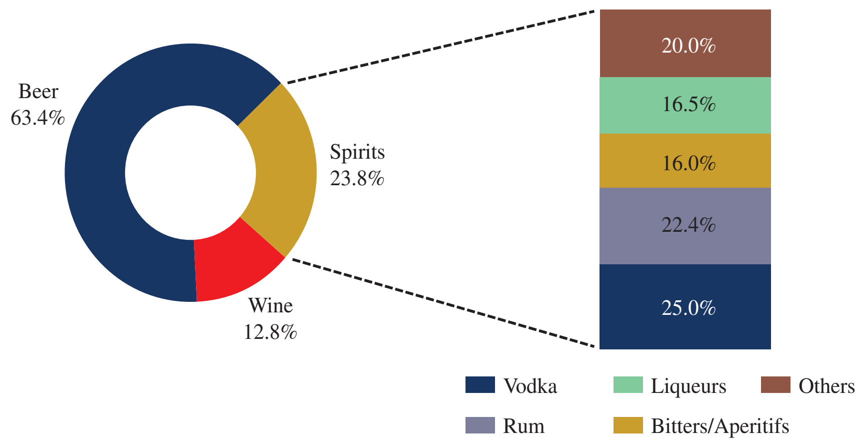
According to Euromonitor International and IWSR, key trends in the Polish spirits market include:

- the repositioning of product ranges due to shifts in consumer demand, for example the development of super-premium products to target the luxury market in response to consumption habits becoming more sophisticated;
- increasing flavour sophistication through development of new brands and brand variants to target the female and 18-30 year old demographics, given the aging population;
- strong growth in the liqueurs category;
- the growing role of discounters within the market capable of leveraging their size for greater bargaining power and increasing numbers of discounters' outlets;
- limited potential for growth in the vodka market due to the size of the current market; and
- issues relating to credit availability for some local and regional market participants as a result of concerns arising from the Eurozone sovereign debt crisis.

Czech Republic

The Czech spirits market is the seventh largest market in Central and Eastern Europe (after Russia, Ukraine, Poland, Romania, Belarus and Bulgaria) (according to IWSR). Beer is the most popular category of the alcoholic beverage market in the Czech Republic, according to IWSR data, representing 63.4% of the alcoholic beverage market by volume (in equivalent litres) in 2012. According to IWSR data, the Czech spirits market accounts for approximately 23.8% of the country's alcoholic beverage market by volume (in equivalent litres) with sales of approximately 6.6 million equivalent 9-litre cases in 2012. The Czech spirits market largely comprises vodka, Rum, bitters and liqueurs, with these four major categories having consistently accounted for approximately 80% of total spirits volumes for the three years to FY 2012 (according to IWSR).

Share of throat and category in 2012

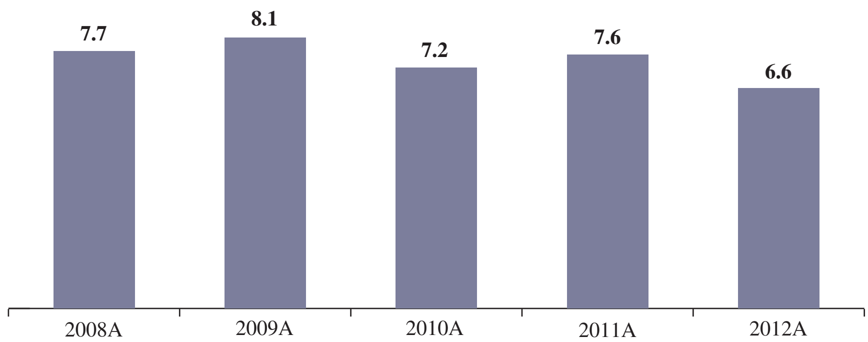


Source: IWSR

According to Euromonitor International, the Czech Republic's spirits market experienced growth in both volume and value terms, increasing at a volume CAGR of approximately 0.7% and a value CAGR (aided by price increases) of approximately 1.3% from 2006 to 2011. However, IWSR data (presented in the graph below) suggest the volume of sales in the Czech spirits market has declined between 2008 and 2012. Euromonitor International data also show that the overall value of the spirits market declined from €1.5 billion in 2008 to €1.4 billion in 2011, and to €1.2 billion in 2012 following the Czech spirits ban. IWSR data show growth in the Rum category in recent years, with a CAGR of approximately 2.9% between 2008 and 2012. In contrast, the bitters category has declined in recent years, partly due to increases in the price of bitters (according to IWSR). Overall, Euromonitor International estimates that spirits volume growth in the Czech Republic will generally remain flat between 2011 and 2016. ZoomInfo data suggests that the volume of sales in the core categories in which the Group competes in the Czech Republic (Rum, total vodka (clear vodka and vodka-based flavoured liqueurs) and bitters) decreased 6.1% on an MAT basis in respect of December 2012 as compared to December 2011, but increased 8.3% in HY 2013, as compared to HY 2012 on an MAT basis. Spirits consumption per capita has remained relatively constant between 2008 and 2011, from 6.6 litres per capita in 2008 to 6.5 litres per capita in 2011. In 2012, spirits consumption declined to 5.7 litres per capita, reflecting the imposition of the temporary Czech spirits ban (according to market volume data from IWSR and population data from the EIU).

Spirits market volume development

(in million 9-litre cases)



Source: IWSR

The majority of spirits consumption in the Czech Republic is through the off-trade distribution channel, which accounted for 71.4% of spirits sales volume in 2012 (according to IWSR). Within the off-trade distribution channel, sales through hypermarkets, discounters and supermarkets accounted for 86.8% of total sales volume in 2012, a decrease from 89.1% in 2011 (according to Nielsen). This decrease was due to an increase in the shares for small, medium and large local stores and a decrease in the shares for hypermarkets and discounters, though this was mitigated by a slight increase in the share for supermarkets (according to Nielsen). The Czech spirits market is largely made up of local participants, with local and regional players holding the largest market shares in the vodka and Rum categories (according to ZoomInfo) and local products accounting for 78.1% of overall spirits consumption by volume in 2012, representing an increase from 77.4% in 2008 (according to IWSR).

In the Czech Republic there is a "black market" of production and sale of illegal and unlicensed alcohol. Euromonitor International estimates that illegal untaxed alcoholic drinks accounted for 25-30% of total sales of alcoholic beverages in the Czech Republic in 2011. The "black market" includes both home-made products and more industrially produced products that are not produced or sold through official channels. The "black market" primarily competes with the economy segment of the legitimate spirits market and "black market" operators can offer products at a reduced price level. This is due to the fact that "black market" operators do not pay excise duty or VAT on their products, putting downward pressure on prices in the spirits market generally. In 2012, a number of fatal poisonings caused by "black market" spirits products contaminated with methyl alcohol (none of which were produced by, or associated with products of, the Group) caused the Czech government to introduce a nationwide ban, in September of that year, on the sale of all spirits containing more than 20% alcohol by volume. After a 13-day period, the ban was lifted on spirits with more than 20% alcohol content if they were: (a) produced in the Czech Republic before 1 January 2012; or (b) produced in the Czech Republic after 1 January 2012 and had a certificate of origin.

Following the fatal poisonings (the Group estimates that 45 people died as a result of consuming the "black market" spirits products contaminated with methyl alcohol), which made national and international news, consumer confidence suffered an immediate decline, particularly in the on-trade channel where illegal spirits are more difficult for consumers to identify and in the vodka and Czech rum categories, where methyl alcohol is harder to detect by taste. By April 2013, however, there was a gradual recovery of confidence, with fewer people reducing their purchase of bottled spirits through the off-trade channel and fewer people reducing their purchase of shots in pubs compared to immediately after the spirits ban (according to surveys carried out by IPSOS). In addition, over this period, the number of people associating "safe spirits" with spirits from a particular brand increased, with some consumers turning to the purchase and consumption of safe, established, well-manufactured and properly certified brands over the purchase and consumption of the illegal products that caused the crisis (according to IPSOS). As a result of the crisis and the subsequent action taken by the Czech government, it is estimated by the Czech Finance Ministry that the size of the "black market" has decreased and that, as of July 2013, it accounted for approximately 10% of the total spirits volume sales in the Czech Republic, with established legal brands, including the Group's Bozkov range, benefiting from this switch away from "black market" products.

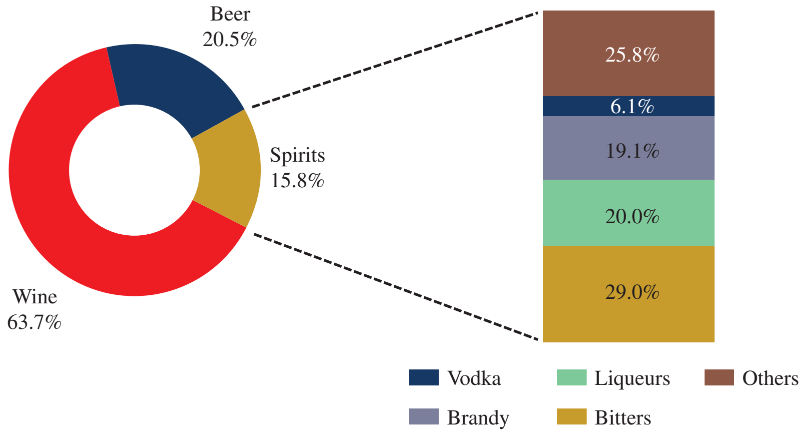
According to Euromonitor International and IWSR, key trends in the Czech spirits market include:

- strong price discounting and promotion in response to the recession, which saw consumers becoming more price conscious, buying a greater proportion of discounted products, resisting impulse purchases and stocking up products at home;
- decline in on-trade consumption of alcohol, driven by increased cost-consciousness among consumers and more subdued purchasing behaviour, with consumers choosing to socialise at home or to drink at home before going out;
- a shift towards strong spirits, with above-average off-trade volume growth for vodka and Rum-flavoured spirits recorded in 2011;
- increasing popularity of alcoholic beverages with lower alcohol content, such as ready-to-drink products, and spirits mixed with fruit juices; and
- stronger performance in 2011 by brands with large television advertising campaigns, such as the Group's Amundsen brand.

Italy

The Italian alcoholic beverages market accounted for approximately 94.2 million 9-litre cases in 2012 (in equivalent litres, according to IWSR). Wine was the most popular category, representing approximately 63.7% of the volume share (in equivalent litres) of the Italian alcoholic beverage market in 2012. Spirits accounted for approximately 15.8% of the alcoholic beverage market by volume (in equivalent litres) with sales of approximately 14.9 million equivalent 9-litre cases in 2012 in Italy. The spirits market in Italy was the fifth largest in Western Europe after Germany, France, the United Kingdom and Spain in 2012 (according to IWSR). Bitters, liqueurs and brandy were the three largest spirits categories, together representing approximately two-thirds of the spirits volumes in Italy in 2012 (according to IWSR). Vodka was the seventh largest category in the Italian spirits market with approximately 6.1% of the volume share in 2012, behind the bitters, liqueurs, brandy, aniseed, whisky and Rum categories (according to IWSR).

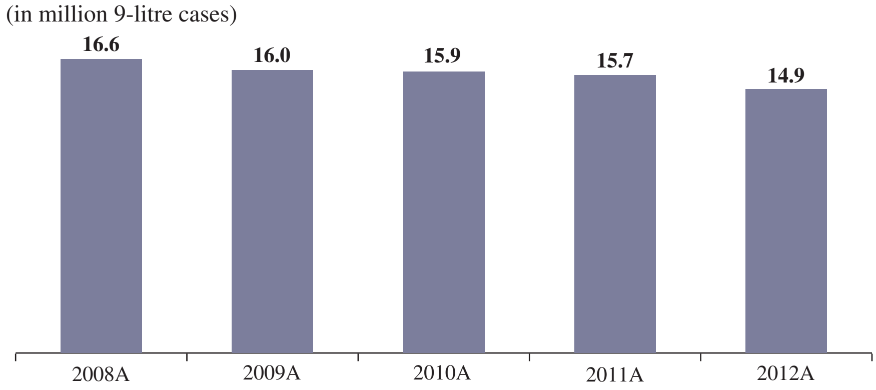
Share of throat and category in 2012



Source: IWSR

The Italian spirits market decreased in both volume and value terms between 2006 and 2011, with CAGRs of approximately (2.1)% and (1.4)%, respectively, according to Euromonitor International. This is also supported by IWSR data (presented in the graph below), which shows a decline in volume terms of (2.1)% between 2008 and 2012. Similarly, IRI data shows a decline of 6.3% by volume in the Group's core categories in Italy (brandy, limoncello, clear vodka and vodka-based flavoured liqueurs) on an MAT basis in respect of December 2012 as compared to December 2011, and a decline of 3.6% in HY 2013 as compared to HY 2012. Euromonitor International has projected that this trend will continue, albeit with the decline slowing in volume terms to a CAGR of approximately (0.5)%, but with an increasing decline in the value CAGR to approximately (1.8)% between 2011 and 2016. However, between 2006 and 2011, the Italian spirits market has experienced only a slight decrease in value terms (according to Euromonitor International), and between 2008 and 2012, the spirits market remained the same in value terms (according to IWSR). This reflected higher sales of premium products and increased pricing, which partially mitigated declining volumes. The decrease in spirits volume was primarily driven by a general decrease in consumption, as the Italian population aged. Regular consumers of spirits, who have traditionally been those from older male demographics, are aging and consuming less, while female consumers and consumers from the 18-30 year old demographic tend to consume spirits on special occasions rather than on a daily basis. Spirits consumption per capita has seen a decline between 2008 and 2012, from 2.5 litres per capita in 2008 to 2.2 litres per capita in 2012 (according to market volume data from IWSR and population data from the EIU).

Spirits market volume development



Source: IWSR

Despite the decline in the Italian spirits market overall, sales of vodka, spirit aperitifs and bitters grew between 2008 and 2012 (according to IWSR). Within these categories, growth has come predominantly in the economy and mainstream price segments, reflecting the fact that some consumers have become more price sensitive as a result of macroeconomic conditions. According to Euromonitor International, competition is intense in the spirits market, with only minor differences in market share between the category leaders.

The distribution channels in the Italian spirits market are split fairly evenly between on-trade and off-trade channels in volume terms. For the Italian spirits market, the off-trade channel accounted for 52.7% of total sales volume in 2012 (according to IWSR). There has been a continued shift towards off-trade channels as consumer discretionary spending remained low during the recession, and consumers choose increasingly to consume alcoholic drinks at home (according to Euromonitor International). Off-trade sales in Italy were driven predominantly by sales through supermarkets and discounters in 2011 and 2012 (according to IRI).

The spirits market in Italy is dominated by local products. In 2012, consumption by volume of local as opposed to imported products represented 73.1% of total consumption, representing an increase from 72.5% in 2008 (according to IWSR).

According to Euromonitor International and IWSR, key trends in the Italian spirits market include:

- increasing premiumisation as a result of consumers choosing to drink less but better quality products;
- increasing health consciousness, particularly among women and older demographics, resulting in a decline in consumption, and/or a greater focus on healthier positioned drinks; and
- as a result of the aging population, producers are increasingly targeting 18-30 year old and female demographics, for example, through products with low alcohol content such as ready-to-drink products and occasion-targeted products. Attempts to target these demographics have resulted in a large number of new product developments to meet changing consumer demand, increasing flavour sophistication and the introduction of innovative, trendy packaging.

PART VIII

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. Directors

The Board of Directors currently comprises:

Name	*Position*	*Date of birth*
Jack Keenan	Chairman	20/10/1936
Christopher Heath	CEO	12/12/1960
Lesley Jackson	CFO	25/02/1964
Karim Khairallah	Non-Executive Director	08/06/1972
David Maloney	Senior Independent Non-Executive Director	18/09/1955
Andrew Cripps	Independent Non-Executive Director	17/08/1957
John Nicolson	Independent Non-Executive Director	17/07/1953

The business address of each Director is: Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH.

Jack Keenan. Mr Keenan joined the Group as non-executive chairman in August 2008 and is to be the Chairman of the Company from Admission. After retiring as chairman of Kraft International in early 1996, he joined the board of Grand Metropolitan PLC, becoming CEO of their global wine and spirits business. There he led the consolidation of the global drinks industry by merging the businesses of Grand Metropolitan and Guinness in 1997 (to form Diageo) and leading the acquisition of Seagrams. Separately, Mr Keenan has served on the boards of Diageo and Moet Hennessy as an executive director, and as a non-executive director on the boards of Body Shop International, General Mills Inc, Marks & Spencer and Tomkins. He is also the chairman of Revolymer PLC which is listed on AIM. Mr Keenan is also a board member of National Angels Ltd, a company that co-produces West End transfers with the National Theatre in London as well as other not-for-profit theatres in the United Kingdom. Mr Keenan has in the past acted as a senior adviser to Oaktree, in addition to managing his own consulting business, Grand Cru Consulting Ltd. Mr Keenan received his MBA from Harvard Business School and is now the Patron of the Centre for International Business and Management and chairman of the Harry Hansen Research Fellowship Trust, both at the University of Bath.

Christopher Heath. Mr Heath joined the Group in 2007. In October 2009, he was appointed CEO following a successful period as Chief Financial Officer. He was previously Group CFO and Commercial Director of Gondola Holdings plc, owner of Pizza Express, ASK and Zizzi restaurants. From 1988 to 2005, he held a number of senior positions in Allied Domecq. Starting as Chief Accountant of Ind Coope Ltd in 1988 before being promoted to Finance Director of Ind Coope Retail in 1990 and then Finance, Property & Leasing Director in 1993. In 1995 Mr Heath moved into the spirits division of Allied Domecq as Finance Director of the European Region. He held the positions of Managing Director, UK and then Managing Director, Spain, respectively, from 1999 to 2003. Mr Heath then became Global Finance Director of Allied Domecq plc until 2005.

Lesley Jackson. A graduate, Fellow of the Institute of Chartered Accountants and holding an MBA, Mrs Jackson has worked for a number of consumer goods businesses and specifically, has over 15 years of experience in the drinks industry which commenced at Cadbury Schweppes. After a period in the dairy industry she moved into alcohol products as UK Finance Director with HP Bulmer, which was subsequently acquired by Scottish & Newcastle. Mrs Jackson moved to Scottish & Newcastle in Edinburgh as their UK On-Trade Finance Director which was followed by senior positions in distribution and IT. In 2005, following a JV between Scottish & Newcastle and United Breweries Group, she moved to India where for three and a half years, she was Chief Financial Officer of United Breweries, the largest brewing group in India and listed on the Mumbai Stock Exchange. After which, Mrs Jackson moved back to the UK to take up the role as

Group Finance Director of William Grant & Sons and, in February 2011, she joined the Group in her current role.

Karim Khairallah. Mr Khairallah is a Managing Director with Oaktree Capital Management (UK) LLP and led the original investment in the Stock Spirits Group. Prior to joining Oaktree in 2005, Mr Khairallah was a co-founder and partner of Solidus Partners, an investment management firm in London. Before that, Mr Khairallah worked at General Atlantic Partners, J.P. Morgan Capital and Lehman Brothers International. Mr Khairallah received a B.Sc. degree in Economics from the London School of Economics. He then went on to receive an MBA from INSEAD. Mr Khairallah is also on the board of Campofrio Food Group and is Chairman of Panrico S.A.U. He was a board member of R&R Ice Cream plc prior to its sale in 2013.

David Maloney. Mr Maloney was appointed to the Board as senior independent Non-Executive Director in October 2013. He previously served as an independent non-executive director on the boards of Carillion plc, Ludorum plc and Virgin Mobile Holdings (UK) plc. Mr Maloney was also Chief Financial Officer of Le Meridien Hotels and Resorts, Thomson Travel Group (Holdings) Limited and Preussag Airlines and Group Finance Director of Avis Europe plc. He is currently deputy chairman of Micro Focus International plc and the senior independent non-executive director of Cineworld plc and Enterprise Inns plc.

Andrew Cripps. Mr Cripps was appointed to the Board as an independent Non-Executive Director in October 2013. Mr Cripps qualified as a chartered accountant before working for twenty years with Rothmans International and British American Tobacco plc. He has previously been a non-executive director on the boards of Trifast plc, Molins plc and Helphire Group plc. He is currently the independent non-executive deputy chairman of Swedish Match AB and an independent non-executive director and chairman of the audit committees of Booker Group plc and Boparan Holdings Limited.

John Nicolson. Mr Nicolson was appointed to the Board as an independent Non-Executive Director in October 2013. He previously served as President of Heineken Americas and a member of the Heineken N.V. Executive Committee, as executive director on the board of Scottish & Newcastle plc, as Chairman of both Baltika Breweries (Russia) and Baltic Beverages Holding A.B. (Sweden), as executive director for Fosters Europe and as a non-executive director on the board of United Breweries Limited (India). He is currently the vice chairman of Compañía Cervecerías Unidas S.A. (Chile), the senior independent non-executive director of A.G. Barr plc and a non-executive director of North American Breweries, Inc.

2. Senior Management

The Group's current Senior Management is as follows:

Name	*Position*	*Date of birth*
Christopher Heath	CEO	12/12/1960
Lesley Jackson	CFO	25/02/1964
Ian Croxford	Chief Operating Officer	02/04/1958
Richard Hayes	Group Sales & Marketing Director	03/02/1965
Elisa Gomez de Bonilla	Group Legal Counsel	27/12/1973
Mariusz Borowiak	Managing Director, Poland	12/02/1966
Petr Pavlík	Managing Director, Czech Republic	13/11/1970
Claudio Riva	Managing Director, Italy	03/01/1960
Steve Smith	Managing Director, International	18/07/1959

Christopher Heath (CEO). See "Directors" above for Christopher Heath's biography.

Lesley Jackson (CFO). See "Directors" above for Lesley Jackson's biography.

Ian Croxford (Chief Operating Officer). Mr Croxford joined the Group in December 2007. He has worked in the alcoholic beverages industry since 1996, when he joined United Distillers & Vintners (a subsidiary of Diageo PLC) working on both Global packaging and UK Operations. In 1999, Mr Croxford joined John Dewar & Sons Ltd (the whisky division of Bacardi Ltd) as Managing Director and, from there, moved to Banshee Spirits Ltd, an independent start-up business, as Managing Director. Prior to joining the Group, Mr Croxford was also CEO of Inter Link Foods Ltd and Operations Director of Premier Foods plc.

Richard Hayes (Group Sales & Marketing Director). Mr Hayes began working with the Group in May 2012. Previously, he worked at Warburtons Bakery, where he held the Marketing Director role for five years and led the marketing, innovation, insight and customer service teams. He has also held UK and international marketing roles at major multinationals including Allied Domecq, Kraft and Nabisco and a former British brewery, Courage Breweries.

Elisa Gomez de Bonilla (Group Legal Counsel). Ms Gomez de Bonilla joined the Group in 2008 from Beam Global where she was General Counsel for International for two and a half years. Prior to this, she worked at Allied Domecq for seven years, as a Senior Legal Adviser to the European Legal Team, having previously worked in private practice, at an international law firm in Spain.

Mariusz Borowiak (Managing Director, Poland). Mr Borowiak joined the Group in 2012. Previously he has held sales and distribution roles at some of the leading FMCG companies in Poland. Mr Borowiak has been a board member responsible for sales and distribution in Grupa Zywiec, a Polish brewing company controlled by Heineken, operations director in Jeronimo Martins Distribution and purchase director in Elektromis.

Petr Pavlík (Managing Director, Czech Republic). Mr Pavlík joined the Group in September 2009 from Reckitt Benckiser where he was Global Category Director and, prior to that, General Manager, Belgium and Luxembourg. He has previously worked for Boots Healthcare International (which has subsequently been acquired by Reckitt Benckiser) as General Manager with responsibility for the region of Central Europe, Turkey and Greece. Prior to that, he worked for Procter and Gamble (P&G) in various roles, lastly as Country Manager Czech Republic.

Claudio Riva (Managing Director, Italy). Mr Riva joined the Group in March 2008. Prior to joining the Group, Mr Riva held senior roles in various leading companies in the alcoholic beverages and FMCG markets, including Carlsberg Italia where he was Managing Director, Nestlé's Buitoni division, Parmalat Spa, Allied Domecq and Del Monte Foods.

Steve Smith (Managing Director, International). Mr Smith joined the Group in May 2012 and was appointed Managing Director, International in September 2012. He was previously Supply Chain Director at C&J Clarks footwear from 2006 to 2012. From 1988 to 2004, he held a number of senior positions in Allied Domecq including Finance Director of their Spanish business, SVP Finance and Operations for The Americas and European Finance Director. He has also previously worked for Valspar Corporation as European Finance Director.

3. The Board

The Company is led and controlled by the Board. The names, responsibilities and details of the current Directors appointed to the Board are set out above.

4. Corporate governance

4.1 *The UK Corporate Governance Code*

The UK Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise 'independent' non-executive directors, being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. It also recommends that a UK company's remuneration and audit and risk committees should comprise at least three independent non-executive directors, and that its nomination committee should comprise a majority of independent directors.

4.2 *Board composition and independence*

The Board is committed to the highest standards of corporate governance. On Admission, the Board will comprise seven members, including the Chairman, three independent Non-Executive Directors, two Executive Directors and one Non-Executive Director who is not deemed to be independent for the purposes of the UK Corporate Governance Code.

The UK Corporate Governance Code recommends that a chairman meet the independence criteria set out in the UK Corporate Governance Code on appointment.

The Board considers that Jack Keenan is an independent non-executive Chairman at the time of his appointment for the purposes of the UK Corporate Governance Code. In reaching its conclusions as to the independence of the Chairman, the Board has considered the requirements of the UK Corporate Governance Code and the nature of the relationships and the circumstances described below which are relevant to the Board's determination of independence and has evaluated the historical contribution of the Chairman to the Group in scrutinising the performance of management, monitoring the reporting of performance and constructively challenging and assisting the development of the Group's proposals on strategy.

Jack Keenan was appointed as a senior adviser to Oaktree in June 2009, a role he held for four years, resigning this position in May 2013. He was paid an annual fee of €125,000 for this role (in addition to the annual fee of £120,000 for his role, prior to Admission, as Chairman of the Group, which was paid to his consulting company, Grand Cru Consulting Limited). He has not been a senior employee or director of Oaktree and has no financial investment in Oaktree or any funds managed or advised by Oaktree.

In addition to his position on the Board, Mr Keenan has had roles with two other Oaktree portfolio companies:

- He was appointed as a member of the board of directors of Bavaria Yachtbau (a German yacht business owned by Oaktree (44.4%), Anchorage Advisors (44.4%) and certain other investors (11.2%)) in February 2010 and, in April 2010, he was appointed as chairman of Bavaria Yachtbau. He resigned from the board in December 2011.
- He is an adviser (through his consulting company Grand Cru Consulting Ltd) to the management of the Spanish bakery business, Panrico, on *ad hoc* sales and marketing-related matters. He currently has no board or governance role at Panrico.

At Admission, Mr Keenan's economic interest in the Group will be no more than 0.5%. He does not act as a representative of Oaktree on the Board.

Further, the Company regards David Maloney, Andrew Cripps and John Nicolson as independent Non-Executive Directors, for the purposes of the UK Corporate Governance Code.

From Admission, the UK Corporate Governance Code will apply to the Group. On Admission, the Group intends to be fully compliant with all requirements of the UK Corporate Governance Code (other than as set out below, in section 4.3). As at the date of this Prospectus, the Company, as an unlisted company to which the UK Corporate Governance Code does not apply, does comply with the recommendations of the UK Corporate Governance Code concerning the number of independent non-executive directors the Company should have.

In October 2012, the FSA (now the FCA) published a consultation paper which proposed the introduction of an amendment to the Listing Rules in relation to corporate governance. If these proposals to the Listing Rules are adopted without change, the Company may be required to appoint further independent Non-Executive Directors. The Company and the Principal Shareholders have indicated that they intend to be supportive of implementing such changes as may be necessary to ensure that the Company complies with any such Listing Rule, if adopted, subject to any transitional arrangements that may be permitted.

The UK Corporate Governance Code recommends that the board should appoint one of its independent non-executive directors to be the senior independent director (the "**SID**"). The SID should be available to shareholders if they have concerns that the normal channels of Chairman, CEO or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate. The Company's SID is David Maloney.

4.3 ***Audit, Remuneration, Nomination and Disclosure Committees***

As envisaged by the UK Corporate Governance Code, the Board has established Audit, Remuneration, Nomination and Disclosure Committees.

(A) *Audit Committee*

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will normally meet at least three times a year at the appropriate times in the reporting and audit cycle.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, together with requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Audit Committee covered in the terms of reference are: external audit, internal audit, financial reporting and internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Audit Committee comprises at least three members who are all independent Non-Executive Directors and includes one member with recent and relevant financial experience. The Audit Committee's terms of reference require that it comprise three or more independent Non-Executive Directors, at least one of whom is to have significant, recent and relevant financial experience. The Audit Committee currently comprises three members who are independent Non-Executive Directors (Andrew Cripps, David Maloney and John Nicolson). The committee is chaired by Andrew Cripps.

(B) *Remuneration Committee*

The Remuneration Committee has responsibility for the determination of the terms and conditions of employment, remuneration and benefits of each of the Chairman, Executive Directors, members of the executive and the company secretary, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management and the implementation of share option or other performance-related schemes. The Remuneration Committee will meet at least twice a year.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Remuneration Committee covered in its terms of reference are: determining and monitoring policy on and setting levels of remuneration, early termination, performance-related pay and pension arrangements; authorising claims for expenses from the Directors; reporting and disclosure of remuneration policy; share schemes (including the annual level of awards); obtaining information on remuneration in other companies; and selecting, appointing and terminating remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Remuneration Committee comprises at least three members who are all independent Non-Executive Directors, one of whom may be the Chairman (but who may not chair the Remuneration Committee). The terms of reference of the Remuneration Committee require that it comprise three or more independent Non-Executive Directors. The Remuneration Committee comprises three members who are independent Non-Executive Directors (Andrew Cripps, David Maloney and John Nicolson), the Chairman of the Board (Jack Keenan, who was regarded as independent on appointment) and the Representative Director (Karim Khairallah). Although having a Non-Executive Director who is not regarded as independent is not in compliance with the UK Corporate Governance Code, the Board considers that the continuity and experience provided by Karim Khairallah will be valuable for the Remuneration Committee. The committee is chaired by John Nicolson.

(C) *Nomination Committee*

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary.

The Nomination Committee's terms of reference deal with such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Nomination Committee covered in its terms of reference include: review of the Board composition; appointing new Directors; re-appointment and re-election of existing Directors; succession planning, taking into account the skills and expertise that will be needed on the Board in the future; reviewing time required from Non-Executive Directors; determining membership of other Board committees; and ensuring external facilitation of the evaluation of the Board. The Nomination Committee will meet at least twice a year.

The UK Corporate Governance Code recommends that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. The terms of reference of the Nomination Committee require that it comprise three or more Directors, a majority of whom are independent Non-Executive Directors. The Nomination Committee comprises two members who are independent Non-Executive Directors (Andrew Cripps and David Maloney) and the Chairman of the Board (Jack Keenan, who was regarded as independent on appointment). The committee is chaired by David Maloney.

(D) *Disclosure Committee*

The Disclosure Committee is responsible for, among other things, helping the Company make timely and accurate disclosure of all information that it is required to disclose under its legal and regulatory obligations arising as a result of the listing of the Ordinary Shares on the London Stock Exchange. The Disclosure Committee will meet at such times as shall be necessary or appropriate.

The Disclosure Committee's terms of reference deal with such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities in the terms of reference of the Disclosure Committee relate to the following: determining the disclosure treatment of material information; identifying insider information; assisting in the design, implementation and periodic evaluation of disclosure controls and procedures; monitoring compliance with the Company's disclosure procedures and share dealing policies; resolving questions about the materiality of information; insider lists; reviewing announcements dealing with significant developments in the Company's business; and considering the requirements for announcements in case of rumours relating to the Company.

The Disclosure Committee comprises the Chairman of the Board (Jack Keenan), the CEO (Christopher Heath), the CFO (Lesley Jackson), the Group Legal Counsel (Elisa Gomez de Bonilla) and the investor relations director (Andrew Mills). The Committee is chaired by Jack Keenan (in his capacity as a non-executive director).

5. Model Code

From Admission, the Company shall require the Directors and other persons discharging managerial responsibilities within the Group to comply with the Model Code, and shall take all proper and reasonable steps to secure their compliance. Such steps shall include the introduction of a code for dealing in securities applicable to relevant individuals and the monitoring of such individuals' compliance with that code.

6. Remuneration

6.1 *Remuneration policy for senior management*

In anticipation of Admission, the Remuneration Committee undertook a review of the Group's incentive arrangements in place for its senior management (including the Executive Directors) to ensure that they are appropriate for the listed company environment.

Following this review, the current policy of the Group is to ensure that the remuneration packages offered are designed to attract, retain and motivate senior management (including the Executive Directors) of the highest calibre. A significant proportion of the current remuneration package is in the form of performance-linked elements which are intended to be aligned to the business strategy and the long-term interests of shareholders. Taking into account the previous remuneration policy, the experience of the senior management team and the high-growth nature of the business, future remuneration packages (including those which will apply from Admission) are intended to be positioned around the market median of the FTSE 250. The remuneration arrangements have been designed with the intention of reflecting either best or market practice for UK listed companies, as deemed appropriate by the Remuneration Committee.

6.2 *Base salary*

Base salaries will typically be reviewed on an annual basis and the proposed policy is for salaries to be market competitive against UK comparators. In practice, the actual salaries of senior executives may be positioned either side of market rates, depending on their experience and the scope of the role by reference to the benchmark data. In considering the base salary (and other elements of remuneration) of senior executives, due regard will be taken of the pay and conditions of the workforce generally. Base salaries for Christopher Heath and Lesley Jackson will be £490,000 and £318,000 per annum, respectively from Admission.

6.3 *Annual bonus*

Senior management (including the Executive Directors) are eligible to participate in an annual bonus plan, the Stock Spirits Group Annual Bonus Scheme (the "**Old Cash Plan**"), which was operated prior to Admission. Outstanding cash bonus awards under the Old Cash Plan will not be affected by Admission. However, it is currently anticipated that the Old Cash Plan will only continue to be operated until 31 December 2013 (with any final bonuses being paid out following the announcement of the Company's year-end results for 2013). Following the 2013 year-end, a new cash bonus plan, the ABP, (which was adopted by the Board, conditional on Admission, on 21 October 2013) will replace the Old Cash Plan.

The current policy in respect of both the Old Cash Plan and the ABP is for all cash bonuses to be subject to the achievement of performance conditions, which, following Admission, will be set by the Remuneration Committee at the beginning of each financial year in which cash bonus awards are granted. It is currently anticipated that metrics will be primarily linked to the Group's annual financial performance.

It is intended that any annual bonuses granted in relation to 2014 and subsequent years will be capped at 140% of base salary for the Executive Directors and 100% of base salary for other members of senior management. Any cash bonus payable in relation to the 2013 financial year (under the Old Cash Plan) will be payable in cash as soon as practicable following the 2013 year end. For performance in 2014 and thereafter, bonus deferral will be introduced whereby the current intention is that 25% of any cash bonus payable, beginning with any bonus payable in relation to the 2014 financial year, will be deferred into awards over Shares with a two-year vesting period under the DABP (a new deferred share bonus plan which was adopted by the Board, conditional on Admission, on 21 October 2013). It is currently expected that such awards will be granted in the form of nil or nominal cost options.

Bonus payments are non-pensionable.

A summary of the principal terms of the DABP is set out in Part XV (*Additional Information*), section 11.1 (B) of this document.

6.4 ***Pension and benefits***

Most members of senior management (including the Executive Directors) do not currently have any pension arrangements provided by the Company. It is currently anticipated that pension arrangements will be put in place following Admission for all members of senior management (including the Executive Directors) involving contributions by the Company of up to 15% of their respective base salaries; however, no steps have currently been taken in this respect.

The benefits package for the Executive Directors comprises private health cover, critical illness cover, life assurance and a company car allowance of £12,000 per annum.

6.5 ***Long-term incentives***

The Group's ongoing long-term incentive policy following Admission will be delivered through the PSP, a new long-term incentive plan which was adopted by the Board, conditional on Admission, on 21 October 2013 and which is intended to reflect market practice.

It is currently anticipated that awards under the PSP will be granted in the form of nil or nominal cost options on an annual basis and, in the case of grants to Executive Directors, will generally provide for a vesting point no earlier than the third anniversary of the date of grant, subject to vesting conditions set by the Remuneration Committee. The current intention is that the number of Shares under each PSP option/award will be capped at a number of Shares equal in value to 140% of base salary for each of the Executive Directors, determined as at the date of grant, with lower grant levels below the Board.

Performance conditions will be set for each PSP option/award. The Remuneration Committee anticipates that the first awards to be granted under the PSP following Admission (the "**First Grants**") will be made shortly following the publication of the Company's year-end results for 2013 and will be in the form of nil or nominal cost options. It is currently anticipated that performance conditions for the First Grants granted to the Executive Directors will be based on earnings per share growth and total shareholder return performance relative to an international peer group with each measure accounting for half of any First Grant and measurable over a three-year performance period (see Part XV (*Additional Information*), section 11 for further details). Performance conditions and grant levels for PSP options/awards granted to the Executive Directors will be disclosed in the Directors' Remuneration Report each year.

A summary of the principal terms of the PSP is set out in Part XV (*Additional Information*), section 11.1 (A) of this document.

6.6 ***Other share-based incentive arrangements***

The following one-off, standalone share-based incentive arrangements were entered into prior to Admission:

(A) *JOE Agreements*

Prior to the Corporate Reorganisation, each of the Executive Directors beneficially owned a portion of certain shares in the Operating Company under a joint ownership equity arrangement with the trustee of the EBT. As part of the Corporate Reorganisation, these shares were exchanged for Shares (the "**JOE Shares**") and each of the Executive Directors entered into a new joint ownership equity agreement on 21 October 2013 with (among others) the trustee of the EBT (the "**JOE Agreements**"). Under the JOE Agreements, each of the Executive Directors was granted an option to purchase the EBT trustee's interest in the JOE Shares, which is not subject to any performance or forfeiture conditions and is exercisable for five years from the date of Admission.

A summary of the principal terms of the JOE Agreements is set out in Part XV (*Additional Information*), section 11.2 of this document.

(B) *Top-up Options*

Members of management at the time of the Corporate Reorganisation (including the Executive Directors) were each granted a nil cost option (the "**Top-up Options**") over Shares, which was intended to incentivise and reward them for bringing the Company to Admission.

The Top-up Options are not subject to any performance or forfeiture conditions and may be exercised at any time up to ten years from their date of grant. It is currently envisaged that the Top-up Options will be satisfied with Existing Ordinary Shares held in the EBT.

A summary of the principal terms of the Top-up Options is set out in Part XV (*Additional Information*), section 11.3 of this document.

(C) *Substitute Options*

Five members of management (including Lesley Jackson) were each granted a nil cost option (the "**Substitute Options**") over Shares in substitution for the option over shares in the Operating Company which the Operating Company had previously committed to grant pursuant to a former employee share scheme.

Three of the Substitute Options (including the Substitute Option granted to Lesley Jackson) are not subject to any performance or forfeiture conditions and may be exercised immediately. The other two Substitute Options will normally become exercisable on 1 May 2015 and will be subject to certain forfeiture conditions though no performance conditions will apply. All the Substitute Options will lapse ten years from their date of grant if not exercised. It is currently envisaged that the Substitute Options will be satisfied with Existing Ordinary Shares held in the EBT.

A summary of the principal terms of the Substitute Options is set out in Part XV (*Additional Information*), section 11.3 of this document.

6.7 ***Clawback and malus***

Consistent with best practice, clawback provisions may be operated at the discretion of the Remuneration Committee in respect of options/awards granted under the ABP, the DABP and the PSP in certain circumstances (including where there has been a material misstatement of accounts, an error in assessing any applicable performance condition or misconduct on the part of the participant). The clawback provisions will not apply following certain corporate events.

Consistent with best practice, malus provisions may be operated at the discretion of the Remuneration Committee in respect of options/awards granted under the DABP in certain circumstances (including where there has been a material misstatement of accounts, an error in assessing any applicable condition or misconduct on the part of the participant). The malus provisions will not apply following the occurrence of certain corporate events.

6.8 ***Share Ownership Guidelines***

The Remuneration Committee adopted share ownership guidelines with effect from Admission in order to encourage the Executive Directors and other selected members of senior management to build or maintain (as relevant) a shareholding in the Company equivalent in value to 100% of their respective base salaries for the Executive Directors and 50% of their respective base salaries for other selected members of senior management. The relevant threshold is expected to be reached and maintained within five years from Admission or, if later, from the date when such member of senior management became subject to the share ownership guidelines.

Shares held following Admission (including, in the case of the Executive Directors, Shares beneficially owned pursuant to the JOE Agreements), together with any Shares acquired by the relevant members of senior management following Admission, will count towards the thresholds set out in the share ownership guidelines. Shares held or acquired by spouses, civil partners and minor children will count towards the threshold.

Under the share ownership guidelines, those members of senior management subject to the share ownership guidelines (including the Executive Directors) will be encouraged to retain at least 50% of the net-of-tax value of any Shares delivered under the Company's employee share plans or similar arrangements, until such time as the thresholds set out in the share ownership guidelines have been met and are maintained.

6.9 ***Cash LTIP***

Prior to Admission, certain members of mid-tier management participated in the Cash LTIP.

(A) On Admission, most of these mid-tier managers became entitled to receive a cash payment equal to 50% of their accrued award (if any), with the remaining 50% being replaced by nil cost options granted pursuant to the DABP. The number of Shares subject to each such DABP option will usually be calculated by dividing the value of the relevant 50% portion of the accrued Cash LTIP award (increased by 15%) by the market value of a Share on the dealing day before the date when the DABP option vests.

The DABP options granted in relation to the Cash LTIP will normally become exercisable on the first anniversary of Admission, subject to the rules of the DABP and it is currently envisaged that these options will be satisfied either with Shares purchased in the market following Admission or with cash, or with a combination of cash and Shares purchased in the market following Admission at the discretion of the Remuneration Committee. A summary of the principal terms of the DABP is set out in Part XV (*Additional Information*), section 11 of this document.

(B) On Admission, the remaining six of these mid-tier managers became entitled to receive a cash payment equal to 70% of their accrued award (if any), with the remaining 30% being satisfied by a second cash payment on the first anniversary of Admission, subject to the rules of the Cash LTIP.

(C) For Cash LTIP awards granted in respect of the Group's financial years up to and including 2012, it is anticipated that the cash portion (or first cash portion, as the case may be) will be paid out, and any related DABP option will be granted, on or shortly following Admission.

For Cash LTIP awards granted in respect of the Group's 2013 financial year, it is currently anticipated that the cash portion (or first cash portion, as the case may be) (if any) will be paid, and any related DABP option will be granted, following the announcement of the Company's year-end results for 2013.

PART IX

REGULATORY OVERVIEW

1. General EU legislation

There are various EU legislative measures which apply to the industry in which the Group operates and the activities the Group carries out. These measures impact the Group's business in each country in which it operates to different extents, depending on the exact nature of the business the Group conducts there. The following summarises the EU Regulations (in each case, as amended) which are relevant to the Group's operations in the EU countries in which it operates.

1.1 *Regulation (EC) No. 110/2008 of the European Parliament and of the Council of 15 January 2008*

This Regulation concerns the definition, description, presentation, labelling and protection of geographical indications of spirits drinks. It applies to: (i) all spirits placed on the market in the EU, whether produced in the EU or in third countries; (ii) all spirits produced in the EU for export outside the EU; and (iii) the use of ethyl alcohol and/or distillates of agricultural origin in the production of alcoholic beverages in the EU. Regulation 110/2008 provides that spirits placed on the EU market and/or produced in the EU shall have the specific characteristics and shall be labelled as detailed in the Regulation. In addition, Regulation 110/2008 allows Member States to apply stricter national rules on spirits than those laid down in the Regulation.

1.2 *Council Regulation (EEC) 1601/91 of 10 June 1991*

This Regulation establishes general rules on the definition, description and presentation of aromatised wines, aromatised wine-based drinks and aromatised wine-product cocktails. 'Aromatised wine' is defined by Regulation 1601/91 as a drink obtained from wine, to which alcohol has been added and which has been flavoured and generally sweetened, with an alcoholic strength by volume of between 14.5% and 22%.

1.3 *Regulation (EC) No. 178/2002 of the European Parliament and of the Council of 28 January 2002*

This Regulation contains the general principles and requirements of food law. It defines food as "*any substance or product, whether processed, partially processed or unprocessed, intended to be, or reasonably expected to be ingested by humans. 'Food' includes drink, […]*". This broad definition applies to each of the food-related Regulations in this section (namely, EC Regulations 852/2004, 882/2004, 1924/2006 and 1334/2008, and EU Regulation 1169/2011), each of which therefore apply to the products produced by the Group's production facilities.

Regulation 178/2002 established the European Food Safety Authority and introduced procedures relating to food safety. It also imposes a duty on all parties in a food supply chain to ensure full traceability of all their products at any time and to establish crisis management procedures.

1.4 *Regulation (EC) No. 852/2004 of the European Parliament and of the Council of 29 April 2004*

This Regulation aims to ensure food hygiene at every production stage, and provides for the application of the Hazard Analysis and Critical Control Points system (HACCP System), which is applied by the Group at each of its production facilities.

Pursuant to Article 6 of Regulation 852/2004, food producers must notify the competent regulatory authorities in order to effect registration of their production facilities. If the food producers are also feed producers (for instance by processing waste from their food production), they are required to notify the competent regulatory authority in order to effect registration under Regulation (EC) No. 183/2005 on requirements for feed hygiene.

1.5 ***Regulation (EC) No. 882/2004 of the European Parliament and of the Council of 29 April 2004***

This Regulation sets forth rules for harmonising legislation on the official controls performed to ensure the verification of compliance with feed and food law. Several further Regulations were introduced in 2008, setting out a harmonised approval procedure for food additives, enzymes and flavourings and providing for rules on the labelling of these products (namely, EC Regulations 1331/2008, 1332/2008, 1333/2008 and 1334/2008).

1.6 ***Health Claims Regulation (EC) No. 1924/2006 of the European Parliament and of the Council of 20 December 2006***

This Regulation governs nutrition and health claims made on foods. Nutrition and health claims may only be used in the labelling, presentation and advertising of foods placed on the market in the Community if they are explicitly approved under Regulation 1924/2006 and comply with the nutrient profiles to be determined by the European Commission.

1.7 ***Regulation (EU) No. 1169/2011 of the European Parliament and of the Council of 25 October 2011***

This Regulation governs the provision of food information to consumers, and contains key provisions for the labelling of food products.

2. Poland

As a producer, exporter and distributor of spirits, the Group's Polish operations are subject to numerous regulations, permits and licensing requirements and must be entered into certain registers.

2.1 ***Wholesale permits***

According to the act on sobriety education and counteracting alcoholism dated 26 October 1982 (Journal of Laws of 2012, item 1356, the consolidated text), as amended (the "**Polish Sobriety Education Act**"), permits are required for wholesale sales of alcoholic products. Such permits are issued by the Minister of Economy in the case of alcoholic beverages with an alcohol content of more than 18%, and otherwise such permits are issued by the relevant voivodeship marshal (the head of a voivodeship, a voivodeship being an administrative district in Poland). Permits are granted separately for the sale of the following alcoholic beverage categories: (i) alcoholic beverages with an alcohol content of up to 4.5% and beer; (ii) alcoholic beverages with an alcohol content of over 4.5% and up to 18%, excluding beer; and (iii) alcoholic beverages with an alcohol content over 18%. Permits for categories (i) and (ii) above are made for no longer than two years and for category (iii) above for no longer than one year. In general, permits may be revoked or not renewed if the holder, among other things, fails to observe applicable laws for alcohol wholesalers, fails to comply with the requirements of the permit, or introduces into the Polish market alcohol products that have not been approved for trade. The Polish Sobriety Education Act imposes several conditions on the above permits including notification obligations. Furthermore, there is a requirement to hold a separate permit for the sale of alcoholic beverages that are consumed in or outside the place where they are sold.

2.2 ***Quality norms and descriptions***

Producers of spirits beverages in Poland must comply with regulations on packaging, storage, labelling and transportation standards, set forth in the act on the production of spirits beverages, as amended (the "**Polish Spirits Production Act**"). The Polish Spirits Production Act sets forth the requirements for spirits beverages to be introduced into the market, including requirements with respect to the definition, description, presentation and the manner of production as provided in Regulation 110/2008 (described above). Within that scope, spirits beverages are subject to the supervision of the Inspectorate for Commercial Quality of Agrarian and Grocery Products (*Inspekcja Jakości Handlowej Artykułów Rolno-Spożywczych*).

After the European Parliament passed Regulation (EC) 110/2008 and, in so doing, voted down a bid by Poland and some of the other vodka producing states to tighten the legal definition of vodka, the Polish government decided to amend the definition of Polish wódka / Polish vodka in the Polish

Spirits Production Act. The relevant changes were enacted into law on 13 January 2013. The changes impose some technical specifications for the production of spirits described as Polish vodka. Consequently, Polish vodka may be produced only from ethyl alcohol of agricultural origin, obtained from rye, wheat, barley, oats, triticale or potatoes grown in Poland, and which is matured in order to give it distinct organoleptic properties. The definition also provides that all stages of production need to take place in Poland.

2.3 *Registers of alcoholic beverages producers*

According to the Polish Spirits Production Act, companies that manufacture or bottle spirits are required to be registered with the relevant minister for agrarian markets matters. This requires companies to, among other things, implement a quality control system for the production or bottling of spirits, maintain production, storage, social and sanitary spaces and appoint a person responsible for quality control.

Moreover, the act on the production of ethyl alcohol, as amended (the "**Polish Ethyl Alcohol Production Act**") provides that entities producing, purifying, contaminating and/or dehydrating ethyl alcohol are required to be entered in the relevant register governing such activities. Such entities must also implement a quality control system, maintain a production facility, appoint a person responsible for quality control and hold legal title to the premises in which they conduct their activity.

The premises and facilities used for the carrying out of the activities mentioned above must comply with certain requirements relating to the environment, fire safety, health and sanitation.

2.4 *Alcohol advertising restrictions*

The Polish Sobriety Education Act generally prohibits the advertising and promotion of alcoholic beverages in Poland with the exception of beer in certain circumstances. The advertising or promotion of certain products or services with trademarks, graphic shapes or packaging similar to alcoholic beverages is also prohibited. Producers or distributors of beverages with an alcohol content of more than 18% are forbidden from publicising the sponsorship of events. These prohibitions do not prohibit the advertising or promotion of alcoholic beverages conducted inside wholesale stores, allocated booths or points of sale that sell only alcoholic beverages and in places that sell alcoholic beverages intended for consumption on the premises.

2.5 *Taxation of alcoholic beverages*

Art. 92 of the Excise Tax Act, as amended (the "**Polish Excise Tax Act**") defines alcoholic beverages as: (i) ethyl alcohol; (ii) beer; (iii) wine; (iv) fermented beverages; and (v) intermediate goods (such as mead and wine-based beverages) as defined in the relevant provisions of the Excise Tax Act.

The excise tax base for alcoholic beverages is per quantity in hectolitres of the finished product and amounts to: (i) PLN 4,960.00 per one hectolitre of 100% by volume alcohol for ethyl alcohol; (ii) PLN 7.79 per one hectolitre per each Plato degree (a measure of density of beer wort) for beer; (iii) PLN 158.00 per one hectolitre for wine; (iv) PLN 97.00 per one hectolitre of 5% by volume alcohol for cider and perry; and (v) PLN 158.00 per one hectolitre for other fermented beverages.

Generally, the manufacturing of excise goods such as alcoholic beverages may take place only in a tax warehouse (as described below), except for the manufacture of, among others, small quantities of alcoholic beverages produced by small workshops.

The Polish government is planning to increase the excise duty on spirits by 15%. The increase is built into the assumptions for the draft of the 2014 budget statute. On 27 September 2013, the Polish Council of Ministers adopted the draft of the 2014 budget statute and it has been sent to the Polish Parliament for approval. The increase of the excise duty, while it comprises one of the assumptions for the 2014 budget statute, will be implemented by an amendment to the Polish Excise Tax Act. On 3 October 2013, a draft of such amendment was sent to the Polish Parliament for approval and the legislative procedure for its prospective approval commenced on 11 October 2013. The draft amendment provides for the excise tax base for ethyl alcohol to become PLN 5,704.00 per one hectolitre of 100% by volume alcohol. Since the increase in the excise duty relates to the budget for 2014, the increase is (if implemented) expected to be effective from 1 January 2014.

2.6 *Registered tax warehouse (skład podatkowy)*

Tax warehouses are places where excise goods (including alcohol products) are manufactured, stored, handled and received or from which they are sent under suspension of excise duty, and are regulated by the Polish Excise Tax Act and other regulations promulgated thereunder.

Operating a tax warehouse requires a permit, which may be for defined periods of up to three years or for an undefined period. The tax warehouse's operator is under an obligation to inform the competent head of a customs office of any changes to the data included in the original permit application. A change in the location of the tax warehouse or to the goods that are manufactured, stored or reloaded at the tax warehouse requires a new permit.

In principle, excise goods described in Annex 2 of the Polish Excise Tax Act and other excise goods that are not zero rated, may only be produced in a tax warehouse. The entry of the excise goods into a tax warehouse and the removal of such excise goods from a tax warehouse (subject to limitations described in the Polish Excise Tax Act) are subject to excise tax.

In order to operate a tax warehouse, operators must, among other things: (i) carry out at least one type of activity consisting of the manufacture, reloading or storage of excise goods, including those owned by other entities; (ii) be a VAT payer; (iii) appoint management that has not been convicted by a valid judgment of certain offences; and (iv) not be in arrears with the public duties described in the Polish Excise Tax Act.

Permits may be withdrawn at the request of the operator or where: (i) within three months after obtaining the permit, no activity has been started or the activity has been suspended for more than three months without notification to the relevant head of customs office; (ii) the activities of the tax warehouse operator are carried out in a manner contrary to the provisions of tax law or the permit granted; or (iii) the excise security deposited by the tax warehouse operator is no longer valid or it does not ensure coverage in full or in a timely manner of the amount of the duty obligations. Tax warehouse operators are also subject to various regulations concerning record keeping and operating conditions, including security, equipment use, storage, and the technical, sanitary and communication infrastructure.

2.7 *Environmental matters*

Polish spirits producers are subject to a variety of regulations relating to environmental protection, including the Environmental Protection Act, the Waste Law, the Water Law and the Act on Entrepreneurs' Obligations regarding Waste. These laws and regulations require permits to conduct certain activities, regulate the discharge of certain hazardous substances and impose fees for the use of certain natural resources.

3. Czech Republic

The process of producing, distributing, labelling, marketing and advertising alcoholic beverages is subject to extensive regulation in the Czech Republic.

3.1 *Permits and licences*

Pursuant to Act No. 455/1991 Coll., Trade Licensing Act, as amended (the "**Czech Trade Licensing Act**"), a trade (concession) permit (a "**Czech Trade Permit**") issued by the Trade Licensing Office (*Živnostenský úřad*) is required in order to produce or process fermented spirits, consumer spirits, spirits drinks and other alcoholic beverages (except for beer, fruit wines, other wines and mead and grower's own fruit distillates). Czech Trade Permits may be issued for a definite or an indefinite period of time. Issuance of a Czech Trade Permit is conditional upon: (i) fulfilment of certain general conditions (age, legal capacity, no criminal records); (ii) certain professional qualifications; and (iii) issuance of an affirmative statement by the Czech Ministry of Agriculture. The statement of the Czech

Ministry of Agriculture is binding on the Czech Trade Licensing Office (whether affirmative or negative). The production and processing of spirits and alcoholic beverages must comply with requirements set forth by the Czech Trade Licensing Office in the Czech Trade Permit, concerning, in particular, the premises used for the production of spirits and other alcoholic beverages. In general, Czech Trade Permits may or must be revoked by the Czech Trade Licensing Office if the holder fails to comply with the requirements set forth in the Czech Trade Licensing Act and/or in the Czech Trade Permit.

3.2 *Quality norms*

Producers of alcoholic beverages in the Czech Republic are subject to extensive regulation on production, packaging, storage and labelling standards. The primary goals of these regulations are to protect consumers and prevent illegal alcoholic beverage production and tax evasion. An important part of this regulation, contained in Act No. 61/1997 Coll., on Spirits, as amended (the "**Czech Act on Spirits**"), stipulates conditions for the production, treatment, storage and evidence of spirits (ethyl alcohol). According to the Czech Act on Spirits, consumer spirits, spirits drinks and other alcoholic beverages can be produced only in premises approved by the Czech Ministry of Agriculture and based on a Czech Trade Permit (as described above). Certain specialised treatments of spirits, such as rectification, require additional permits. Additional rules regarding health and safety packaging and proper labelling of alcoholic products (regarding the composition of products) are set forth in Act No. 110/1997 Coll., on Food and Tobacco Products, as amended. Within the scope of the above-mentioned regulations and acts, spirits, spirits drinks and other alcoholic beverages are subject to the supervision of, among others, the Czech Agriculture and Food Inspection Authority (*Státní zemědělská a potravinářská inspekce*) and competent customs authorities.

Special rules regarding labelling of spirits drinks are further set forth in Act. No. 676/2004 Coll. On Compulsory Labelling of Spirits, as amended (the "**Czech Compulsory Labelling Act**"). The purpose of the Czech Compulsory Labelling Act is to prevent illegal production of spirits and tax evasion by labelling each package of spirits intended for consumers. According to the Czech Compulsory Labelling Act, spirits in consumer packaging (package fitted with the label of the producer, importer or seller, intended for sale to a final consumer), produced within the tax territory of the Czech Republic or imported into this territory, must be labelled with a control strip. The obligation to label consumer packaging of spirits applies to producers, importers or tax warehouse keepers (see the "taxation of alcoholic beverages" section below) who place spirits into so-called "free tax circulation" (i.e. release spirits for consumption). These persons must register with the competent Czech Customs Directorate and comply with the duties laid down in the Czech Compulsory Labelling Act (duties regarding labelling, documentation on control strips, protection of control strips etc.). The control pursuant to the Czech Compulsory Labelling Act is performed by competent Czech Customs Directorates and Customs Offices.

3.3 *Regulation on alcohol advertising, promotion and sale*

According to Act No. 40/1995 Coll. On Regulation of Advertisements, as amended, advertising of alcoholic beverages (spirits drinks, wines, beers and any other beverages with an alcohol content of more than 0.5%) is subject to certain restrictions in the Czech Republic. Such advertising (regardless of its medium) may not encourage immoderate consumption of alcoholic beverages, target persons under 18 years of age, link alcohol consumption with increased performance, create the impression that alcohol consumption contributes to social or sexual success, claim that alcohol in the beverage has therapeutic qualities, stimulant or sedative effects or emphasise alcohol content as a quality of a beverage. Similar conditions regarding commercial communications on television and radio are set forth in Act No. 231/2001 Coll., Broadcasting Act, as amended.

According to Act No. 379/2005 Coll. On Measures against Damage Caused by Tobacco Products, Alcohol and Other Addictive Substances, as amended, promotion and sale of alcoholic beverages are subject to several restrictions that limit the availability of alcohol beverages. Generally, with the exception of certain cultural events such as markets and festivals, alcoholic beverages may be sold only: (i) in specialised shops of alcoholic beverages; (ii) in specialised departments of department stores (supermarkets), grocery stores and general merchandise stores; and (iii) in cultural or accommodation facilities and catering facilities (restaurants, pubs etc.). The sale or serving of alcoholic beverages is prohibited to persons under 18 years of age, in health facilities, in schools, on domestic public transport (subject to certain exceptions, such as in dining cars) or at sporting events (with the exception of specific kinds of draught beer). Mail order sale and all other forms of sale where it is not possible to verify the age of the buyer are also prohibited. Moreover, some other restrictions regarding sale, serving and consumption of alcoholic beverages may be set forth in local ordinances by municipalities in the case of a public culture, social or sporting event. Within that scope, alcoholic beverages are subject to the supervision of several authorities, such as municipalities, police authorities and competent health authorities.

3.4 ***Taxation of alcoholic beverages***

Taxation of production and wholesale sales of alcoholic beverages consists primarily of obligations relating to excise tax (*spotřební daň*), although other generally applicable taxes, such as VAT, are also imposed on alcoholic beverages (however, since those other taxes are not only specific to alcoholic beverages, they are not described in this section). According to Act No. 353/2003 Coll. On Excise Taxes, as amended (the "**Czech Excise Taxes Act**") excise tax is imposed on: (i) spirits (defined as ethyl alcohol); (ii) beer; and (iii) wine, fermented beverages and intermediate products (such as mead and wine-based beverages). Wines are further divided into sparkling wines and still wines.

The excise tax base for the above-mentioned products is the quantity of the product in hectolitres. The excise tax rates amount to: (i) CZK 28,500 per one hectolitre of ethyl alcohol for spirits (CZK 14,300 for spirits contained in distillates from grower's distillation limited to an amount of 30 litres per year); (ii) CZK 32 per one hectolitre for each whole per cent by weight of the extract of the original wort for beers (the rate is reduced in the case of small independent breweries by up to CZK 16 depending upon annual production volume); (iii) CZK 2,340 per one hectolitre for sparkling wine, fermented beverages and intermediate products; and (iv) CZK 0 for still wines.

In principle, the production of excise goods including alcoholic beverages taxed other than zero rated goods (still wines) may only take place in a tax warehouse (with the exception of the production of small quantities of alcoholic beverages).

3.5 ***Tax warehouses (daňový sklad)***

A tax warehouse is a place where excise goods (including spirits drinks and other alcoholic products) are produced, stored, handled and received, or from which they are sent under an excise duty suspension arrangement. The conditions under which tax warehouses are operated and related duties are set forth in the Czech Excise Taxes Act. In principle, the excise tax becomes chargeable at the time of placing of excise goods into so-called "free tax circulation" (time of release of excise goods for consumption), which is (in the case of excise goods produced in the Czech Republic) usually the moment when the excise goods leave a tax warehouse (provided that the excise goods are not transferred under an excise duty suspension arrangement).

According to the Czech Excise Taxes Act, operating a tax warehouse requires a permit which is issued by a competent Czech Customs Directorate upon a prior written application. A permit to operate a tax warehouse may be granted upon compliance with several conditions set forth in the Czech Excise Taxes Act. These conditions include: (i) no debts relating to payments of customs, taxes and social and health insurance; (ii) no liquidation or insolvency proceedings; and (iii) providing a required security for payment of the future excise tax. A tax warehouse keeper is obliged to inform the Customs Office in the event of any changes to the information contained in the permit and perform other duties laid down in the Czech Excise Taxes Act or in the permit (in particular duties regarding documentation of excise goods or security). A new permit to operate a tax warehouse is required for, amongst other acts, a change of tax warehouse location, of warehouse keeper or of products stored.

The Czech Customs Directorate is obliged to revoke a permit to operate a tax warehouse if the holder fails to comply with the requirements set forth in the Czech Excise Taxes Act and/or in the issued permit. Such situation can occur if, amongst other circumstances, the permit holder fails to comply with the above conditions for obtaining the permit, fails to perform duties regarding documentation of excise goods, fails to keep accounts in a correct manner or when the security for payment of the excise tax is not sufficient and the permit holder does not replenish it despite a request of the Czech Customs Office.

3.6 *Environmental matters*

Producers of alcoholic beverages in the Czech Republic are subject to relatively extensive regulation with respect to environmental protection, including, *inter alia*, Act No. 254/2001 Coll., Water Act, as amended, Act No. 201/2012 Coll. On Air Protection, as amended, Act No. 114/1992 Coll. On Protection of Nature and Landscape, as amended, Act No. 185/2001 on Wastes, as amended, and Act No. 477/2001 on Packaging, as amended. The extent of applicability of the above-mentioned acts depends upon the operations of the producer; however, any activity that exceeds certain levels is to be considered as interference with the environment and, as such, is subject to numerous restrictions, limitations or permits. The environmental protection also plays an important role in obtaining planning and building permits in the event of construction or restoration of production, storage and other facilities.

3.7 *Proposed and recent amendments*

At the date hereof, there are amendments proposed to the Czech Compulsory Labelling Act that will enter into force on 1 December 2013. The changes include the reduction of the size of packages intended for consumers, more restrictive rules regarding the handling of alcohol, a new specification relating to the control strips and the establishment of a new registry of entities labelling or distributing spirits. Pursuant to a recent amendment to the Czech Trade Licensing Act, the selling of alcoholic beverages is now only possible under a trade concession permit. Both of the amendments were discussed and approved by the Chamber of Deputies and the Senate and signed by the President in September 2013. These amendments were published in the Collection of Laws on 2 October 2013. The amendment to the Czech Compulsory Labelling Act shall enter into force on 1 December 2013 and the amendment to the Czech Trade Licensing Act entered into force on 17 October 2013.

4. Italy

As an importer and distributor of alcoholic products in Italy, the Group is required to obtain a number of licences and permits.

4.1 *Wholesale licence*

At the national level, the Legislative Decree No. 114 of 1998 states the main principles and definitions which govern trade activities in Italy. However, each region can locally implement the national provisions, providing for specific rules and dispensations.

On the basis of the national principles, trade operators are divided into wholesalers and retailers. Wholesale is performed by professional operators that purchase products on their own, in order to sell such products to other traders or retailers or to professional customers or other large customers. The national law provides for two main categories of products to be sold: food and non-food.

Article 9 of Legislative Decree No. 147/2012 amended Legislative Decree No. 114 of 1998. According to the amendments, wholesale is no longer subject to the verification of the professional skills necessary to perform the trade activity (i.e. training course(s)), but only to the personal skills of good standing (i.e. no criminal offences etc.).

4.2 *Advertising*

Various local regulations apply in relation to the advertisement of spirits.

Art. 13 of Law No. 125 of 2001 prohibits the direction of spirits advertisements at minors, from picturing minors consuming alcohol and from encouraging excessive use of spirits. In particular, the following alcoholic beverage advertising is prohibited: (i) if it is inserted in television programmes directed at minors and/or during the 15 minutes before and after such television programmes; (ii) if it gives therapeutic messages not expressly recognised by the Italian Ministry of Health; (iii) if it shows minors drinking alcoholic beverages or encouraging an excessive use of spirits. Direct or indirect advertising of alcoholic beverages is prohibited in places habitually attended by minors. Radio and television advertising of spirits is prohibited between 16:00 and 19:00.

Art. 22 of the Code of Marketing Communication Self-Regulation, provides that marketing communication concerning alcoholic beverages should depict styles of drinking behaviour that project moderation, wholesomeness and responsibility. In particular, a marketing communication should not: (i) encourage an excessive, uncontrolled, and hence harmful consumption of alcoholic beverages; (ii) depict an unhealthy attachment or addiction to alcohol, or the belief that resorting to alcohol can solve personal problems; (iii) target or refer to minors, even indirectly, or depict minors consuming alcohol; (iv) associate the consumption of alcoholic beverages with the driving of motorised vehicles; (v) encourage the belief that the consumption of alcoholic beverages promotes clear thinking and enhances physical and sexual performance, or that the failure to consume alcohol implies physical, mental or social inferiority; (vi) depict sobriety and abstemiousness as negative values; (vii) induce the public to disregard different drinking styles associated with the specific features of individual beverages and the personal conditions of consumers; or (viii) stress high alcoholic strength as being the principal feature of a beverage.

4.3 *Taxation of alcoholic beverages*

Pursuant to Legislative Decree dated 26 October 1995, No. 504 (the "**Italian Excise Tax Code**") alcoholic beverages and ethyl alcohol are subject to excise duties. Art. 27 of the Italian Excise Tax Code identifies the products that fall within such excise duties regime which include: (i) beer; (ii) wine; (iii) fermented beverages different from wine and beer; (iv) intermediate alcoholic products (such as mead and wine-based beverages); and (v) ethyl alcohol.

As a general rule, the production, transformation and/or storage of alcoholic beverages subject to excise duties can be performed only through a tax warehouse (deposito fiscale) even if some exceptions are provided by tax law (for example, for a "small producer of wine" as defined by Art. 37 of the Italian Excise Tax Code).

The main categories of alcoholic beverages subject to excise duties are: (i) beer (Art. 34); (ii) wine (Art. 36); (iii) fermented beverages different from wine and beer (Art. 38); (iv) intermediate alcoholic products (Art. 39); and (v) ethyl alcohol (Art. 32). Fermented Beverages different from wine and beer include all products covered by custom codes CN codes 2204 and 2205 not classified as wine under Art. 36 and the products referred to by custom code CN 2206, excluding products under Art. 34 (i.e. beer) having: (i) an actual alcoholic strength of more than 1.2% but not higher than 10% by volume; and (ii) an actual alcoholic strength of more than 10% but not exceeding 15% by volume, provided that the alcohol in the product is entirely from fermentation; and other "sparkling fermented beverages" meaning all products falling within custom codes CN 2206 0031, 2206 0039, as well as all products falling within custom codes CN 2204 10, 2204 2110, 2204 2910 and 2205, not classified as wine, if: (i) contained in bottles with a "mushroom cap" held by ties or fastenings, or having an excess pressure due to carbon dioxide in solution of three bar; (ii) having an alcoholic strength exceeding 1.2% but not more than 13% by volume; (iii) having an alcoholic strength exceeding 13% but not more than 15% by volume, provided that the alcohol in the product is entirely from fermentation. Intermediate Alcoholic Products (Art. 39) include all products falling within custom codes CN 2204, 2205 and 2206 not classified as "beer", "wine" and "fermented beverages" with an alcohol content of more than 1.2% but not higher than 22% by volume. Ethyl alcohol (Art. 32) products include products: (i) with an actual alcoholic strength higher than 1.2% in volume and falling within custom codes CN 2207 and 2208, even when they are part of a product covered by another chapter of the combined nomenclature; (ii) products that have an actual alcoholic strength exceeding 22% by volume and falling within CN codes 2204, 2205 and 2206; and (iii) spirits containing solid products, or in solution.

The excise tax base for alcoholic beverages is the quantity in hectolitres of the finished product and amounts to:

(i) €800.01 per one hectolitre for ethyl alcohol, increased to €905.51 from 10 October 2013 by art. 25 of the Law Decree dated 12 September 2013, n. 104. According to said decree, the excise tax for ethyl alcohol is further increased to €920.31 starting from 1 January 2014 and to €1019.21 starting from 1 January 2015;

(ii) €2.35 per one hectolitre and per each Plato degree for beer, increased to €2.66 from 10 October 2013 by art. 25 of the Law Decree dated 12 September 2013, n. 104. According to said decree, the excise tax for beer is further increased to €2.70 starting from 1 January 2014 and to €2.99 starting from 1 January 2015; and

(iii) €68.51 per one hectolitre for intermediate products, increased to €77.53 from 10 October 2013 by art. 25 of the Law Decree dated 12 September 2013, n. 104. According to said decree, the excise tax for intermediate products is further increased to €78.81 starting from 1 January 2014 and to €87.28 starting from 1 January 2015.

Wine and fermented beverages different from wine and beer are “zero rated” products.

Pursuant to Art. 40, par. 1-ter, of the Law Decree no. 98/2011 the Italian VAT rate applicable to spirits is to increase from 21% to 22%. The implementation of this increase on 1 October 2013 was approved by the Italian Chamber of Deputies on 7 August 2013.

4.4 *Registered tax warehouse*

Stock Italy s.r.l., the Group’s Italian subsidiary, operates one registered tax warehouse located in Massalengo in Italy, which is held by Zanardo Servizi Logistici, S.p.A.

Tax warehouses are places where excise goods (including alcohol products) are manufactured, transformed, stored, handled and received or from which they are sent under suspension of excise duty, and are operated on the basis of the Italian Excise Tax Code and the decrees issued on the basis of it.

Pursuant to the Italian Excise Tax Code, operating a tax warehouse for alcoholic beverages requires a licence (*licenza di esercizio*) which is issued by the competent head of a customs office upon a written application (to be filed 90 days before the business activity starts in the case of a manufacture/transformation plant or 60 days for a storage deposit) by an entity that wishes to operate such a warehouse. The licence is issued for an undefined period and it is revoked if the conditions required for the operation of the plant are no longer met. Moreover, the licence is revoked from, or denied to, anyone who has been convicted of the illegal manufacture of, or evasion in connection with, alcohol or alcoholic beverages.

The customs office, having performed technical checks of the plant(s) and once it has received the guarantee required by law, will issue the tax licence.

If information previously declared to the customs office for obtaining the licence changes, the tax warehouse keeper must inform the competent customs office of those changes. A change of a tax warehouse’s location or of the tax warehouse keeper requires a new licence to operate the tax warehouse. The licence is unique (i.e. there is no need to ask for an additional licence) if, in the same plant, it is possible to complete most activities subject to licensing related to the corresponding sector of the tax (e.g. alcoholic beverages).

In addition to receiving a customs office licence, tax warehouse operators are required to obtain other necessary permits, such as those relating to the environment, health and other procedures.

The tax warehouse keeper must fulfil certain obligations (Circular dated 28 April 2006, No. 16). In particular they are obliged to: (i) provide a guarantee sufficient to cover the potential excise debt (depending on the nature of the goods); (ii) comply with instructions set forth for the exercise of tax supervision; (iii) keep accounts of the products held and handled in the tax warehouse; and (iv) produce the products whenever so required and allow checks and controls by the customs office. The failure to observe such obligations could lead to the revocation of the licence.

As far as tax warehouses related to alcoholic beverages are concerned, detailed instructions have been provided by the Decree dated 27 March 2001, No. 153 which introduced specific rules related to the control of the manufacturing, processing, storage and circulation of ethyl alcohol and alcoholic beverages.

Such Decree provides in-depth information regarding: (i) the information and documentation to be provided to the customs office in connection with the application for the issuing of the licence; (ii) the controls to be performed by the customs office on plants used as tax warehouses; (iii) the ledgers to be kept concerning the excise goods held and produced in the tax warehouse; (iv) the rules of the tax warehouse, which constitute its operational conditions and which should be approved by the customs authority; (v) denaturing procedures; and (vi) general rules related to the stamp marks called "*contrassegni di stato*" (further rules have been provided in this respect by the Ministerial Decree dated 10 October 2003 No. 322).

4.5 *Labelling of spirits*

According to Italian law, the import of spirits from outside the EU is prohibited if the spirits do not satisfy the requirements for the production of spirits in the EU. Moreover, the introduction of ethyl alcohol to the Italian territory could trigger the application of the fiscal provisions of Decree 153/2001 of the Finance Ministry, which also applies to the mere circulation of ethyl alcohol and spirits drinks in the Italian territory. Also, spirits must bear the so-called "*State seal – Accisa sull'alcol etilico – Bevande Alcoliche – Contrassegno di Stato*" (Art. 44 legislative decree No. 504/1995) indicating the content expressed in litres, the series and the number. This is aimed at proving that any relevant taxes have been paid.

5. Slovakia

5.1 *Specific permissions and licences*

Under Act No. 467/2002 Coll. On the Production of Spirits and Their Placement on the Market, as amended (the "**Slovak Act on Spirits**") (*Zákon o výrobe a uvádzaní liehu na trh*), spirits may only be produced, processed, disposed of and placed on the market by a legal entity or a natural person that has obtained and holds a licence to produce and process spirits in a specific distillery plant and place the same on the market, granted by the Ministry of Agriculture. However, such a licence does not authorise its holder to operate a distillery plant. A distillery plant may only be operated by the holder of a licence to operate a tax warehouse, granted under the Act No. 530/2011 Coll. On Excise Taxes on Alcoholic Beverages, as amended (the "**Slovak Excise Taxes Act**"), by the respective Customs Office.

The operation of a distillery plant requires two licences, specifically (i) a licence to produce and process spirits in the distillery plant, proving the fulfilment of primarily technical requirements for the production of spirits; and (ii) a licence to operate a tax warehouse, proving that the spirits producer, the spirits processor, or the entity placing the spirits onto the market is a registered payer of the mandatory excise duty on alcoholic beverages in accordance with Slovak law.

Imperator, the Group's Slovakian subsidiary, has obtained and holds: (i) the two licences required to operate a tax warehouse, granted by the Customs Office in Trenčín; and (ii) the licences required to produce and process spirits in a distillery plant for the following types of distillery plants:

- a liquor production plant (*povolenie na výrobu a spracovanie liehu v liehovarníckom závode – výrobňa liehovín*);
- a distillery (*povolenie na výrobu a spracovanie liehu v liehovarníckom závode – liehovar na destiláty*); and

- a separate spirit warehouse (*liehovarnícky závod na výrobu liehu – samostatný sklad liehu*).

All of the above-mentioned licences (the two licences required to operate a tax warehouse and the three licences required to produce and process spirits in a distillery plant) have been granted for an indefinite period of time.

5.2 ***Trade licences***

Pursuant to Act No. 455/1991 Coll. On Licensed Trades (Trade Licensing Act) (the "**Slovak Trade Licensing Act**"), a trade licence issued by the Trade Licensing Office (*Živnostenský úrad*) is required for the operation of a business. The trade licence may be issued for a definite or indefinite period of time. Issue of the trade licence is conditional upon: (i) the fulfilment of certain general conditions (such as age, legal capacity, no criminal records, etc.); and, in some cases, also (ii) certain professional qualifications.

Imperator's core business activities involving the production of alcoholic beverages (liquors and distillates) and operating a tax warehouse are subject to the Slovak Act on Spirits and Slovak Excise Taxes Act. Imperator's non-core business activities, such as the purchase of goods to sell within the free trade licence, middleman services for goods within the free trade licence, the manufacture and sale of soft drinks, retail trade outside of the regular premises, promotional activities, car rental, renting of machinery and equipment without attending personnel, organising of seminars and exhibitions, consulting within the free trade licence and wine production, are subject to the Slovak Trade Licensing Act.

5.3 ***Regulation on alcohol advertising, promotion and sale***

Under Act No. 147/2001 Coll. On Advertising and on Amendment and Supplement to Certain Acts (as amended) the advertising of alcoholic beverages (spirits drinks, wines, beers, and any other beverages with an alcohol content of more than 0.75%) is subject to certain restrictions in Slovakia. Such advertising (regardless of its medium) may not link alcohol consumption to favourable effects on physical performance or mental performance, claim that alcoholic beverages have therapeutic qualities, stimulant or sedative effects, or help solve personal problems, may not encourage immoderate consumption of alcoholic beverages or present teetotalism or sobriety as a shortcoming, and may not emphasise alcohol content as a quality of a beverage. The advertising of alcoholic beverages may not target minors, and no person that may be considered to be a minor may be linked, in an advertisement, to the consumption of alcoholic beverages.

Under Act No. 219/1996 Coll. On Protection against Misuse of Alcoholic Beverages and Setting up Anti-Alcoholic Emergency Services Facilities (as amended) the sale and serving of alcoholic beverages are subject to several restrictions that limit availability of alcoholic beverages. Generally, the sale or serving of alcoholic beverages is prohibited to persons under 18 years of age, persons evidently under the influence of alcohol, in health facilities except for spa medical institutions for adults, at gatherings and public cultural events except for beer and wine, and at public cultural events intended for persons under 18 years of age. The serving of alcoholic beverages to drivers and/or facilitating drivers to consume alcoholic beverages is prohibited. Any person to whom the restrictions mentioned above apply must refuse to sell or serve alcoholic beverages to persons whom they doubt meet the age condition, unless such persons prove they meet that condition.

5.4 ***Quality standards***

Producers of alcoholic beverages in Slovakia are subject to extensive regulation on production, packaging, storage and labelling standards. The primary goals of these regulations are to protect consumers and prevent illegal production and tax evasion.

An important part of these regulations is contained in the Slovak Act on Spirits, which stipulates the terms and conditions for the production, treatment, storage and evidence of spirits (ethyl alcohol).

Other important Slovakian laws providing for or regulating the production and/or processing of spirits in Slovakia include, for example, the following: (i) Decree of the Slovak Ministry of Agriculture No.

2915/2003-100 on Standards for Spirits Losses Admissible in the Operation of a Distillery Plant and in Other Spirits Processors, the Use of Standards for Spirits Losses and on Alcoholometric Tables; (ii) Decree of the Slovak Ministry of Agriculture No. 3301/2004-100 on Standards for Spirits Losses in Distillery Plants and in Other Spirits Processors for Individual Types of Losses and the Application of Such Spirits Losses for the Purpose of Exemption from the Excise Tax on Spirits; (iii) Decree of the Slovak Office of Standards, Metrology and Testing No. 210/2000 Coll. On Measuring Instruments and Metrological Control; (iv) Decree of the Slovak Ministry of Agriculture No. 652/2002 Coll. On Carrying Out Professional Preparation Necessary for the Issuance of a Licence to Operate a Distillery Plant for Silvicultural Distillation of Fruits; or (v) Decree of the Slovak Ministry of Finance No. 537/2011 Coll. On the Inspection of Spirits Production and Circulation.

5.5 *Taxation of alcoholic beverages*

Taxation of the production and wholesale of alcoholic beverages consists primarily of obligations relating to excise tax (*spotrebná daň*), although other generally applicable taxes, such as VAT, are also imposed on alcoholic beverages (however, as those taxes are not specific to alcoholic beverages only, they are not described in this section). Under the Slovak Excise Taxes Act, excise tax is imposed on an alcoholic beverage (defined as spirits, wine, intermediate products and beer) produced in Slovakian territory, supplied to Slovakia from another member state (as defined in the Slovak Excise Taxes Act), or imported to Slovakia from a third-country territory.

For the purposes of the Slovak Excise Taxes Act, alcoholic beverages which fall into the category of spirits are products falling within combined nomenclature codes: (i) 2207 and 2208, with an actual alcoholic strength by volume exceeding 1.2% vol.; (ii) 2204, 2205 and 2206, with an actual alcoholic strength by volume exceeding 22% vol.; or (iii) other than those under Chapter 22, with an actual alcoholic strength by volume exceeding 1.2% vol.

Alcoholic beverages which fall into the category of wine are still wine, sparkling wine, still fermented beverages, and sparkling fermented beverages. Alcoholic beverages which fall into the category of intermediate products are products falling within combined nomenclature codes 2204, 2205 and 2206 with an actual alcoholic strength by volume exceeding 1.2% vol. but not exceeding 22% vol., which are not wine. Alcoholic beverages which fall into the category of beer are products falling within combined nomenclature code (i) 2203 with an alcoholic strength by volume exceeding 0.5% vol., produced by fermentation of wort; or (ii) 2206 with an alcoholic strength by volume exceeding 0.5% vol. which is a mixture of beer pursuant to (i) above with a non-alcoholic drink.

The tax base for excise tax on alcoholic beverages which are spirits is the quantity of spirits expressed in hectolitres of 100% alcohol at a temperature of 20°C. The tax base for excise tax on alcoholic beverages which are wine, intermediate products or beer is the quantity expressed in hectolitres. The excise tax is calculated as the product of the tax base (the quantity in hectolitres) and the respective tax rate under Section 6 of the Slovak Excise Taxes Act.

Under Act No. 105/2004 Coll. On Excise Taxes on Spirits and on Amendment and Supplement to Act No. 467/2002 Coll. (as amended), the sale of unmarked consumer packaging in the tax territory, which is the territory of Slovakia, is prohibited. Under that Act, consumer packaging of spirits means a closed consumer package (designed for immediate protection of goods or a group of goods) filled with spirits for direct human consumption. The consumer packaging must be marked with a Slovak tax stamp, the identification number of which corresponds to the volume of consumer packaging, the volume concentration of spirits in the consumer packaging and the purchaser of tax stamp. Consumer packaging falling within combined nomenclature codes 2207 and 2208 may only be released to free tax circulation in the tax territory if it is marked with the tax stamp. The consumer packaging may only be marked by an authorised warehouse keeper or an authorised recipient and importer of the consumer packaging, who will release it to tax free circulation in the tax territory. The tax stamp must be put on the consumer packaging at a location intended for opening so that the tax stamp is torn when the consumer packaging is opened.

5.6 ***Tax warehouse (daňový sklad)***

A tax warehouse is a place where excise goods (including spirits drinks and other alcoholic products) are produced, stored, handled and received, or from which they are sent under an excise duty suspension arrangement. The conditions under which tax warehouses are operated and related duties are set forth in the Slovak Excise Taxes Act. In principle, the excise tax becomes chargeable at the time of releasing excise goods into so-called "free tax circulation" (the time of release of excise goods for consumption), which is (in the case of excise goods produced in Slovakia) usually the moment when excise goods leave a tax warehouse (provided that excise goods are not transferred under an excise duty suspension arrangement).

Under the Slovak Excise Taxes Act, operating a tax warehouse requires a licence which is issued by a competent Slovak Customs Office upon a prior written application. A licence to operate a tax warehouse may be granted subject to compliance with several conditions set forth in the Slovak Excise Taxes Act. These conditions include, for example: no debts relating to payments of customs duties, taxes and social and health insurance; no liquidation or insolvency proceedings; provision of a required security for payment of the future excise tax; making a deposit for tax; no criminal records (with regard to crimes against property and economic crimes); proper bookkeeping, etc.. When applying for a licence to operate a tax warehouse, an important condition the applicant must meet is to make a deposit for excise duty attributable to the average monthly quantity of the alcoholic beverage it expects to release for free circulation over a period of twelve consecutive calendar months. The applicant must make such a deposit either by (i) a cash deposit made to the account of the customs office; or (ii) a bank guarantee for the benefit of the customs office.

A tax warehouse keeper is obliged to inform the Customs Office in the event of any changes to information contained in the permit and perform other duties laid down in the Slovak Excise Taxes Act or in the permit (in particular, the duties regarding documentation of excise goods or security). A new licence to operate a tax warehouse is required for, amongst other acts, a change of tax warehouse location, of tax warehouse keeper, or of products stored.

The Slovak Customs Office is obliged to revoke a licence to operate a tax warehouse if the holder fails to comply with requirements set forth in the Slovak Excise Taxes Act and/or in the issued licence.

5.7 ***Environmental matters***

Producers of alcoholic beverages in Slovakia are subject to relatively extensive regulations with respect to environmental protection, including, *inter alia*, Act No. 364/2004 Coll., the Water Act, as amended; Act No. 137/2010 Coll. On Air Protection, as amended; Act No. 543/2002 Coll. On Protection of Nature and Landscape, as amended; Act No. 223/201 on Wastes, as amended; or Act No. 119/2010 on Packages, as amended. The extent of applicability of the above-mentioned acts depends on the operations of the producer; however, any activity that exceeds certain levels is to be considered as interference with the environment and, as such, is subject to numerous restrictions, limitations, or permits. Environmental protection also plays an important role in obtaining planning and building permits in the event of construction or restoration of production, storage, and other facilities.

6. Germany

The Group's German subsidiary, Baltic Distillery GmbH ("**Baltic Distillery**"), which owns the Group's ethanol distillery located near Rostock, Germany, is subject to regulatory requirements under (i) the European Regulations described in section 1 above; (ii) German legislation on food law; and (iii) further German legislation (environmental and emission control legislation, competition law, special tax law provisions and approval requirements) (in each case, as amended).

6.1 ***General food law framework***

Baltic Distillery produces ethanol for use in beverages, specifically spirits, intended for human consumption. Under German law, beverages are considered to be food. As such, they are subject to the relevant national regulations on the protection of consumers against health risks in any country where they are produced or marketed. These mandatory laws are supplemented by the strict standards established by self-regulatory associations.

The following German laws apply: the German Food and Feed Code (*Lebensmittel- und Futtermittelgesetzbuch*), the provisions of the German Food and Commodities Act (*Lebensmittel- und Bedarfsgegenständegesetz*), which have temporary effect pursuant to relevant transitional arrangements and other regulations applying to the production, distribution and labelling of food, the Flavourings Regulation (*Aromenverordnung*), the Food Labelling Regulation (*Lebensmittel-Kennzeichnungsverordnung*), the Food Irradiation Regulation (*Lebensmittelbestrahlungsverordnung*), the Regulation on Vitamin-Enhanced Food (*Verordnung über vitaminisierte Lebensmittel*), the Wine Regulation (*Weinverordnung*) and the Regulation on the Delegation of Responsibilities to the Federal Consumer Protection and Food Safety Office (*BVL-Aufgabenübertragungsverordnung*).

The Food Labelling Regulation is a German federal law which sets out the labelling requirements for pre-packaged food, including the requirements applicable to the outside packaging and to the labels which are attached to the packaging. This regulation applies in part to sales of spirits. In addition to the laws and regulations enacted by the German federal government, various German federal states have also passed implementing laws, especially with regard to the monitoring of food products. Within the European Union, the use of certain harmful ingredients in the manufacturing of food products and other commodities is banned and extensive labelling requirements are in place. Failure to comply with these requirements may result in considerable fines being imposed and the withdrawal of the relevant goods from the market.

Consumer protection is further enhanced by the German Consumer Information Act (*Verbraucher-Informationsgesetz*), which gives authorities at the federal state level the ability to make public any non-compliance with the German Food and Feed Code.

In addition, a working group of the German food trading industry has established the International Food Standard (IFS) as an auditing standard to be met by private-label suppliers and direct suppliers of fresh produce. This standard is gaining international recognition.

6.2 *Environmental and emission control framework*

Manufacturing businesses are subject to statutory environmental and emission control regulations. Under the German Federal Emissions Act (*Bundesimmissionsschutzgesetz*) permission must be obtained for the erection and operation of installations which, due to their character or operation, are likely to cause damage to the environment or to endanger or considerably disadvantage or inconvenience the general public or neighbours. A list of these installations is available in the German Regulation on Installations Requiring Permission (*Verordnung über genehmigungsbedürftige Anlagen – 4. BlmSchV*). The permission would include most of the other regulatory decisions needed for the operation of such installations, in particular, permits required under public law, licences, authorisations, concessions and approvals. Unless a permit for the operation of an installation can be challenged under the Federal Emissions Act, it is impossible to demand the discontinuation of the operation of the installation by claiming any right under private law which is not based on a special title to defend a property from the negative effects emanating from an adjacent property. It is only possible to claim for precautionary measures to be taken to prevent such effects. Where the facilities do not allow for precautionary measures to be taken or where such measures are economically unreasonable, only the payment of damages can be claimed.

In addition to the requirements under emission control laws, there are also requirements under water-related legislation (at the federal and state levels) and under soil protection legislation (especially laws relating to the avoidance of adverse soil changes, see section 4(1) of the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) which must be met.

Emission thresholds in relation to the production of alcohol and alcoholic beverages are provided for in Annex 12 to the German Regulation on Requirements regarding the Discharge of Effluent into Water Bodies (*Verordnung über Anforderungen an das Einleiten von Abwasser in Gewässer*).

6.3 *Competition law*

Further, Baltic Distillery is required to comply with competition legislation, especially the German Act Against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*).

6.4 *Spirits tax and tax warehouse*

Germany levies a tax on all spirits beverages and beverages containing spirits. Spirits is defined as any liquid containing alcohol which has been produced through a distillation process. The levy is a consumption tax which is governed by federal law, as amended (the "**German Spirits Monopoly Act**") (*Branntweinmonopolgesetz*) and is administered by the customs authority. The origins of the tax lay in the German spirits monopoly (*Branntweinmonopol*) but the tax legislation has now been harmonised within the European Union. With an annual volume of approximately €2 billion (as of 2010), it is a consumption tax which generates a relatively small amount of revenue compared to other excise taxes such as the taxes on petrol or tobacco. The German Spirits Monopoly Act determines the rate of tax to be paid on the basis of the type of producer and of the amount of alcohol contained in the product. There are three tax rates: a standard rate, a reduced rate for flat-rate distilleries (*Abfindungsbrennereien*) and an even lower rate for bonded distilleries (*Verschlusskleinbrennereien*). Baltic Distillery operates a bonded distillery. The tax to be paid is calculated on the basis of the amount of alcohol per hectolitre of the product at a temperature of 20°C. Currently, the spirits tax is EUR 1,303.00 per hectolitre of pure alcohol (the standard rate from the German Federal Monopoly Administration for Spirits (*Bundesmonopolverwaltung für Branntwein – BfB*)).

Baltic Distillery operates a tax warehouse on its premises and holds a tax warehouse permit. A tax warehouse is a place where excise goods (including spirits beverages and other alcoholic products) are produced, processed, held, received and despatched. The conditions under which the tax warehouses are operated and related duties are set forth in the various German alcohol tax laws and regulations. The tax warehouse for Baltic Distillery is operated on the basis of the German Spirits Monopoly Act. The consumption tax is generally charged at the time the excise goods are put into free tax circulation (i.e. when the goods are released for consumption), which, in the case of excise goods produced in Germany, is usually the moment when the excise goods leave the tax warehouse (unless the excise goods have been transferred under an excise duty suspension arrangement).

According to the German Spirits Monopoly Act, the operation of a tax warehouse requires a permit which is issued by a competent German main customs office (*Hauptzollamt*) on completion of an official written application. The permit is issued for the specific tax warehouse. The permit may be granted if the conditions set forth in section 134 of the German Spirits Monopoly Act, which relate to tax reliability and proper accounting, are complied with. A tax warehouse keeper is obliged to inform the German main customs office of any changes regarding the information contained in the permit. He is also required to perform other duties required by the German alcohol tax laws or the permit (in particular duties regarding the documentation of excise goods or security). Changes to the premises of the tax warehouse require the consent of the main customs office.

The main customs office must revoke the permit to operate a tax warehouse if the permit holder fails to comply with the requirements set out in the German Spirits Monopoly Act and/or in the permit issued, notably if the permit holder fails to comply with the conditions for granting the permit, to keep proper documentation of the excise goods or accounts or to provide the required security for the payment of excise tax. The permit expires under certain conditions, including if the company becomes insolvent or is transferred.

Baltic Distillery also holds a permit for a bonded distillery under the German Spirits Monopoly Act. As such, it must meet specific requirements for ensuring that all alcohol produced is collected and stored in the correct installations (sealed operation). The permit is issued by the main customs office on application and imposes upon the operator a number of obligations (especially regarding documentation and notification of any irregularities in the operation process). Any change in the information submitted with the application must be notified to the main customs office. Any changes in the premises or its operation require the prior written consent of the main customs office. The operation of the bonded distillery may be stopped by the main customs office if the operation is not sealed or orders by the authorities are not complied with. The permit may be revoked if the operator fails to comply with its duties under the German Spirits Monopoly Act or the conditions set out in the permit.

6.5 ***Other regulatory requirements***

Baltic Distillery is also subject to further requirements under German law, for example, under the German Product Liability Act (*Gesetz über die Haftung für fehlerhafte Produkte*), the German Weights and Measures Act (*Gesetz über das Mess- und Eichwesen*) and existing safety at work regulations.

PART X

SELECTED FINANCIAL INFORMATION

The following tables summarise the Group's historical consolidated financial information as at the dates and for the periods indicated. The selected financial information of the Group as at and for the years ended 31 December 2010, 2011 and 2012, the six months ended 30 June 2012 and the six months ended 30 June 2013 has been extracted without material adjustment from the historical financial information included in Part XII (*Historical Financial Information*) of this Prospectus. The selected financial information of the Group as at and for the six months ended 30 June 2012 is unaudited.

Consolidated income statement data

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Revenue	301,956	295,110	292,445	134,434	153,131
Cost of sales	(161,315)	(156,575)	(149,058)	(69,330)	(73,973)
Gross profit	140,641	138,535	143,387	65,104	79,158
Selling expenses	(60,791)	(60,390)	(55,043)	(27,966)	(32,134)
General and administrative and other operational expenses	(26,994)	(25,501)	(29,929)	(14,427)	(16,741)
Exceptional items	(10,796)	(14,653)	27,001	(670)	(8,197)
Operating profit	42,060	37,991	85,416	22,041	22,086
Finance revenue	11,372	44,324	1,769	859	993
Finance costs	(46,335)	(60,797)	(58,236)	(28,437)	(32,404)
Profit/(loss) before tax	7,097	21,518	28,949	(5,537)	(9,325)
Income tax expense	(5,298)	(4,242)	(2,852)	(1,373)	(1,401)
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)

Consolidated statement of comprehensive income data

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)
Other comprehensive income/(expense):					
Exchange differences arising on translation of foreign operations	9,715	(7,795)	6,911	3,543	(6,039)
Total comprehensive income/(expense) for the period, net of tax	11,514	9,481	33,008	(3,367)	(16,765)

Consolidated statement of financial position data

	As of 31 December			As of 30 June
	2010	*2011*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*
Non-current assets				
Intangible assets – goodwill	75,333	75,310	60,303	60,308
Intangible assets – other	308,888	299,530	313,002	302,388
Property, plant and equipment	65,538	57,707	57,515	60,864
Deferred tax assets	7,033	7,514	9,240	7,990
Other financial assets	4,984	7,797	9,826	5,658
	461,776	447,858	449,886	437,208
Current assets				
Inventories	26,694	27,227	30,826	31,869
Trade and other receivables	164,120	126,459	129,722	117,371
Other financial assets	172	1,262	250	4,122
Current tax assets	107	2,832	1,629	1,974
Assets classified as held for sale	–	–	4,200	4,200
Cash and short-term deposits	73,679	64,787	138,718	54,105
	264,772	222,567	305,345	213,641
Total assets	726,548	670,425	755,231	650,849
Non-current liabilities				
Financial liabilities	174,021	155,379	155,922	148,340
Other financial liabilities	290	782	1,448	991
Deferred tax liabilities	66,444	65,632	62,704	58,586
Provisions	5,312	5,846	5,295	5,099
	246,067	227,639	225,369	213,016
Current liabilities				
Trade and other payables	59,919	39,909	55,810	52,324
Financial liabilities	5,091	7,531	8,119	3,094
Other financial liabilities	220	240	242	240
Income tax payable	5,880	4,946	8,870	3,884
Other tax liabilities	96,615	81,506	74,986	66,621
Provisions	4,544	220	109	165
Other payables	6,955	4,373	2,934	2,857
	179,224	138,725	151,070	129,185
Total liabilities excluding shareholder debt	425,291	366,364	376,439	342,201
Shareholder debt	230,053	223,173	264,640	208,539
Total liabilities	655,344	589,537	641,079	550,740
Net assets	71,204	80,888	114,152	100,109
Capital and reserves				
Issued capital	276	279	279	279
Equity component of CECs, PECs and CPECs	55,011	55,011	55,011	55,011
Share premium	20,097	20,097	20,097	20,097
Other reserve	311	511	767	3,489
Foreign currency translation reserve	17,813	10,018	16,929	10,890
Retained earnings	(22,304)	(5,028)	21,069	10,343
Total equity	71,204	80,888	114,152	100,109
Total equity and liabilities	726,548	670,425	755,231	650,849

Consolidated statement of cash flows data

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Operating activities					
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)
Adjustments to reconcile profit/(loss) before tax to net cash flows:					
Income tax expense recognised in income statement	5,298	4,242	2,852	1,373	1,401
Interest expense and bank commissions	46,335	54,726	58,236	28,437	29,650
Net gain on disposal of subsidiary	–	–	(54,898)	–	–
Loss on disposal of property, plant and equipment	609	109	–	27	74
Other financial income	(2,403)	(44,324)	(1,309)	(585)	(993)
Depreciation and impairment of property, plant and equipment	6,461	9,178	9,330	4,538	3,201
Amortisation and impairment of intangible assets and goodwill	1,831	1,952	18,419	1,204	835
Net foreign exchange (gain)/loss	(8,969)	6,071	(460)	(274)	2,754
Share-based payment	311	200	256	141	2,722
	51,272	49,430	58,523	27,951	28,918
Working capital adjustments					
Decrease/(increase) in trade receivables and other assets	5,495	37,661	(3,263)	2,764	12,351
Decrease/(increase) in inventories	710	(533)	(2,513)	(4,455)	(1,043)
(Decrease)/increase in trade payables and other liabilities	(15,254)	(37,701)	7,942	(14,713)	(11,928)
Increase/(decrease) in provisions	4,168	(3,790)	(662)	792	(140)
	(4,881)	(4,363)	1,504	(15,612)	(760)
Cash flows from operating activities	46,391	45,067	60,027	12,339	28,158
Income tax paid	(3,740)	(7,361)	(4,328)	(5,180)	(7,739)
Net cash flows from operating activities	42,651	37,706	55,699	7,159	20,419
Investing activities					
Interest received	140	566	1,309	585	606
Payments to acquire intangible assets	(2,401)	(2,125)	(1,355)	(785)	(534)
Purchase of property, plant and equipment	(8,278)	(4,863)	(9,950)	(2,926)	(8,741)
Acquisition of subsidiary, net of cash acquired	–	–	(6,071)	–	–
Net proceeds from sale of subsidiary	–	–	55,425	–	–
Net cash flow from investing activities	(10,539)	(6,422)	39,358	(3,126)	(8,669)
Financing activities					
Repayment of borrowings	(12,726)	(178,926)	(6,400)	(2,800)	(84,085)
New borrowings raised	16,000	166,559	–	–	–
Interest paid	(5,597)	(21,807)	(18,329)	(10,053)	(4,470)
Other financial costs	(2,145)	(3,770)	(345)	(270)	(269)
Proceeds from shares issued	42	3	–	–	–
Net cash flow from financing activities	(4,426)	(37,941)	(25,074)	(13,123)	(88,824)
Net increase/(decrease) in cash and cash equivalents	27,686	(6,657)	69,983	(9,090)	(77,074)
Cash and cash equivalents at the start of the period	44,347	73,679	64,787	64,787	138,718
Effect of exchange rates on cash and cash equivalents	1,646	(2,235)	3,948	2,561	(7,539)
Cash and cash equivalents at the end of the period	73,679	64,787	138,718	58,258	54,105

Non-IFRS Measures – Adjusted EBIT and Adjusted EBITDA

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions, except %		
Adjusted EBIT(1)	52.9	52.6	58.4	22.7	30.3
Adjusted EBITDA(1)	61.1	63.8	68.1	28.5	34.3
Adjusted EBITDA margin(2)	20.2%	21.6%	23.3%	21.2%	22.4%
Operating profit	42.1	38.0	85.4	22.0	22.1

(1) The Group defines Adjusted EBIT as operating profit before exceptional items and Adjusted EBITDA as operating profit before depreciation and amortisation and exceptional items. Adjusted EBIT and Adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. The Group presents Adjusted EBIT and Adjusted EBITDA because it believes that these measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present Adjusted EBIT and Adjusted EBITDA when reporting their results. The Group also presents Adjusted EBIT and Adjusted EBITDA as supplemental measures of its ability to service its indebtedness. Adjusted EBIT and Adjusted EBITDA are not IFRS measures and should not be considered as alternatives to IFRS measures of profit/(loss) or as indicators of operating performance or as measures of cash flow from operations under IFRS or as indicators of liquidity. Adjusted EBIT and Adjusted EBITDA are not intended to be measures of cash flow available for management's discretionary use, as they do not consider certain cash requirements for items such as exceptional costs, interest payments, tax payments, debt service requirements and capital expenditure.

The Group's presentation of Adjusted EBIT and Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. For example, Adjusted EBIT and Adjusted EBITDA (i) do not reflect changes in, or cash requirements for, the Group's working capital needs; (ii) do not reflect the Group's interest expense; (iii) do not reflect income taxes on the Group's taxable earnings; (iv) although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacement; (v) because not all companies use identical calculations, the Group's presentation of Adjusted EBIT and Adjusted EBITDA may not be comparable to similarly titled measures of other companies; and (vi) do not reflect the Group's exceptional items. The table below provides a reconciliation of Adjusted EBIT and Adjusted EBITDA to operating profit for the periods under review:

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions		
Operating profit	42.1	38.0	85.4	22.0	22.1
Exceptional items	10.8	14.7	(27.0)	0.7	8.2
Adjusted EBIT	52.9	52.6	58.4	22.7	30.3
Depreciation and amortisation	8.3	11.1	9.7	5.7	4.0
Adjusted EBITDA	61.1	63.8	68.1	28.5	34.3

(2) Adjusted EBITDA as a proportion of revenue.

Non-IFRS Measures – Free Cash Flow

The table below presents the Group's Free Cash Flow. The Group defines Free Cash Flow as net cash generated from operating activities (excluding income tax paid, certain exceptional items and their related impact on working capital adjustments) plus net cash used in/generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of a subsidiary).

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
	€ in millions, except %				
Net cash generated from operating activities	42.7	37.7	55.7	7.2	20.4
plus Net cash (used in)/generated from investing activities	(10.5)	(6.4)	39.4	(3.1)	(8.7)
minus Interest received	(0.1)	(0.6)	(1.3)	(0.6)	(0.6)
Cash flow pre-financing activities	**32.0**	**30.7**	**93.7**	**3.4**	**11.1**
Investments[(1)]	–	–	9.6	–	–
Net proceeds from sale of subsidiary[(2)]	–	–	(55.4)	–	–
Income tax paid	3.7	7.4	4.3	5.2	7.7
Exceptional items[(3)]	10.8	14.7	9.8(3)	0.7	8.2
Working capital adjustments[(4)]	(4.0)	0.8	(2.1)	2.3	(5.4)
Free Cash Flow[(5)]	**42.5**	**53.5**	**60.1**	**11.6**	**21.7**
Free Cash Flow as a percentage of Adjusted EBITDA	**69.6%**	**83.9%**	**88.2%**	**40.6%**	**63.1%**

(1) Acquisition of Imperator, net of cash acquired (€6.1 million) plus the purchase of the ethanol distillery in Germany (€3.6 million).

(2) Represents the net amount received by the Group from the sale of its US business.

(3) For purposes of this reconciliation, exceptional items in FY 2012 do not include the following non-cash items: net gain on disposal of US business (€54.9 million), impairment of Italian goodwill (€16.5 million), and the impairment charge of €1.6 million to write-down the value of the property at Trieste (recorded under exceptional items as part of the restructuring of the Group's Italian business).

(4) Working capital adjustments represent the movement in trade receivables, trade payables and other liabilities, and provisions related to exceptional items.

(5) Free Cash Flow is a supplemental measure of the Group's liquidity that is not required by, or presented in accordance with, IFRS. The Group presents Free Cash Flow, as calculated above, because it believes that this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present free cash flow when reporting their results. Free Cash Flow is not an IFRS measure and should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Free Cash Flow is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider any cash flows from financing activities, income tax payments and exceptional items. The Group's presentation of Free Cash Flow has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. Further, because not all companies use identical calculations, the Group's presentation and calculation of Free Cash Flow may not be comparable to similarly titled measures of other companies.

PART XI

OPERATING AND FINANCIAL REVIEW

*The following is a discussion of the Group's results of operations and financial condition as of and for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013. The consolidated financial information included for the purposes of this discussion as of and for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 (also referred to herein as the "**periods under review**") has been prepared in accordance with IFRS. The consolidated financial information for the six months ended 30 June 2012 is unaudited. The Group's consolidated financial information for the periods under review is presented in euro. The following discussion should be read in conjunction with Part X (Selected Financial Information) and Part XII (Historical Financial Information) of this Prospectus. The Company was formed in September 2013 in connection with the Offer and for purposes of the following discussion is not included as part of the consolidated Group. The financial information presented in tabular form in the following discussion has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. References below to "**FY**" are to the relevant financial year ended 31 December and references to "**HY**" are to the relevant six months ended 30 June.*

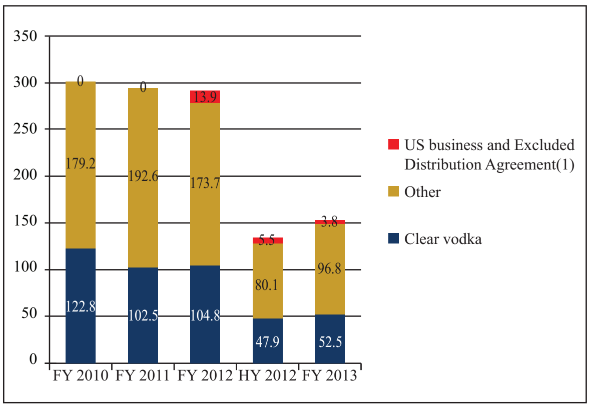
The following discussion contains forward-looking statements that reflect the Group's plans, estimates and beliefs, and involves risks and uncertainties. The Group's actual results could differ materially from those discussed in these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in the Prospectus, particularly in Part II (Risk Factors) and section 6 relating to forward-looking statements in Part V (Presentation of Information).

1. Overview

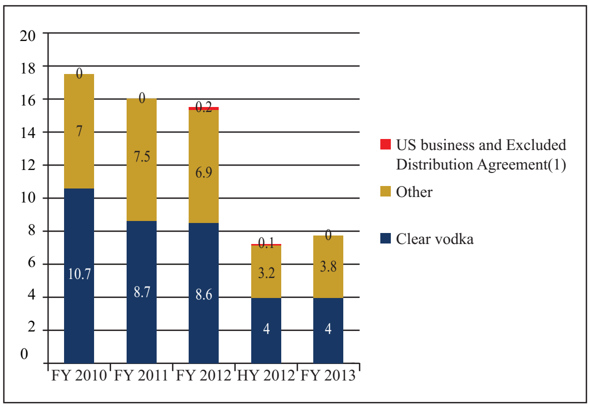
The Group is a Central and Eastern European branded spirits producer. It has the largest market share for spirits in Poland and the Czech Republic, and is the leader in the vodka-based flavoured liqueurs and limoncello categories in Italy. It also has the largest market share for the bitters category in Slovakia and for imported brandy in Croatia and Bosnia & Herzegovina.

The Group has a portfolio of more than 25 brands across a broad range of spirits products including vodka, vodka-based flavoured liqueurs, Rum, brandy, bitters and limoncello. The Group's principal product category is vodka. The charts below show the contribution of clear vodka to the Group's revenue and sales volumes for the periods under review.

Revenue by category

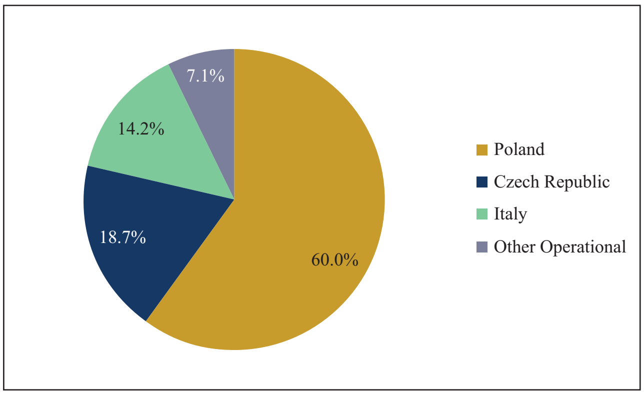


Sales volume by category



(1) Comprises revenue and sales volumes derived from the Group's US business, which was sold in FY 2012, and a distribution agreement for a third-party brand in the Czech Republic and Slovakia ("Excluded Distribution Arrangement"), which will terminate in FY 2013.

The Group has three core segments, which follow the geographic split of the markets in which its key products are traded: Poland (the Group's largest geographic market), the Czech Republic and Italy. The Group has two additional segments: Other Operational and Corporate. The chart below shows the contribution of each segment to the Group's revenue in FY 2012:



The Group has its own sales and marketing operations in Poland, the Czech Republic, Italy, Slovakia, Bosnia & Herzegovina and Croatia. It also distributes spirits in more than 40 other countries through third-party arrangements.

The Group operates two main production and bottling sites – in Lublin, Poland and in Plzen, Czech Republic – and a small production unit in Drietoma, Slovakia. The Group is currently considering various options in relation to the production facility in Drietoma. The Group also operates a small distillery in Prádlo, Czech Republic. In FY 2012, the Group acquired an ethanol distillery plant in Rostock, Germany, and closed its manufacturing facility in Trieste, Italy.

The Group's segments

- ***Poland***. The Group's largest geographic market is Poland, where vodka is the predominant category within the spirits market and sales occur predominantly through off-trade distribution channels. The Group had the largest market share (by volume) in the off-trade market for spirits for the year ended 31 December 2012 (according to Nielsen data). The Group's key brands in Poland include Czysta de Luxe, Stock Prestige and Lubelska Clear in the clear vodka category, and Lubelska and Żołądkowa Gorzka in the vodka-based flavoured liqueurs category.

- ***Czech Republic***. The Group had the largest market share (by volume) in the off-trade market for vodka, bitters and Rum (which includes traditional and local rum) for the year ended 31 December 2012 (according to ZoomInfo data), which represented 25.0%, 16.0% and 22.4%, respectively, of the overall spirits market (according to IWSR data). As is the case in Poland, the majority of the sales of spirits products takes place through off-trade distribution channels. The Group's key brands in the Czech Republic include Bozkov Vodka and Amundsen in the clear vodka category, Amundsen in the vodka-based flavoured liqueurs category, Fernet Stock and Fernet Stock Citrus in the bitters category, and Bozkov Tuzemsky in the Rum category.

- ***Italy***. The Group had the largest market share (by volume) in the off-trade market for vodka-based flavoured liqueurs and limoncello, and the second largest market share (by volume) in the off-trade market for brandy and clear vodka for the year ended 31 December 2012 (according to IRI data). The Group's key brands in Italy include Keglevich in both clear vodka and vodka-based flavoured liqueurs categories, and Stock Original and Stock 84 in the brandy category, as well as Limoncè in the limoncello category.

- ***Other Operational***. The Group accounts for its operations in countries other than its three core markets in the Other Operational segment. These countries include Slovakia, where the Group has the largest market share in the bitters category, and Croatia and Bosnia & Herzegovina, where the Group has the largest market share for imported brandy. In addition, the Group distributes spirits in more than 40 other countries through third-party arrangements. The Group accounts for the sale to third-parties of ethanol and certain by-products produced in its ethanol distillery plant located in Germany in this segment.

- ***Corporate***. The Corporate segment includes central expenses and costs, including payroll costs relating to senior management, office rent and rates relating to leasehold properties for office buildings, insurance costs and certain professional costs (which exclude fees relating to the Offer). The Group's results per segment include the impact of certain costs relating to the Group's central procurement function, which are recharged by the Corporate segment to the Group's operating segments. In HY 2013, total costs relating to the central procurement function of €1.4 million (HY 2012: €1.6 million) were recharged to the operating segments.

Summary of performance during periods under review

Revenue

The Group's revenue decreased 3.2% from FY 2010 to FY 2012 and increased 13.9% from HY 2012 to HY 2013. The following table sets out each segment's revenue and its contribution to the Group's revenue in the periods under review:

	FY 2010		*FY 2011*		*FY 2012*		*HY 2012*		*HY 2013*	
	€ in millions	*%*	*€ in millions*	*%*	*€ in millions*	*%*	*€ in millions*	*%*	*€ in millions*	*%*
Poland	173.3	57.4	159.4	54.0	175.3	60.0	81.6	60.7	89.1	58.2
Czech Republic	57.4	19.0	65.4	22.2	54.7	18.7	23.8	17.7	30.0	19.6
Italy	46.4	15.4	45.1	15.3	41.6	14.2	20.2	15.0	17.5	11.4
Other Operational	24.8	8.2	25.2	8.5	20.8	7.1	8.8	6.5	16.5	10.8
Total	302.0	100.0	295.1	100.0	292.4	100.0	134.4	100.0	153.1	100.0
Percentage change from prior period			*(2.3)*		*(0.9)*				*13.9*	

- Revenue in Poland decreased in FY 2011 primarily as a result of aggressive pricing policies adopted by some competitors in relation to sales made through discounters (to which the Group strategically refrained from responding), and foreign currency movements. Revenue increased in FY 2012 reflecting price increases and increased sales of existing products and new variants of existing products. Against a backdrop of a further decline in the Polish spirits market, the Group's revenue increased from HY 2012 to HY 2013, driven by sales volumes growth, price increases and more favourable product mix.

- Revenue in the Czech Republic increased in FY 2011 reflecting primarily growth in the Group's bitters market, which was driven by increased promotional activity and new product launches. In FY 2012, a temporary nationwide ban imposed by the Czech government on the sale of all spirits containing more than 20% alcohol by volume and the deteriorating economic conditions (following the Eurozone sovereign debt crisis) materially adversely affected the Group's revenue in this segment. Revenue in HY 2012 was adversely impacted by the build-up of stock-in-trade in the market in FY 2011 resulting from, the Group believes, trade customers over-anticipating Christmas demand for spirits and customers buying-in ahead of price increases on 1 January 2012. No such build-up of stock-in-trade occurred in FY 2012, as due to the temporary spirits ban the prices increases were delayed until later in FY 2013, and as such sales in HY 2013 were not similarly impacted.

- In Italy, the decrease in revenue in the periods under review was driven by the ongoing Eurozone sovereign debt crisis and its impact on consumer confidence and spending power, as well as the Group's decision to decrease its participation in the on-trade channel in order to reduce credit risk. In addition, the Group sold its US business (which was reported under the Italy segment as the brands sold in the United States were manufactured largely in Italy) in the fourth quarter of FY 2012, which decreased the Group's revenue in Italy in HY 2013 compared to HY 2012 (see "*Group's results excluding certain events*").

- Revenue in the Other Operational segment increased from FY 2010 to FY 2011, reflecting primarily an increase in revenue in Slovakia. This increase was partially offset by a decrease in revenue in other markets, including Croatia. In FY 2012, revenue decreased following a temporary ban imposed by the Slovakian government on the import and sale of Czech bottled spirits. In December 2012, the Group acquired Imperator, a company based in Slovakia, to enhance its presence in the Slovakian market and acquire a number of fruit distillate brands and vodka brands. It also acquired an ethanol distillery in Germany in December 2012. The Group accounts for the sale to third parties of ethanol and certain by-products (including carbon dioxide and animal feed) produced in its distillery under the Other Operational segment. Revenue in this segment increased in HY 2013 compared to HY 2012 principally as a result of these acquisitions. Excluding the effect of these acquisitions, revenue in this segment increased as a result of higher sales in certain markets, including Bosnia & Herzegovina and Croatia, partially offset by lower sales in Slovenia.

Cost of sales

The Group's cost of sales decreased 7.6% from FY 2010 to FY 2012 reflecting an overall decrease in the Group's sales volume in the same period and a decrease in cost of sales per litre as a result of the closure of the Trieste facility in FY 2012, cost savings initiatives and operational efficiencies. This decrease was in part offset by an increase in alcohol and sugar prices. The Group's cost of sales increased 6.8% from HY 2012 to HY 2013, which was primarily driven by an increase in volumes, partially offset by reductions in the cost of raw materials and the positive impact of the ethanol distillery acquisition, which not only provided the Group with increased certainty on the prices of ethanol, but also, the Group believes, enhanced the Group's bargaining position in negotiating with third-party suppliers of ethanol (as the distillery only provides a portion of the Group's ethanol requirements).

Adjusted EBIT, Adjusted EBITDA and Operating Profit

The table below sets out the Group's Adjusted EBIT, Adjusted EBITDA and operating profit for the periods under review.

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			€ in millions, except %		
Adjusted EBIT(1)	52.9	52.6	58.4	22.7	30.3
Adjusted EBITDA(1)	61.1	63.8	68.1	28.5	34.3
Adjusted EBITDA margin(2)	20.2%	21.6%	23.3%	21.2%	22.4%
Operating profit	42.1	38.0	85.4	22.0	22.1

(1) The Group defines Adjusted EBIT as operating profit before exceptional items (see "*Key income statement items–Exceptional items*"), and Adjusted EBITDA as operating profit before depreciation and amortisation and exceptional items. Adjusted EBIT and Adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. The Group presents Adjusted EBIT and Adjusted EBITDA because it believes that these measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present Adjusted EBIT and Adjusted EBITDA when reporting their results. The Group also presents Adjusted EBIT and Adjusted EBITDA as supplemental measures of its ability to service its indebtedness. Adjusted EBIT and Adjusted EBITDA are not IFRS measures and should not be considered as alternatives to IFRS measures of profit/(loss) or as indicators of operating performance or as measures of cash flow from operations under IFRS or as indicators of liquidity. Adjusted EBIT and Adjusted EBITDA are not intended to be measures of cash flow available for management's discretionary use, as they do not consider certain cash requirements for items such as exceptional costs, interest payments, tax payments, debt service requirements and capital expenditure.

The Group's presentation of Adjusted EBIT and Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. For example, Adjusted EBIT and Adjusted EBITDA (i) do not reflect changes in, or cash requirements for, the Group's working capital needs; (ii) do not reflect the Group's interest expense; (iii) do not reflect income taxes on the Group's taxable earnings; (iv) although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacement; (v) because not all companies use identical calculations, the Group's presentation of Adjusted EBIT and Adjusted EBITDA may not be comparable to similarly titled measures of other companies; and (vi) do not reflect the Group's exceptional items. The table below provides a reconciliation of Adjusted EBIT and Adjusted EBITDA to operating profit for the periods under review:

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions		
Operating profit	42.1	38.0	85.4	22.0	22.1
Exceptional items	10.8	14.7	(27.0)	0.7	8.2
Adjusted EBIT	52.9	52.6	58.4	22.7	30.3
Depreciation and amortisation	8.3	11.1	9.7	5.7	4.0
Adjusted EBITDA	61.1	63.8	68.1	28.5	34.3

Upon Admission, the Group will no longer pay management fees to Oaktree (the "**OCM management fee**"). In addition, shares of the Operating Company issued under the share-based payments and commitments to grant options over shares of the Operating Company were exchanged for Ordinary Shares and options to acquire Ordinary Shares, respectively, upon the Corporate Reorganisation (and new incentive arrangements were put in place). The long-term incentive plan that existed prior to Admission was amended in respect of awards held by most mid-tier management participants so that 50% of the accrued awards crystallised upon Admission and will be paid out in cash with the remaining portion (increased by 15% – see sections 6.9(A) and (C) of Part VIII (*Directors, Senior Management and Corporate Governance*)) being deferred into share options, which will usually vest one year after Admission and separately, 70% of the accrued awards held by the remaining six mid-tier management participants in the plan crystallised upon Admission and will be paid out in cash, with a further cash payment to be made one year after Admission to satisfy the remaining portion. New incentive arrangements were put in place. OCM management fees, share-based payments and expenses associated with the long-term incentive plan are part of general and administrative and other operational expenses, and have not been added back for purposes of the computation of Adjusted EBITDA and Adjusted EBIT. The table below sets out the total of these historical expenses in the periods under review:

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions		
OCM management fee	0.6	0.6	0.5	0.3	0.3
Share-based payments	0.3	0.2	0.3	0.1	2.7
Long-term incentive plan	1.6	0.7	(0.4)	0.3	0.4
Total	**2.5**	**1.5**	**0.4**	**0.7**	**3.4**

(2) Adjusted EBITDA as a proportion of revenue.

The following table sets out each segment's Adjusted EBITDA and its contribution to the Group's Adjusted EBITDA in the periods under review:

	FY 2010		FY 2011		FY 2012		HY 2012		HY 2013	
	€ in millions	%	€ in millions	%	€ in millions	%	€ in millions	%	€ in millions	%
Poland	44.2	72.3	39.2	61.4	54.1	79.4	23.5	82.5	25.7	74.9
Czech Republic	13.9	22.7	19.5	30.6	15.2	22.3	5.1	17.9	7.6	22.2
Italy	7.1	11.6	10.2	16.0	11.1	16.3	4.5	15.8	3.6	10.5
Other Operational	5.1	8.3	2.8	4.4	0.6	0.9	(0.6)	(2.1)	1.6	4.7
Corporate	(9.3)	(15.2)	(7.9)	(12.4)	(12.8)	(18.9)	(4.0)	(14.0)	(4.2)	(12.2)
Total	**61.1**	**100.0**	**63.8**	**100.0**	**68.1**	**100.0**	**28.5**	**100.0**	**34.3**	**100.0**
Percentage change from prior period			*4.4*		*6.7*				*20.4*	

As set out above, certain items have not been added back in the computation of Adjusted EBITDA and Adjusted EBIT. The table below sets out the total of these historical expenses by segment in the periods under review:

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			€ in millions		
Poland	0.2	(0.1)	0.2	0.1	1.3
Czech Republic	–	0.2	(0.2)	0.1	(0.1)
Italy	1.0	0.3	(0.4)	(0.1)	0.1
Other Operational	–	0.2	(0.3)	0.1	0.1
Corporate	1.3	0.8	1.1	0.5	2.0
Total	**2.5**	**1.5**	**0.4**	**0.7**	**3.4**

Group's results excluding certain events

In the fourth quarter of FY 2012, the Group sold its US business, which comprised Gran Gala and Gala Caffe brands and the Group's US subsidiary, Stock Spirits Group USA, Inc. In addition, the Group will no longer derive revenue from a distribution agreement for a third-party brand in the Czech Republic and Slovakia (the Excluded Distribution Arrangement), which will terminate in FY 2013. As the Group will not generate revenue from its US business or from the Excluded Distribution Arrangement going forward, to assist investors in comparing the Group's results, the Group presents below its revenue and Adjusted EBITDA for FY 2012, HY 2012 and HY 2013 excluding both the contribution of the US business and the Group's estimate of the contribution of the Excluded Distribution Arrangement. (See "*Current trading and prospects*" with respect to a third-party distribution agreement in Poland entered into in August 2013.)

	FY 2012	*HY 2012*	*HY 2013*
		€ in millions	
Revenue	292.4	134.4	153.1
US business[(1)]	(5.0)	(2.9)	—
Excluded Distribution Arrangement	(8.9)	(3.6)	(3.8)
Revenue excluding both US business and Excluded Distribution Arrangement	**278.5**	**128.0**	**149.3**
Adjusted EBITDA	68.1	28.5	34.3
US business[(2)]	(3.8)	(1.8)	—
Excluded Distribution Arrangement	(2.1)	(0.7)	(0.8)
Adjusted EBITDA excluding both US business and Excluded Distribution Arrangement	**62.2**	**26.0**	**33.5**

(1) See Note 8 to the Group's consolidated financial information in Part XII (*Historical Financial Information*).

(2) The following table sets out, for the periods indicated, a reconciliation of Adjusted EBITDA of the US business to its operating profit.

	FY 2012	*HY 2012*	*HY 2013*
		€ in millions	
Operating profit of US business	3.2	1.8	–
Depreciation and amortisation	–	–	–
Exceptional items	0.6	–	–
Adjusted EBITDA of US business	3.8	1.8	–

2. Current trading and prospects

The Group has continued to trade in line with Directors' expectations since 30 June 2013 and revenue for the period ended 31 August 2013 is ahead of levels achieved in the comparable period in 2012. In addition:

- The Group completed the sale of the Trieste Site in July 2013.
- In July 2013, the cash deposited by the Group into a customs deposit account in relation to the German distillery was returned to the Group in exchange for an ING Credit Facility-backed bank guarantee, which was increased in September 2013.
- In August 2013, a purchase price adjustment of €360,000 in the Group's favour was agreed in respect of the Imperator acquisition, reducing the total consideration paid to €7.1 million.
- In August 2013, the Group entered into an agreement with Beam to distribute Beam's portfolio of brands in Poland on an exclusive basis starting in September 2013. Revenue derived from this agreement will be reported in the Polish segment.
- On 1 August 2013 and 7 August 2013, the Group borrowed €15.6 million and €54.4 million, respectively, under the New Term Loans. The Group utilised the amounts, together with cash on its balance sheet, to redeem a portion of outstanding PECs for a total of €82.2 million. The associated costs were €4.9 million (of which €4.6 million was accrued for within Trade and Other Payables as at 30 June 2013 and €0.2 million was paid in the six months to 30 June 2013 using existing resources).

- On 21 October 2013, pursuant to the Corporate Reorganisation, €134.1 million of PECs and CECs were transferred to the Company in exchange for the new issuance of 48,307,459 Ordinary Shares. It is intended that the PECs and CECs will be converted into approximately 5,363,939 ordinary shares of the Operating Company after the Offer.

Going forward, the Group expects growth in Poland and the Czech Republic to drive the Group's revenue and Adjusted EBITDA in the short-to-medium term.

- In Poland, the Group expects the clear vodka market volumes to be flat following a decline in 2013, and the flavoured vodka market volumes to grow marginally in the short- to medium-term. Despite the recent slowdown of the Polish economy, the Group expects its branded refrigerators initiative in HY 2013 to continue contributing to the Group's revenue in this segment. The Group anticipates its selling expenses in FY 2013 will reflect increased sales support and promotional expenses associated with the expansion of its sales team in general and the branded refrigerators initiative. The Group believes that price increases, together with the full-year impact of price increases implemented in the last quarter of FY 2012, will contribute to its Adjusted EBITDA in Poland in the short- to medium-term. The Group's revenue in FY 2014 is expected to reflect the full-year impact of the third-party brand distribution agreement entered into with Beam. If the proposed 15% increase of excise duty on spirits in Poland is implemented in 2014, the Group may experience a decrease in sales volumes following the implementation, which may be preceded by an increase in sales volumes in the last quarter of FY 2013 (as customers generally tend to stock up ahead of an increase in excise duty). Moreover, if the proposed increase is implemented, the Group could take mitigating measures, which could include crystallising the excise duty liability on a portion of its inventory at the current excise duty rate. Some of these measures could, if ever implemented, result in a temporary increase in working capital. As a result of the proposed increase, the Group also expects there would be a permanent increase in working capital to finance the increased excise duty rate and consequent increase in VAT.

- In the Czech Republic, the Group expects the vodka market volumes and the Rum market volumes to marginally grow and the market volumes for bitters to be flat. The Group expects its revenue to reflect the lifting of the temporary nationwide ban imposed by the Czech government on the sale of spirits in FY 2012, and a reduction in "black market" sales resulting from the government's initiatives aimed at curtailing the "black market". FY 2013 revenue will also reflect the discontinuation of revenue derived from the Excluded Distribution Arrangement.

- In Italy, the Group expects the market volumes for various categories of spirits to either decline or remain flat in the short- to medium-term. The Group anticipates that challenging economic conditions will continue to adversely affect its revenue in Italy, resulting in limited growth and fewer opportunities to increase prices. On the other hand, the Group expects the full impact of the cost savings associated with the closure of its production facility in Italy in late FY 2012 to be realised during the course of FY 2013, and to be an important driver of Adjusted EBITDA in this segment in the medium term. As a result of the 13% increase of excise duty on spirits and the 1%-increase in VAT in Italy implemented in October 2013, the Group may experience a decrease in sales volumes in FY 2013 and in the medium-term.

- In the Other Operational segment, the Group expects its revenue in Slovakia to reflect the lifting of the ban on the import and sale of Czech bottled spirits imposed by the Slovakian government in FY 2012. The Group expects the full-year impact of the acquisition of Imperator to contribute to the Group's revenue in the medium-term, while also increasing overhead costs to support the enlarged Slovakian business. The Group expects to record integration costs relating to Imperator as exceptional items in FY 2013 and FY 2014. FY 2013 will also reflect the discontinuation of revenue derived from the Excluded Distribution Arrangement, as well as an increase in advertising and promotion activities in Slovakia. The Group expects that, in the medium term, its focus on markets such as Canada, the UK, Germany and the Balkans will contribute to the growth of this segment. In addition, this segment will reflect the revenue derived from sales to third-parties of ethanol and certain by-products (including carbon dioxide and animal feed) produced in its German distillery.

- In the Corporate segment, the Group anticipates additional head office overheads, higher audit costs and other costs associated with the new PLC structure and listed company status.

The Group expects to increase its investment in advertising across all segments.

The Group expects to record certain costs incurred relating to the Offer, including advisory fees, as exceptional items in FY 2013.

The Group expects to partially offset inflation in raw material prices with regular price increases (subject to market conditions) and the benefits from the internal production of ethanol in its German distillery.

Due to the Group's substantial investment in its production facilities in recent years, the Group expects its capital expenditure to be comparatively lower in the medium-term relative to prior periods and comprise largely maintenance expenditures and IT upgrades. The Group expects its branded refrigerators initiative in Poland, the integration of Imperator, the production improvements to the German distillery and further investment in the upgrade of the IT platform to drive capital expenditure up in FY 2013 compared to FY 2012.

3. Key factors impacting results of operations

The following factors have impacted and may in the future impact the Group's results of operations.

Product and segment mix

The Group's revenue is a function of price and sales volumes at particular price points.

The Group's portfolio comprises more than 25 brands across a broad range of spirits products, including vodka, vodka-based flavoured liqueurs, Rum, brandy, bitters and limoncello. Product mix impacts the Group's operating profit due to margin variability. For example, clear vodka (the Group's principal product category) has more alcohol content and, therefore, excise duty on clear vodka is higher than on vodka-based flavoured liqueurs, which means that vodka-based flavoured liqueurs generally have higher profit margins. On the other hand, cost of sales per litre is higher for vodka-based flavoured liqueurs than for clear vodka.

The Group's brands compete primarily in the mainstream and economy segments; the Group also has products in the premium and super-premium segments. Segment mix impacts the Group's operating profit due to margin variability. For example, mainstream and premium brand products generally have higher profit margins than economy brand products.

The Group's profit margins are also affected by the nature of its distribution channels, as discussed below (see "*Changes in the Group's distribution channels*").

Performance of the Group's core products, new products and brand extensions

The Group's revenue is impacted by the performance of its core products, new products and new variants of existing products. New products, if successful, generate a new revenue pool, and may improve the Group's profitability. The Group launched 74 new products and variants of existing products between 1 January 2008 and 30 June 2013, including Stock Prestige and Lubelska Cytrynowka (lemon). A significant proportion of the Group's revenue in the periods under review is attributable to new products and new variants of existing products. Sales of new products and new variants of existing products launched through the NPD Programme (the Group's new product development programme) accounted for approximately 49.0% of the Group's sales volumes in FY 2012 and 46.9% in HY 2013.

Impact of regulation

The Group operates in a highly regulated environment, which can impact its results. In addition to regulation of trading hours for on-trade and off-trade sales of alcohol, minimum drinking ages, maximum blood alcohol concentrations for operating motor vehicles and maximum alcohol content in products, the following have significant effects on results:

Excise duty and VAT. The rate of excise duty on alcoholic beverages has a direct impact on the Group's revenue in terms of sales volume and pricing. While VAT rates are broadly comparable across the Group's key markets (between 17%-18% of the average shelf price), rates of excise duty vary considerably (from 16% in Italy to 49% in Poland).

The excise duty on spirits is generally higher than on other alcoholic beverages, such as wine and beer, as the excise duty is computed as a fixed charge on volumes of pure alcohol. A reduction in the alcohol content of a product would decrease the excise duty payable, which would increase (net) revenue (assuming a constant shelf price). Vodka-based flavoured liqueurs generally have lower alcohol content than clear vodka and, therefore, the Group pays less excise duty per litre on the sale of vodka-based flavoured liqueurs compared to clear vodka.

The rate of excise duty on alcoholic beverages also has a direct impact on the Group's cash flow and revenue in terms of timing, thus creating volatility in cash flow and revenue levels when changes to taxes are imminent. Customers tend to temporarily increase purchases of spirits immediately prior to an increase in excise duty and reduce spirits purchases directly following such an increase. Sudden changes to excise duty rates may result in increased short-term demand prior to the effective date of the increase, followed by long-term reduction in consumer demand. For example, the 8% excise duty increase in the Czech Republic effective 1 January 2010 led to increased sales in the last quarter of FY 2009 as customers stocked up ahead of the increase, and was followed by a decrease in demand over the course of FY 2010. If the proposed 15% increase of excise duty on spirits in Poland is implemented in 2014, the Group expects to increase the shelf price of its products (though at a lower percentage rise than the excise duty rates), which will increase VAT rates. As a result, if the increase is implemented, the Group may experience a decrease in sales volumes following the implementation, which may be preceded by an increase in sales volumes in the last quarter of FY 2013 (as customers generally tend to stock up ahead of an increase in excise duty), and a permanent increase in working capital to finance the increased excise duty rate and associated VAT.

Moreover, excise duty liability is a material component of the Group's working capital, which fluctuates significantly due to excise duty payments. See "*Working capital*."

The table below sets out a breakdown of the Group's excise duty as a percentage of gross revenue for the periods under review:

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
	€ in millions, except %				
Revenue from the sale of spirits[(1)]	985.8	902.4	874.9	399.8	433.3
Excise duty	(684.8)	(608.4)	(583.4)	(265.9)	(283.2)
Excise duty as a percentage of gross revenue	69.5%	67.4%	66.7%	66.5%	65.4%

(1) Net of price discounts, allowances and VAT.

In addition, excise duty and VAT are a significant component of the average shelf price of the Group's products, while cost of sales (including raw material costs such as alcohol) and expenses (including advertising, promotion and marketing expenses) represent a significantly smaller component. As a result, a significant increase in the price of raw materials would require only a nominal increase in the net average selling price per litre to absorb the cost.

Governmental actions. While likely to be less frequent, governmental actions, in the form of restrictions on sales or other practices, or more serious intervention in the market, may impact the Group's results and the impact could be material. For example, in the Czech Republic, in September 2012, following several deaths and the hospitalisation of others from the consumption of illegally produced vodka and Rum containing methanol, the Czech Ministry of Health temporarily banned the sale of alcoholic beverages with alcohol content by volume of 20% or more. The ban had a material adverse effect on the Group's results of operations and Adjusted EBITDA in FY 2012. The Group estimates that the Czech ban adversely affected the Group's revenue and Adjusted EBITDA in FY 2012 in the order of €7.4 million and €3.5 million, respectively. The Group estimated the impact of the ban by calculating the difference between (i) the actual net sales and Adjusted EBITDA derived from the Czech segment in FY 2012 and (ii) the net revenue and

Adjusted EBITDA, respectively, that the Group had forecasted for this segment for FY 2012 (in each case without taking into account foreign exchange movements used in the consolidation of the Group's financial information). The Group had prepared this forecast in June 2012 (prior to the ban), taking into account the actual trading activity of the Czech segment in HY 2012. In addition, the Group incurred €1.0 million in costs associated with additional advertising and promotional activities and administrative processes related to the ban, which it accounted for as an exceptional item in FY 2012.

Following the imposition of the temporary spirits ban in the Czech Republic, the Slovakian government imposed its own temporary ban on the import and sale of Czech bottled spirits, which adversely affected revenue in the Group's Other Operational segment in FY 2012. The Group estimates that the Slovakian ban adversely affected the Group's revenue and Adjusted EBITDA in FY 2012 in the order of €2.5 million and €1.9 million, respectively. The Group estimated the impact of the ban by calculating the difference between (i) the actual net sales and actual Adjusted EBITDA derived from its operations in Slovakia in FY 2012 and (ii) the net revenue and Adjusted EBITDA, respectively, that the Group had forecasted for its operations in Slovakia for FY 2012, as adjusted for underperformance against the forecast in the period leading to the ban (in each case without taking into account foreign exchange movements used in the consolidation of the Group's financial information). The Group had prepared this forecast prior to the ban, taking into account the actual trading activity of its operations in Slovakia in HY 2012.

EU regulations and policy can also have an impact on the Group's revenue and costs. For example, the price of sugar, a raw ingredient in the Group's products, is affected in part by the EU sugar policy under the EU Common Agricultural Policy, which includes production quota management. The quota system limits the maximum amount of sugar that may be produced in the EU and guarantees sugar farmers in the EU a minimum production price for sugar produced within the quota. The EU has announced that the quota system will be abolished by 2017. The quota system reduces the supply of sugar in the EU, which may impact the price of sugar. In FY 2012, the Group experienced an increase in sugar prices, which was driven in part by changes in EU quota regulations.

In addition, the EU Common Agricultural Policy covers wine production. One component of this policy is the reduction of the number of wine-growing areas and reallocation of arable land to other uses through the use of incentives, to decrease total wine production in the EU. There are also restrictions on vine planting, which the EU has announced will be lifted after 2015. The EU wine policy has led to a reduction in the level of supply of, and consequent increases in the price of, wine distillates, which are a raw ingredient in certain of the Group's products. In FY 2012, direct material costs per case in the Czech Republic increased in part due to higher prices for wine distillates. This increase was driven by vineyard closures as a result of incentives offered to producers to convert vineyards into arable land. The reduction in the level of supply of wine distillates may persist as vineyards are converted to other uses.

Prohibitions and limits on advertising. The Group is subject to limits on advertising of spirits. For example, while in Poland advertising and promotional activity is restricted to point of sale advertising, in the Czech Republic and Italy advertising is less restricted. As a result, the Group's advertising and promotional costs are generally higher in the Czech Republic and Italy, as compared to Poland.

Prohibitions or limitations on advertising act as a barrier to entry into the alcoholic beverage markets in certain countries, which, if removed, could allow more competitors to enter the markets in which the Group operates. For example, in Poland, because spirits producers are unable to rely on television, print and multimedia advertising, they have to establish distribution networks or engage third-party distributors to distribute their products. The removal or relaxation of the Polish prohibition on advertising and promotion of spirits could lower the potential barrier to entry and encourage other participants to enter the Polish market.

Consumer preferences and demand

The Group's revenue has been, and will continue to be, affected by consumer demand and consumer preferences for spirits, which in turn also affect product and pricing mix in each of the Group's geographic markets.

Shifts in consumer preferences and consumer demand for spirits relative to other beverages or in absolute terms generally impact the Group's results. For example, a shift to a category of spirits with lower profitability or to a category of spirits that the Group does not produce or distribute could have a material adverse effect on results. Consumer preferences and demand may change due to a variety of factors, including changes in demographics and social trends, actions of competitors (such as competitive pricing and launch of new products), public health regulations and changes in economic conditions. Through advertising and other promotional activities (including the initiative in Poland to place branded refrigerators in traditional trade retailers in response to the consumer preference for chilled vodka to be consumed shortly after purchase), the Group seeks to anticipate, and effectively respond to, changes in consumer preference and demand.

According to IWSR data for 2012, the Polish spirits market represented 43.6% of the total alcoholic beverage market by volume (in equivalent litres) for the year ended 31 December 2012. In Poland, clear vodka is by far the largest category within the spirits category with sales of approximately 26.3 million equivalent 9-litre cases in 2012, accounting for approximately 72.7% of total spirits market volume in Poland (according to IWSR). A variety of factors can affect vodka consumption in Poland, including increased consumer confidence and good economic conditions, which have historically been favourable to vodka consumption. In Poland, while the Group's sales of higher margin brands, such as vodka-based flavoured liqueurs, increased in FY 2012, sales of economy brand products decreased, reflecting consumer preference for higher quality products. The Group has taken advantage of this "trade-up" trend to increase growth in sales volume by deploying new brands and products primarily in the mainstream and premium segments, where profit margins are higher. In addition, following consumer research that suggested that lower alcohol content was in line with consumer preferences, particularly among women, the Group reduced the alcohol content in its vodka-based flavoured liqueur products, which contributed to an increase in revenue in FY 2012.

According to IWSR data, the Czech spirits market accounted for approximately 23.8% of the country's alcoholic beverage market by volume (in equivalent litres) with sales of approximately 6.6 million equivalent 9-litre cases in 2012. The Czech spirits market largely comprises vodka, Rum, bitters and liqueurs, with these four major categories having consistently accounted for approximately 80% of total spirits volumes for the three years to 31 December 2012 (according to IWSR).

In Italy, the spirits market is fragmented, with bitters, liqueurs and brandy being the largest spirits categories. The Group competes primarily in the brandy category as well as the smaller, niche limoncello, vodka and vodka-based flavoured liqueurs categories. Sales volume in the Italian spirits market has slightly declined over the periods under review as a result of the deterioration of economic conditions, which contributed to lower consumer confidence.

Changes in the Group's distribution channels

The Group's profit margins are affected by the nature of its distribution channels. Sales through the traditional distribution channels (such as small format independent retailers) typically provide higher margins when compared to sales through modern trade distribution channels (such as hypermarkets or discounters). Margin benefits could be impacted, however, by the greater susceptibility of participants in the traditional distribution channels to liquidity constraints, which could lead to a shift to sales through less profitable distribution channels.

Sales distribution in Poland is predominantly off-trade and the Group's distribution is focused on wholesalers who supply the traditional trade channel, which is mainly comprised of small local retailers. Similar to Poland, sales distribution in the Czech Republic is predominantly through off-trade distribution channels. The Czech market is still dominated by local and regional participants. In Italy, the distribution channels in the spirits market are split fairly evenly between on-trade and off-trade channels in volume terms, though there has been a continued shift towards off-trade channels (as a result of reduced discretionary consumer spending). Off-trade sales in Italy were driven predominantly by sales through supermarkets and discounters in 2011 and 2012 (according to IRI).

In the future, if modern trade distribution channels, such as discounters, supermarkets and hypermarkets play a larger role in the distribution of spirits in Poland and the Czech Republic at the expense of smaller traditional retailers (which has occurred in other markets as their economies matured), it could adversely affect the Group's profit margins. The Group does not, however, expect significant changes in the existing distribution channels in the Group's key markets in the short-term.

Cost savings and other optimisation initiatives

Since FY 2007, the Group has undertaken significant reorganisation and other transformation programmes to reduce costs, to streamline production operations, to improve its revenue mix and to seek opportunities to expand earnings and cash flow. These initiatives have included, for example:

- establishing an experienced central senior management team;
- expanding and strengthening the Group's distribution network by reducing its production workforce and reinvesting the savings in expanding the Group's sales force and brand advertising and promotion;
- implementing efficient and flexible production processes and centralised procurement operations;
- investing in the Group's production facilities; and
- formalising and executing the NPD Programme to expedite the Group's ability to launch new products and new variants of existing products.

In the periods under review:

- the Group sold the Gran Gala and Gala Caffe brands along with Stock Spirits Group USA Inc., its US sales and marketing operation (as a result of which it recorded a net gain on disposal of €54.9 million as an exceptional item in FY 2012);
- in line with its strategy to exit inefficient plants (which it started in FY 2008), the Group closed its production facility in Trieste, Italy in FY 2012. The Group incurred closure costs of €5.8 million, which it recorded as part of exceptional items in FY 2012. This included a €1.6 million impairment charge to write-down the value of the property in Trieste. The Group completed this closure in late FY 2012 and, therefore, did not generate significant cost savings in FY 2012. The Group expects that the full effect of the cost savings will be realised during the course of FY 2013;
- the Group made significant investments in its production facilities in Poland and, to a lesser extent, in the Czech Republic, to increase its available production capacity to support growth and to improve the efficiency and flexibility of its facilities to operate in lower cost environments (see "*Capital expenditure*");
- the Group further developed its production platform through vertical integration to support future growth by acquiring, for €3.6 million, an ethanol distillery in Rostock, Germany in FY 2012 with a view to supplying approximately 40% of the Group's ongoing alcohol requirements;
- the Group incurred €0.4 million, €0.2 million and €0.4 million in costs in FY 2010, FY 2011 and FY 2012, respectively, in connection with the reorganisation of senior management; and
- the Group has continued to maintain investment in its distribution platform by continuing to add sales personnel across all segments, primarily in Poland, and recruiting and training sales and marketing professionals.

Cost and availability of raw materials

The largest component of the Group's cost of sales is raw material costs. Raw materials include primarily sugar, raw and rectified alcohol (ethanol), wheat and other grains, molasses, wine distillates (which the Group uses in the production of brandy), cream (which the Group uses in the production of certain cream-based liqueurs) and packaging materials (including glass, carton, aluminium and plastic). The largest components of raw material costs are raw and rectified alcohol and glass for packaging. As noted above, due to the disproportionately high level of excise duties and other taxes represented within shelf prices, costs of alcohol represent a very small proportion of shelf prices per litre.

Commodity price changes and availability of raw materials generally affect the Group's results. Moreover, the Group depends on third-parties to supply raw materials and packaging materials (such as glass bottles), and therefore onerous contractual terms in a key supply contract could adversely affect the Group's results.

In FY 2011, the Group experienced an increase in alcohol prices, which was driven by poor grain harvests, increasing alternate uses of alcohol (for example, production of bio-ethanol for which government subsidies are available) and a decrease in the number of raw and rectified alcohol producers. In FY 2012, the Group experienced an increase in alcohol prices (due to poor grain harvests and reduced numbers of producers), and an increase in prices of sugar (which was driven by sourcing difficulties and changes in EU quota regulations), wheat and other grains. Moreover, the EU wine policy (which is part of the EU Common Agricultural Policy) has led to a reduction in the level of supply of, and consequent increases in the price of, wine distillates, which are a raw ingredient in certain of the Group's products.

Due to the significance of raw material costs as a percentage of cost of sales, the Group uses detailed reporting and monitoring systems, a centralised procurement group and raw material storage facilities to manage costs, as well as to provide a buffer against short-term fluctuations in raw material prices. The Group entered into forward purchase contracts for grain alcohol in FY 2011, and, in FY 2012, it purchased its own ethanol distillery in Rostock, Germany. The Group expects that this acquisition will reduce its exposure to volatility in raw alcohol prices and lead to a reduction in the overall cost of raw alcohol going forward.

General economic trends

Macro-economic conditions in the Group's key geographic markets and the level of consumer spending in these markets can affect the Group's results. Economic conditions can affect end consumers of the Group's products, and the Group's suppliers, customers and distributors in many ways that can be difficult for the Group to predict. For example, when economic conditions are, or are perceived by consumers to be, poor, distributors may reduce inventory levels, consumers may buy less spirits or "trade down" by buying less expensive brands or categories of spirits, and competitors may reduce prices. Poor economic conditions affected the Group's sales in Italy in both FY 2011 and FY 2012.

The impact of the Eurozone sovereign debt crisis on consumer confidence and spending power in the Group's key geographic markets differed. Over the past few years, the Czech Republic and Italy experienced a decline. While Poland was viewed as largely unaffected by the Eurozone sovereign debt crisis directly, the impact of the crisis on its trading partners has had an adverse effect on Poland's economic growth trends, as well as business and consumer confidence in the country. The Polish economy slowed in 2012 and has slowed further in 2013, growing according to recent government flash statistics by only 0.5% in the first quarter of 2013 over the comparable quarter in 2012.

Seasonality

The Group's business is affected by holiday and seasonal consumer buying patterns, as well as by any price increases or decreases. The Group typically generates an above-average portion of its revenue and cash during the fourth quarter of each fiscal year as customers and distributors increase stock for the Christmas and New Year season. For example, in FY 2010, and FY 2011, 32.9% and 30.8%, respectively, of the Group's revenue was earned during the fourth quarter (in FY 2012, the bans in the Czech Republic and Slovakia affected this pattern). The Group's sales are generally lower in the first quarter of each year (although in the first quarter of 2013, revenue was higher than the second quarter due to the timing of Easter, which fell in the first quarter of 2013). The Group also tends to hire additional sales force to, among other reasons, handle seasonal increases.

In addition, the Group's working capital fluctuates significantly due to excise duty payments. See "*Working capital*."

Foreign exchange rate exposure

The Group generates revenue primarily in Polish złoty and secondarily in Czech koruna and a large portion of the Group's assets and liabilities are denominated in Polish złoty and Czech koruna. In addition, the financial covenants in the ING Credit Facility are tested in euro. As a result, the Group is subject to risks associated with fluctuations in foreign currency exchange rates. This risk arises primarily in connection with the translation effect of the Group's assets and liabilities in the Polish złoty (the functional currency of its operations in Poland) and the Czech koruna (the functional currency of its operations in the Czech Republic) to the euro (the Group's reporting currency). Translation risk arises from the fact that for each accounting period the Group translates into euro the foreign currency statements of financial position and income statements of its subsidiaries whose functional currency is not the euro, in order to prepare the consolidated accounts of the Group (see "Basis of consolidation" in Note 3 to the Group's consolidated financial information in Part XII (*Historical Financial Information*)). This currency translation can cause unexpected fluctuations in both the statement of financial position and the income statement.

In preparing the financial information of the Group's individual operating entities, the Group records transactions in currencies other than the entity's functional currency at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, the Group retranslates monetary items denominated in foreign currencies at the exchange rates prevailing at the end of the reporting period.

For the purpose of presenting its consolidated financial information, the Group:

- translates non-monetary items that are measured in terms of historical cost in a foreign currency using the exchange rates as at the dates of the initial transactions, and translates non-monetary items measured at fair value in a foreign currency using the exchange rates at the date when the fair value was determined;
- expresses the assets and liabilities of its foreign operations in euro using exchange rates prevailing at the end of the reporting period;
- translates income and expense items at the average exchange rates for the period;
- treats goodwill and fair value adjustments arising on the acquisition of a foreign operation as assets and liabilities of the foreign operation and translates them at the exchange rates prevailing at the end of the reporting period; and
- classifies any exchange differences that arise as other comprehensive income and transfers them to the Group's translation reserve.

Taxation

In FY 2012, the Group's headline rate of corporate tax was 28.8%, with an effective tax rate of 9.9%. In FY 2012, the Group disposed of its US business for a net gain of €54.9 million. The Group believes this disposal qualified for a tax exemption and, therefore, the profit on sale of the investment was not taxable. This had a positive effect on the Group's effective tax rate in FY 2012.

The Group's net tax liability was €1.9 million in HY 2013 compared to €1.2 million in HY 2012. The Group's net tax liability was €5.8 million, €2.1 million and €7.2 million in FY 2010, FY 2011 and FY 2012, respectively. The Group had a net deferred tax liability of €50.6 million in HY 2013. The Group had a net deferred tax liability of €59.4 million, €58.1 million and €53.5 million, as of FY 2010, FY 2011 and FY 2012, respectively. The Group had tax losses arising in the UK, Luxembourg and the Czech Republic totalling €38.9 million in HY 2013 (€18.1 million, €21.2 million and €29.0 million in FY 2010, FY 2011 and FY 2012, respectively). The majority of the losses are in relation to the UK and Luxembourg and these losses are generally available indefinitely to offset against future taxable profits of the companies in which the losses arose. The losses in the Czech Republic can be carried forward for five years. In connection with the Offer, a change of ownership occurs, which could limit the Group's ability to use its tax losses to offset against future taxable profits due to certain loss restriction provisions. The Group does not expect, however, that material loss restrictions will apply.

4. Key income statement items

The following describes certain line items in the Group's consolidated financial information, which are discussed in the period-to-period comparisons below:

Revenue. The Group generates revenue by primarily producing and distributing its own products. It also distributes third-party products. Following the acquisition in FY 2012 of the German distillery, the Group accounts for revenue derived from sales to third-parties of ethanol and certain by-products produced in this facility. The Group reports revenue in its income statement net of excise duties and other taxes (including VAT), as well as certain other discounts and allowances. The Group measures revenue at the fair value of the consideration received or receivable. The Group recognises revenue from the sale of its products only when certain conditions are met, including that the Group has transferred to the buyer the significant risks and rewards of ownership, that the amount of revenue and costs in respect of the transaction can be measured reliably, and that it is probable that the economic benefits associated with the sale will flow to the Group.

The table below sets out a breakdown of the Group's revenue for the periods under review:

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			€ in millions		
Revenue from the sale of spirits(1)	985.8	902.4	874.9	399.8	433.3
Other sales(2)	1.0	1.1	0.9	0.5	3.1
Excise duty	(684.8)	(608.4)	(583.4)	(265.9)	(283.2)
Revenue	**302.0**	**295.1**	**292.4**	**134.4**	**153.1**
Percentage change from prior period		*(2.3)*	*(0.9)*		*13.9*

(1) Net of price discounts, allowances and VAT.

(2) Relates to non-commercial product sales in Italy and, following the Group's acquisition of the German distillery in FY 2012, the sale to third-parties of ethanol and certain by-products.

Cost of sales. Cost of sales represents the direct costs attributable to the Group's goods produced and sold, including direct material costs (i.e. raw material costs, including sugar, raw and rectified alcohol and packaging material costs), direct labour cost and other costs, including depreciation and amortisation on assets used in production, packaging and labelling, and transport and logistics costs, but excluding operating expenses such as selling, administrative, advertising and marketing expenses. Cost of sales represented 53.4%, 53.1% and 51.0% of the Group's revenue in FY 2010, FY 2011 and FY 2012, respectively, and 51.6% in HY 2012 and 48.3% in HY 2013. Direct material costs represented by far the largest component of cost of sales in the periods under review.

The Group's cost base is, for the most part, variable as it generally tends to fluctuate with the Group's production volumes (this includes, in particular, direct material costs and transport and logistics costs). Depreciation and amortisation on assets used in production, packaging and labelling do not depend on the volume produced.

The Group provides explanations on "cost of sales per case" in the period-to-period comparisons included in this Operating and Financial Review. These explanations do not take into account the impact of foreign exchange movements used in the consolidation of the Group's financial information.

Selling expenses. Selling expenses represent the expenses of bringing the Group's products to the market, as well as advertising those products. Selling expenses are the Group's largest expense item, and advertising, promotion and marketing expenses were the largest component of selling expenses in the periods under review. Selling expenses represented 20.1%, 20.5%, 18.8%, 20.8% and 21.0% of the Group's revenue in FY 2010, FY 2011, FY 2012, HY 2012 and HY 2013, respectively. Due to legal restrictions on advertising and promotion in Poland, advertising, promotion and marketing expenses are lower in Poland than in the Czech Republic and Italy.

In FY 2012, advertising, promotion and marketing expenses decreased as a proportion of revenue primarily as a result of the temporary nationwide spirits bans imposed by the Czech and Slovakian governments. The Group's sales, as well as advertising, promotion and marketing spend, in the Czech Republic were lower as a result of the ban. The decrease in the Group's revenue from the Czech Republic resulted in Poland contributing a larger proportion of total Group revenue. Due to the restrictions in advertising and promotion in place in Poland, total advertising, promotion and marketing expenses as a proportion of revenue decreased in FY 2012. Costs in FY 2012 associated with additional advertising and promotional activities in response to the Czech spirits ban were reported as exceptional items.

In addition, the timing of the Group's product launches and re-launches significantly impacts the level of advertising, promotion and marketing expenses in a given period (for example, a reduction in selling expenses in FY 2012 was in part due to fewer product launches that year).

The following table sets out the proportion of the significant components of selling expenses to total selling expenses for the periods under review:

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			%		
Advertising, promotion and marketing	50.1	45.8	42.1	42.2	44.6
Selling costs	25.1	26.7	28.3	27.4	29.3
Indirect costs of production(1)	11.6	12.9	13.6	14.0	13.1
Logistics costs	7.9	9.2	10.2	10.0	8.2
Other(2)	5.3	5.4	5.8	6.4	4.9
Total selling expenses	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Includes temporary labour, quality and control and repairs and maintenance costs.

(2) Includes depreciation and amortisation.

General and administrative and other operational expenses. General and administrative and other operational expenses represent expenses incurred to manage the business, and include corporate overhead costs (such as salaries of executives), legal and professional fees, rent, utilities, insurance, office supplies, impairment charges relating to trade receivables, depreciation and amortisation on assets utilised in the corporate and general overhead functions and other expenses.

The following table sets out the proportion of the significant components of general and administrative and other operational expenses to total general and administrative and other operational expenses for the periods under review:

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			%		
Payroll	42.5	34.2	42.5	38.3	32.6
Legal and professional fees	10.0	10.9	10.4	9.7	9.7
Insurance	3.3	4.3	2.9	2.7	3.1
Impairment charges relating to trade receivables	(1.5)	6.4	6.6	5.4	3.5
Depreciation and amortisation on assets utilised in the corporate and general overhead functions	5.4	10.5	5.5	8.9	3.6
OCM management fee	2.2	2.2	1.7	1.7	1.6
Share-based payments	1.2	0.8	0.9	1.0	16.3
Long-term incentive plan	5.8	2.6	(1.2)	2.3	2.6
Other expenses(1)	31.2	28.2	30.8	29.9	26.9
Total general and administrative and other operational expenses	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(1) Includes trading foreign exchange gains and losses.

Exceptional items. The Group reports exceptional items separately in its consolidated financial information to provide a better understanding of the financial performance of the Group and facilitate period-to-period comparisons. The Group may classify certain items as exceptional in the future due to the significance of their nature or amount.

- In FY 2010, exceptional items included, for example, expenses relating to the Group's reorganisation initiatives, such as legal costs and other one-off costs at the Group's head office, expenses relating to a legal entity reorganisation project in Poland, restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including a relocation of some functions from Trieste to Milan, and advisory and legal costs incurred by the Group in connection with the potential disposal of the Group by its major shareholder.
- In FY 2011, in addition to continued costs incurred in respect of the restructuring of the Group's Italian operations and the potential disposal of the Group by its majority shareholder, exceptional items included advisory and legal costs incurred by the Group in connection with the refinancing of the Group's indebtedness and the write-off of a significant trade debtor balance in Poland, among other items.
- In FY 2012, exceptional items comprised costs associated with the closure of the Trieste manufacturing facility, impairment of Italian goodwill associated with the disposal of the Gran Gala brand, which was sold as part of the US business, and the costs associated with additional advertising and promotional activities in response to the Czech spirits ban.
- In HY 2013, exceptional items included advisory and legal costs accrued in connection with the Offer and costs relating to the refinancing of the Group completed in June 2013 and restructuring and merger costs incurred in connection with the Group's Slovakian business.

Finance costs. Finance costs include financing foreign currency exchange losses, interest expense, commissions payable to banks, fair value losses on derivative financial instruments and other finance expenses.

Finance revenue. Finance revenue includes financing foreign exchange gains, credit on revision of estimate, fair value gains on derivative financial instruments and other finance revenue.

Income tax credit/(expense). Income tax comprises current and deferred income tax credit/(expense), tax expense relating to the prior year and other taxes. In determining income tax credit/(expense), the Group makes adjustments for non-taxable income, expenses not deductible for tax purposes and the effect of foreign currency tax rates (see Note 13 to the Group's consolidated financial information in Part XII (*Historical Financial Information*)). The Group had a total tax expense of €5.3 million, €4.2 million and €2.9 million in FY 2010, FY 2011 and FY 2012, respectively. The Group had a total tax expense of €1.4 million in both HY 2012 and HY 2013.

Amortisation and depreciation. The Group charges amortisation and depreciation to cost of sales, selling expenses, and general and administration and other operational expenses. The largest component of amortisation and depreciation is allocated to cost of sales, which represented 51.8%, 50.5% and 53.6% of total depreciation and amortisation expense in FY 2010, FY 2011 and FY 2012, respectively, and 49.1% and 55% in HY 2012 and HY 2013, respectively.

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			€ in millions		
Depreciation and amortisation allocated to:					
Cost of sales	4.3	5.6	5.2	2.8	2.2
Selling expenses	2.9	2.9	2.8	1.6	1.3
General and administration and other operational expenses	1.1	2.7	1.7	1.3	0.5
Total depreciation and amortisation expense	**8.3**	**11.1**	**9.7**	**5.7**	**4.0**

5. Operating results

The following table shows income and expense items as a percentage of the Group's revenue for the periods indicated.

	FY 2010		*FY 2011*		*FY 2012*		*HY 2012*		*HY 2013*	
	€ in millions	*%*	*€ in millions*	*%*	*€ in millions*	*%*	*€ in millions*	*%*	*€ in millions*	*%*
Revenue	302.0	100.0	295.1	100.0	292.4	100.0	134.4	100.0	153.1	100.0
Cost of sales	(161.3)	(53.4)	(156.6)	(53.1)	(149.1)	(51.0)	(69.3)	(51.6)	(74.0)	(48.3)
Gross profit	140.6	46.6	138.5	46.9	143.4	49.0	65.1	48.4	79.2	51.7
Selling expenses	(60.8)	(20.1)	(60.4)	(20.5)	(55.0)	(18.8)	(28.0)	(20.8)	(32.1)	(21.0)
General and administrative and other operational expenses	(27.0)	(8.9)	(25.5)	(8.6)	(29.9)	(10.2)	(14.4)	(10.7)	(16.7)	(10.9)
Exceptional items	(10.8)	(3.6)	(14.7)	(5.0)	27.0	9.2	(0.7)	(0.5)	(8.2)	(5.4)
Operating profit	**42.1**	**13.9**	**38.0**	**12.9**	**85.4**	**29.2**	**22.0**	**16.4**	**22.1**	**14.4**
Finance revenue	11.4	3.8	44.3	15.0	1.8	0.6	0.9	0.7	1.0	0.7
Finance costs	(46.3)	(15.3)	(60.8)	(20.6)	(58.2)	(19.9)	(28.4)	(21.1)	(32.4)	(21.2)
Group profit/(loss) before tax	7.1	2.4	21.5	7.3	28.9	9.9	(5.5)	(4.1)	(9.3)	(6.1)
Income tax expense	(5.3)	(1.8)	(4.2)	(1.4)	(2.9)	1.0	(1.4)	(1.0)	(1.4)	(0.9)
Profit/(loss) for the period	**1.8**	**0.6**	**17.3**	**5.9**	**26.1**	**8.9**	**(6.9)**	**(5.1)**	**(10.7)**	**(7.0)**

HY 2013 compared to HY 2012

Revenue

Overall

The Group's revenue increased €18.7 million, or 13.9%, from €134.4 million in HY 2012 to €153.1 million in HY 2013. The increase in revenue was due primarily to an increase in revenue in Poland, the Czech Republic and the Other Operational segment, partially offset by a decrease in revenue in Italy (primarily due to the sale of the US business, which the Group accounted for in the Italy segment and sold in the fourth quarter of FY 2012).

Poland

Against a backdrop of a further decline in the Polish spirits market, the Group's revenue in Poland increased €7.5 million, or 9.2%, from €81.6 million in HY 2012 to €89.1 million in HY 2013. The increase in revenue reflected an increase in the sale of products (particularly, the Lubelska brand range and Czysta de Luxe, two products in the mainstream segment, and Stock Prestige, a brand in the premium segment), which was driven primarily by promotional activities and increased product range, price increases implemented in the second half of FY 2012 and HY 2013, more favourable product mix, the full-year impact of alcohol content reductions in FY 2012, and a growth in the Group's market share.

The increase in revenue was also due to the installation of approximately 12,000 branded refrigerators in traditional trade retailers.

The increase in revenue was partially offset by an increased level of sales deductions. Following the installation of the Group's branded refrigerators, competitors responded by trying to increase their shelf space; as a result, the Group temporarily offered higher levels of discounts to trade customers to defend its shelf space.

Czech Republic

The Group's revenue in the Czech Republic increased €6.2 million, or 26.1%, from €23.8 million in HY 2012 to €30.0 million in HY 2013. The increase in revenue was due primarily to the growth of the spirits market following the temporary nationwide ban on the sale of spirits containing more than 20% alcohol by volume, which was imposed by the Czech government in September 2012. Following the lifting of the ban, the Group benefited from a transfer of some of the consumption from illegally produced spirits to legally produced spirits consumption. In particular, sales of the Bozkov brands increased significantly as the lower price point met the preferences of price conscious consumers. The increase in revenue was also driven by price increases, and was partially offset by a change in the segment mix (reflecting a higher proportion of the lower priced Bozkov range), and adverse customer mix, which led to higher rebates.

Revenue in HY 2012 was adversely impacted by the build-up of stock-in-trade in the market in FY 2011 resulting from, the Group believes, trade customers over-anticipating Christmas demand for spirits and customers buying-in ahead of price increases on 1 January 2012. No such build-up of stock-in-trade occurred in FY 2012, as (due to the temporary spirits ban) price increases were delayed until later in FY 2013, and, as such, sales in HY 2013 were not similarly impacted.

Italy

The Group's revenue in Italy decreased €2.7 million, or 13.4%, from €20.2 million in HY 2012 to €17.5 million in HY 2013. The decrease in revenue was due primarily to the sale of the US business in the fourth quarter of 2012. The results of the US business were included in the Italy segment as the brands sold through the US business were manufactured largely in Italy.

Other Operational

The Group's revenue in this segment increased €7.7 million, or 87.5%, from €8.8 million in HY 2012 to €16.5 million in HY 2013. The increase in revenue was due primarily to the acquisition of Imperator and the ethanol distillery in Germany, both of which occurred in December 2012. Excluding the effect of these acquisitions, revenue in this segment increased as a result of higher sales in certain markets, including Bosnia & Herzegovina (following de-stocking activities in FY 2012) and Croatia, partially offset by lower sales in Slovenia. Although revenue in Slovakia increased in HY 2013 compared to HY 2012, the post-ban recovery was not as strong as the Group initially projected.

Cost of sales

The Group's cost of sales increased €4.7 million, or 6.8%, from €69.3 million in HY 2012 to €74.0 million in HY 2013. The increase was due primarily to increased sales volumes and was partially offset by a reduction in the cost of raw materials, which was due primarily to lower alcohol prices and the acquisition of the German ethanol distillery in December 2012.

The Group's cost of sales per case decreased from HY 2012 to HY 2013 reflecting the reduction in the cost of raw materials.

Depreciation and amortisation allocated to cost of sales decreased from €2.8 million in HY 2012 to €2.2 million in HY 2013, which was due primarily to the closure of the Trieste facility.

Poland

Direct material cost per case decreased from HY 2012 to HY 2013, which was due primarily to a decline in the costs of raw materials, including molasses and alcohol, and the positive impact of the acquisition of the German ethanol distillery in December 2012.

Direct labour cost per case in HY 2013 was in line with HY 2012, while transport and logistics costs per case increased from HY 2012 to HY 2013, which was due principally to fuel inflation.

Czech Republic

Direct material cost per case increased from HY 2012 to HY 2013, which was due primarily to higher prices for wine distillates due to a reduced number of suppliers resulting from vineyard closures. Additionally, sugar prices increased over the same period due to lower crop yields.

Direct labour cost per case decreased from HY 2012 to HY 2013, which was largely driven by the positive impact on sales following the lifting of the temporary spirits ban in 2012. While volumes have increased, the direct labour cost base remained semi-fixed in nature. Transport and logistics cost per case decreased over the same period, which was due principally to savings in the transportation process, which more than offset the impact of fuel inflation.

Italy

Direct material cost per case increased from HY 2012 to HY 2013, which was due primarily to higher prices for wine distillates due to a reduced number of suppliers resulting from vineyard closures. In addition, sugar prices increased over the same period due to lower crop yields.

Direct labour cost per case decreased substantially from HY 2012 to HY 2013, which was a result of a decrease in headcount following the closure of the Trieste facility. Transport and logistics cost per case increased over the same period, which was also principally due to the closure of the Trieste facility. In addition, warehousing costs increased as products are no longer being stored in the Trieste facility.

Selling expenses

The Group's selling expenses increased €4.1 million, or 14.6%, from €28.0 million in HY 2012 to €32.1 million in HY 2013, reflecting a headcount increase in the Group's sales forces to support growth opportunities and an increase in the Group's brand equity investment. The increase was due to the installation of approximately 12,000 branded refrigerators in traditional trade retailers in Poland, which increased sales support and promotional expenses. The increase was also due to the increase in indirect costs of production following the acquisition of Imperator and the purchase of the ethanol distillery in Germany in December 2012. The increase in selling expenses was partially offset by a decrease in indirect costs of production in Italy, relating to the closure of the Trieste facility.

Depreciation and amortisation allocated to selling expenses decreased from €1.6 million in HY 2012 to €1.3 million in HY 2013 due to a reduced amortisation charge relating to agency contracts, customer lists and patents in Italy.

General and administrative and other operational expenses

The Group's general and administrative and other operational expenses increased €2.3 million, or 16.0%, from €14.4 million in HY 2012 to €16.7 million in HY 2013. This increase was due primarily to an increase in share-based payments relating to additional options granted in December 2012 and May 2013. The increase was also due to the acquisition of Imperator and the purchase of the ethanol distillery in Germany in December 2012. The increase in general and administrative and other operational expenses was partially offset by a decrease in the depreciation and amortisation (from €1.3 million in HY 2012 to €0.5 million in HY 2013) relating to land and buildings due to the closure of the Trieste facility in Italy and the subsequent reallocation of this facility to assets held for sale.

Exceptional items

In HY 2013, exceptional expenses increased €7.5 million from €0.7 million in HY 2012 to €8.2 million in HY 2013. This increase was due primarily to advisory and legal costs accrued in connection with the Offer.

The following table sets out the exceptional items during the periods indicated.

	HY 2012	*HY 2013*
	€ in millions	
Restructuring of Italian business(1)	0.3	0.1
Costs associated with potential disposal of the Group by majority shareholder(2)	–	3.7
Refinancing costs(3)	0.1	3.3
Costs of impact of the Czech spirits ban(4)	–	0.1
Restructuring and merger of Slovakian businesses(5)	–	0.3
Other(6)	0.2	0.6
Total exceptional items	**0.7**	**8.2**

(1) Comprised restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including the relocation of some functions from Trieste to Milan. The charge in HY 2013 includes costs associated with the disposal of the facility in Trieste.

(2) Comprised advisory and legal costs accrued in connection with the Offer and included a provision for VAT on project-related costs. Also included is VAT on costs incurred relating to the potential disposal, which were thought initially to be deductible for VAT purposes, but on review were determined to be non-deductible and, therefore, VAT on these costs must be paid to the Luxembourg VAT authorities.

(3) Comprised advisory and legal costs in connection with the refinancing of the Group completed in June 2013. Also included in HY 2013 is VAT on costs incurred relating to refinancing, which were thought to be deductible for VAT purposes; however, following a review it was concluded that these costs were non-deductible and, therefore, VAT on these costs must be paid to the Luxembourg VAT authorities.

(4) Comprised costs associated with additional advertising and promotional activities in response to the Czech spirits ban in September 2012.

(5) Comprised costs associated with the reorganisation of the Slovakian businesses, including termination payments and legal costs incurred in connection with the merger of Stock Slovakia s.r.o. and Imperator s.r.o. in May 2013.

(6) In HY 2013, it comprised legal costs associated with the restructuring of IP arrangements in Poland, reorganisation of the operations department, including termination payments, and costs relating to the acquisition of the ethanol distillery in Germany and its integration with the Group's operations. In HY 2012, it comprised costs related to the restructuring of the Group's marketing department, and included redundancy costs.

Net finance costs

The Group's finance costs increased €4.0 million, or 14.1%, from €28.4 million in HY 2012 to €32.4 million in HY 2013. This increase was due primarily to an increase in the interest payable on PECs and a foreign exchange loss on financing (foreign exchange gain in HY 2012). The Group's finance revenue increased €0.1 million, or 11.1%, from €0.9 million in HY 2012 to €1.0 million in HY 2013. This increase was due primarily to a gain of €0.4 million on the fair value of derivative instruments hedged by interest rate swaps, offset by there being a foreign exchange loss (included in finance costs) rather than a foreign exchange gain on financing.

The Group's net finance costs were as follows:

	HY 2012	*HY 2013*
	€ in millions	
Finance costs:		
Interest payable on bank overdrafts and loans	6.1	4.5
Coupon interest on PECs(1)	9.7	8.9
Interest payable on CECs(2)	0.6	0.6
Interest payable on PECs(3)	10.2	14.4
Foreign currency exchange loss	–	2.8
Bank commissions payable	1.3	1.2
Other interest expense	0.6	0.1
Total finance costs	28.4	32.4
Finance revenue:		
Fair value derivative instruments hedged by interest rate swap	–	0.4
Other finance revenue	0.6	0.6
Foreign currency exchange gain	0.3	–
Total finance revenue	0.9	1.0
Net finance costs	**27.6**	**31.4**

(1) In November 2006, July 2007, March 2008 and June 2010, the Operating Company issued PECs totalling €172.0 million. The PECs are redeemable after 49 years, if not previously redeemed by the holder. The PECs are not secured and carry interest at rates between 6% and 8.375%. The Group treats the PECs as debt instruments.

(2) In November 2006, January 2008 and March 2008, the Operating Company issued CECs totalling €21.8 million. The CECs are redeemable after 51 years, if not previously converted or redeemed by the holder. The CECs are not secured and do not carry interest. The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument.

(3) The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument.

Income tax expense

Income tax expense comprises current tax expense and deferred tax credits relating to the origination and reversal of temporary differences remained consistent year-on-year at €1.4 million.

The Group's tax expense consists of:

	HY 2012	*HY 2013*
	€ in millions	
Current tax expense	4.0	2.8
Tax expense relating to prior year	0.1	(0.4)
Deferred tax expense relating to the origination and reversal of temporary difference	(2.7)	(1.4)
Foreign taxes	–	0.5
Total tax expense	1.4	1.4

Loss for the period

The loss for the period increased €3.8 million from a loss of €6.9 million in HY 2012 to a loss of €10.7 million in HY 2013, as a result of the factors described above.

FY 2012 compared to FY 2011

Revenue

Overall

The Group's revenue decreased €2.7 million, or 0.9%, from €295.1 million in FY 2011 to €292.4 million in FY 2012. The decrease in revenue was due primarily to decreases in revenue in the Czech Republic, Italy and Other Operational segments, and was partially offset by an increase in revenue in Poland.

Poland

The Group's revenue in Poland increased €15.9 million, or 10.0%, from €159.4 million in FY 2011 to €175.3 million in FY 2012. The increase in revenue was due primarily to price increases, and increased sales of existing products and new variants (particularly in the Lubelska brand range).

Following the decline in the Group's spirits market share in FY 2011 due to the aggressive pricing policies adopted by some of the Group's competitors (to which the Group strategically refrained from responding), sales of Żołądkowa Gorzka and Stock Prestige stabilised in FY 2012 as these pricing policies ended (although sales of Czysta de Luxe continued declining). Additionally while sales of higher margin brands, such as vodka-based flavoured liqueurs, increased in FY 2012, sales of economy brand products decreased, reflecting consumer preferences for higher quality products. Following consumer research that suggested that the lower alcohol content was in line with consumer preferences, the Group also reduced the alcohol content in its vodka-based flavoured liqueur products, which resulted in lower excise duty. This further contributed to the increased revenue in FY 2012.

Czech Republic

The Group's revenue in the Czech Republic decreased €10.7 million, or 16.4%, from €65.4 million in FY 2011 to €54.7 million in FY 2012. The decrease in revenue was mainly due to reduced volumes resulting primarily from the temporary nationwide ban on the sale of all spirits containing more than 20% alcohol by volume, which was imposed by the Czech government in September 2012. This ban was imposed in response to a number of fatal poisonings resulting from the consumption of illegally produced spirits (none of which were produced by, or associated with products of, the Group). Sales of all key brands in the Group's portfolio in the Czech Republic, except for Amundsen vodka-based flavoured liqueurs, certain Bozkov liqueurs and some smaller brands, were directly affected because they contain more than 20% alcohol.

The decrease in revenue was also due to poor economic conditions, which affected consumer confidence and spending power, compounded by an increase in VAT rates from 10% to 14% effective January 2012 (although VAT on spirits did not increase, VAT on most other consumer goods increased, thereby reducing consumer spending power).

In addition, the Group believes that trade customers over-anticipated Christmas demand for spirits in FY 2011, resulting in a build-up of stock-in-trade, thereby contributing to lower sales to trade customers by spirits producers, including the Group, in early FY 2012.

The impact of the reduced revenue was partially offset by an increase in the average net selling price of 4.3% from FY 2011 to FY 2012, with price rises being implemented from 1 January 2012.

Italy

The Group's revenue in Italy decreased €3.5 million, or 7.8%, from €45.1 million in FY 2011 to €41.6 million in FY 2012. The decrease in revenue was due primarily to reduced sales volume as a result of the ongoing Eurozone sovereign debt crisis and its impact on consumer confidence and spending power. Associated with this was customer de-stocking, with trade customers managing their working capital in response to the challenging economic environment and a change to statutory payment terms. The decrease in revenue was also due to a 14.1% decrease in revenue from the US business as a result of its sale in October 2012. Due to the sale, the Group's FY 2012 revenue included only nine months of revenue relating to the business, compared to a full-year of revenue in FY 2011.

The decrease in revenue was partially offset by an increase in the average net selling price of 2.0% from FY 2011 to FY 2012 due to implementation of price increases. The Group was able to maintain market share for most of its key brands through increased marketing and promotional activities.

Other Operational

The Group's revenue in the Other Operational segment decreased €4.4 million, or 17.5%, from €25.2 million in FY 2011 to €20.8 million in FY 2012. The decrease in revenue was due to reduced sales volume in Slovakia, due primarily to the temporary ban imposed by the Slovakian government on the import and sale of Czech bottled spirits following the temporary spirits ban in the Czech Republic. The impact of the ban was exacerbated because most of the Group's competitors in Slovakia (primarily local producers and distributors) were not affected by the ban. The decrease in revenue was also due to aggressive pricing policies from the Group's key competitors in Slovakia in FY 2012, as well as reduced sales in Slovakia in early 2012 (as a result of higher levels of customer inventory being carried over into FY 2012 due to lower trading over Christmas 2011 and a price increase from January 2012) and underperformance in Bosnia & Herzegovina (where the Group's action towards managing bad debts resulted in lower sales and lower trade inventories, which in turn resulted in lower volumes).

Cost of sales

The Group's cost of sales decreased €7.5 million, or 4.8%, from €156.6 million in FY 2011 to €149.1 million in FY 2012. This decrease was due primarily to a reduction in sales volume. The decrease in cost of sales was partially offset by an increase in alcohol prices due to poor grain harvests, reduced numbers of raw and rectified alcohol producers and an increasing number of alternative uses for alcohol. The decrease in cost of sales was also partially offset by an increase in sugar prices, driven by sourcing difficulties and changes in EU quota regulations. Cost of sales per case decreased from FY 2011 to FY 2012.

Depreciation and amortisation allocated to cost of sales decreased from €5.6 million in FY 2011 to €5.2 million in FY 2012, which was driven by the sale of certain assets associated with the closure of the Trieste manufacturing plant.

Poland

Direct material cost per case increased from FY 2011 to FY 2012, which was due primarily to difficulties in sourcing sugar and energy price inflation, which resulted in an increase in the cost of glass. These higher costs were partially offset by value engineering savings, which included bottle light-weighting resulting in reduced glass usage, change of labels and replacement of carton packaging for a number of the Group's brands.

Direct labour cost per case was consistent with FY 2011. Transport and logistics cost per case decreased from FY 2011 to FY 2012 as a result of reduced warehousing costs as the Group discontinued the use of a temporary warehouse that it used in FY 2011, which was partially offset by an increase in fuel price.

Czech Republic

Direct materials cost per case increased from FY 2011 to FY 2012, which was due primarily to continuing increases in alcohol prices. This increase was also driven by higher prices for wine distillates, following poor harvests in Southern Europe, a decrease in producer subsidies and a reduction in the level of supply (due to vineyard closures as a result of EU incentives offered to producers to convert vineyards into arable land). The increase was also due to an increase in prices of sugar (driven by sourcing difficulties and changes in EU quota regulations) and cream.

Direct labour cost per case increased from FY 2011 to FY 2012, which was partially driven by the impact of the Czech spirits ban, given the reduction in production. The increase was also due to increased headcount following the closure of the Trieste facility, with a part of the Italian production operations transferring to Plzen, Czech Republic. Transport and logistics cost per case remained relatively stable as the impact of fuel inflation in FY 2012 was partially offset by savings in the transportation process.

Italy (excluding US)

Direct material cost per case increased from FY 2011 to FY 2012, which was primarily driven by higher prices for wine distillates due to poor harvests in Southern Europe, a decrease in producer subsidies and a reduction in the level of supply (due to EU incentives offered to producers to convert vineyards into arable land), as well as higher alcohol and molasses prices. These increased costs were partially offset by packaging savings following a redesign of the Group's brandy range.

Direct labour cost per case decreased from FY 2011 to FY 2012 due primarily to the closure of the Trieste facility. Transport and logistics cost per case remained stable in FY 2011 and FY 2012.

Selling expenses

The Group's selling expenses decreased €5.4 million, or 8.9%, from €60.4 million in FY 2011 to €55.0 million in FY 2012. This decrease was due primarily to reductions in advertising, promotion and marketing costs compared to FY 2011, when the Group had incurred considerable advertising and promotional expenses in the Czech Republic for the Fernet Stock range (following the launch of Fernet Stock Z-Generation) and in Italy following the launch of Limoncè Amaro.

Reduced advertising and promotional spend resulted in selling expenses decreasing as a percentage of revenue from 20.5% in FY 2011 to 18.8% in FY 2012.

Depreciation and amortisation allocated to selling expenses decreased from €2.9 million in FY 2011 to €2.8 million in FY 2012.

General and administrative and other operational expenses

The Group's general and administrative and other operational expenses increased €4.4 million, or 17.3%, from €25.5 million in FY 2011 to €29.9 million in FY 2012. This increase was due primarily to increased bonus payments for outperformance of the FY 2012 budget, as well as better-than-budgeted cash generation. The increase was also due to an increase in headcount in FY 2012 compared to FY 2011.

The increase in the Group's general and administrative and other operational expenses was partially offset by a decrease in depreciation and amortisation relating to land and buildings due to the closure of the Trieste facility in Italy. The increase was also partially offset by a decrease in costs relating to the long-term incentive plan in a number of the Group's markets as a result of a number of members of the plan leaving in FY 2012. Also offsetting the increase in general and administrative and other operational expenses was a decrease of €0.1 million in the management fee payable to Oaktree, from €0.6 million in FY 2011 to €0.5 million in FY 2012.

Exceptional items

The Group realised a benefit from exceptional items of €27.0 million in FY 2012 compared to expenses of €14.7 million in FY 2011. The benefit recognised in FY 2012 was due primarily to the recognition of a net gain of €54.9 million on the disposal of the Group's US business, and was partially offset by a loss of €16.5 million due to the impairment of Italian goodwill.

The following table sets out the exceptional items during the periods indicated.

	FY 2011	*FY 2012*
	€ in millions	
Restructuring of Italian business(1)	(2.0)	(5.8)
Restructuring of US business(2)	(0.1)	–
Net gain on disposal of US business(3)	–	54.9
Restructuring of International business(4)	(0.2)	(0.4)
Costs associated with potential disposal of the Group by majority shareholder(5)	(4.6)	(3.0)
Refinancing costs(6)	(3.9)	(0.4)
Costs of impact of the Czech spirits ban(7)	–	(1.0)
Impairment of Italian goodwill(8)	–	(16.5)
Bad debt write-off(9)	(2.3)	–
Restructuring and merger of Slovakian businesses(10)	–	(0.1)
Other(11)	(1.5)	(0.7)
Total exceptional items	**(14.7)**	**27.0**

(1) Comprised restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including the relocation of some functions from Trieste to Milan. The charge for FY 2012 included an impairment charge of €1.6 million to write-down the property at Trieste to its estimated resaleable value of €4.2 million, which was classified in the consolidated statement of financial position as "assets classified as held for sale."

(2) Comprised legacy costs in relation to the storage and destruction of inventory written-off in 2009.

(3) Comprised net gain from the disposal in October 2012 of the Gran Gala and Gala Caffe brands, as well as the disposal of the Group's US subsidiary, Stock Spirits Group USA Inc.

(4) Comprised reorganisation of the Group's business in the Other Operational segment, including termination payments in FY 2011 and FY 2012.

(5) Comprised advisory and legal costs in connection with the potential disposal of the Group by the majority shareholder. Also included is VAT on costs incurred relating to the potential disposal. These costs were thought to be deductible for VAT purposes; however, following a review it was concluded that these costs were non-deductible and, therefore, VAT on these costs must be paid to the Luxembourg VAT authorities.

(6) Comprised advisory and legal costs in connection with the refinancing of the Group completed in October 2011. Also included in FY 2012 is VAT on costs incurred relating to refinancing, which were thought to be deductible for VAT purposes; however, following a review it was concluded that these costs were non-deductible and, therefore, VAT on these costs must be paid to the Luxembourg VAT authorities.

(7) Comprised costs associated with additional advertising and promotional activities, as well as administrative processes, in response to the Czech spirits ban in September 2012.

(8) Comprised the impairment of Italian goodwill. The impairment of Italian goodwill occurred as a result of the disposal of the Gran Gala brand, combined with an increased weighted average cost of capital rate ("**WACC**") used in the value-in-use calculation. As part of the calculation of the WACC rate, the Group previously used a blended risk-free rate, which combined the risk-free rates applicable to the Italian and US economies. Following the disposal of the US business, the Group used the risk-free rate applicable to the Italian economy only. As this is higher than the US risk-free rate, it increased the WACC rate used in the value-in-use calculation, thereby also reducing future net present value. Due to the Italian economic situation, the long-term growth rate used was also lowered.

(9) Comprised the write-off of a significant trade debtor balance in Poland. The trade debtor entered formal insolvency proceedings.

(10) Comprised legal and advisory costs associated with the acquisition of Imperator.

(11) In FY 2012, costs included legal and advisory costs associated with the purchase of the German distillery and costs relating to the restructuring of the Group's marketing department, including redundancy costs. In FY 2011, costs included a Bosnian excise duty charge.

Net finance costs

The Group's finance costs decreased €2.6 million, or 4.3%, from €60.8 million in FY 2011 to €58.2 million in FY 2012. This decrease was due primarily to the absence of foreign currency exchange losses in FY 2012 compared to losses of €6.1 million in FY 2011. The decrease was partially offset by increased interest payable on bank overdrafts and loans, the PECs and the CECs.

The Group's finance revenue decreased €42.5 million from €44.3 million in FY 2011 to €1.8 million in FY 2012. This decrease was due primarily to finance revenue of €43.8 million being recognised as a credit in FY 2011 due to a credit on the revision of the estimated useful life of the PECs and CECs, which was not repeated in FY 2012.

The Group's net finance costs were as follows:

	FY 2011	*FY 2012*
	€ in millions	
Finance costs:		
Interest payable on bank overdrafts and loans	8.4	12.0
Coupon interest on PECs	20.4[(1)]	19.4
Interest payable on CECs[(2)]	0.7	1.1
Interest payable on PECs[(2)]	18.4	20.9
Foreign currency exchange loss	6.1	–
Bank commissions, guarantees and other costs	4.6	3.3
Other interest expense	2.3	1.5
Total finance costs	60.8	58.2
Finance revenue		
Foreign currency exchange gain	–	0.5
Credit on revision of estimate[(3)]	43.8	–
Other finance revenue	0.6	1.3
Total finance revenue	44.3	1.8
Net finance costs	**16.5**	**56.5**

(1) Includes interest paid on a loan (bearing fixed interest rate of 20% per annum) made to the Group by one major shareholder in connection with the equity cure to resolve a potential breach in FY 2010 of the RBS Facility. The loan was repaid in full during October 2011.

(2) The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument.

(3) The Group originally assumed that the PECs and CECs had a useful life of five years. In FY 2011, the Group reviewed these assumptions and amended the useful life to seven years. The Group recalculated the fair value of the PECs and CECs in FY 2011 and recorded the change in the income statement.

Income tax expense

The Group's income tax expense decreased €1.3 million, or 31.0%, from €4.2 million in FY 2011 to €2.9 million in FY 2012. This decrease was due primarily to a deferred tax credit of €6.5 million recognised in FY 2012, almost all of which related to the IFRS valuation of the PECs and CECs. The decrease in income tax expense was partially offset by an increase in the current tax expense from FY 2011 to FY 2012 of €5.4 million (as a result of the increased profit before tax in FY 2012 compared to FY 2011, excluding the impairment charge in FY 2012 of €16.5 million).

The Group's tax expense consists of:

	FY 2011	*FY 2012*
	€ in millions	
Current tax expense	2.8	8.2
Tax expense relating to prior year	0.6	1.2
Deferred tax credit/(expense)	0.7	6.5
Other taxes	0.2	–
Total tax expense	**4.2**	**2.9**

Profit for the period

As a result of the factors described above, the Group's profit for the year increased €8.8 million, or 50.9%, from €17.3 million in FY 2011 to €26.1 million in FY 2012.

FY 2011 compared to FY 2010

Revenue

Overall

The Group's revenue decreased €6.9 million, or 2.3%, from €302.0 million in FY 2010 to €295.1 million in FY 2011 driven by a decrease in sales in the traditional trade channel. The decrease in revenue was due primarily to decreases in revenue from Poland and Italy, and was partially offset by increased revenue in the Czech Republic and the Other Operational segment.

Poland

The Group's revenue in Poland decreased €13.9 million, or 8.0%, from €173.3 million in FY 2010 to €159.4 million in FY 2011. The decrease in revenue was due primarily to reduced sales volumes, particularly of Czysta de Luxe. This was due primarily to a 1.5% volume decline in the vodka market in FY 2011. The decrease in revenue was also due to the Group's decision not to pursue the aggressive pricing policies and high level of sales through discounters pursued by two competitors following the launch of their respective clear vodka brands. The Group, instead, maintained (and in some cases increased) prices despite loss of market share. Foreign currency movements (reflecting a stronger euro compared to the Polish złoty) also contributed to the decrease in revenue (in euro). The decrease in revenue was partially offset by sales of new variants of Lubelska, and the reduction of alcohol content of certain products, which resulted in lower excise duty.

Czech Republic

The Group's revenue in the Czech Republic increased €8.0 million, or 13.9%, from €57.4 million in FY 2010 to €65.4 million in FY 2011. The increase in revenue was due primarily to growth in the Group's bitters market in FY 2011, which was driven by increased promotional activity by the Group following the launch of Fernet Stock Z-Generation. Sales of the other Fernet brands also benefited from the promotion. Sales of Amundsen also improved in FY 2011 following its relaunch in the fourth quarter of FY 2010.

Italy

The Group's revenue in Italy decreased €1.3 million, or 2.8%, from €46.4 million in FY 2010 to €45.1 million in FY 2011. The decrease in revenue was due to the decline in sales volumes for all spirits categories, except for bitters and clear vodka, which was driven by the ongoing Eurozone sovereign debt crisis and its impact on consumer confidence and spending power.

Other Operational

The Group's revenue in the Other Operational segment increased €0.4 million, or 1.6%, from €24.8 million in FY 2010 to €25.2 million in FY 2011. The increase in revenue was due primarily to an increase in revenue in Slovakia, as a result of the introduction of Fernet Stock Z-Generation in FY 2011 and the full-year benefit from the relaunch of Amundsen in the fourth quarter of FY 2010. This increase in revenue was also due to improved performance in Western and Eastern Europe, as well as travel retail (duty free). The increase in revenue was partially offset by a decline in sales volume in key markets, including Croatia.

Cost of sales

The Group's cost of sales decreased €4.7 million, or 2.9%, from €161.3 million in FY 2010 to €156.6 million in FY 2011 as sales volumes declined. Cost of sales per case increased from FY 2010 to FY 2011. This was driven primarily by increases in the cost of direct materials per case in all key segments, driven by increases in the prices of raw and rectified alcohol.

Depreciation and amortisation allocated to cost of sales increased from €4.3 million in FY 2010 to €5.6 million in FY 2011, which was due primarily to additions to plant and equipment driven by the Group's ongoing investment in its production facilities.

Poland

Direct material cost per case increased from FY 2010 to FY 2011, which was due primarily to a significant increase in the prices of raw and rectified alcohol, which was driven by poor grain harvests, increasing alternate uses of alcohol (for example, production of bio-ethanol for which government subsidies are available) and a decrease in the number of raw and rectified alcohol producers. The decrease in the value of Polish złoty compared to the euro increased exports from Poland to the EU, thereby further decreasing domestic supply and adversely affecting local prices. The Group addressed the rising cost of alcohol by undertaking several value engineering initiatives, including optimising the amount of glass used in bottles.

Direct labour cost per case decreased from FY 2010 to FY 2011, which was due primarily to the Group's ongoing programme to rationalise staff levels in Poland. As part of this programme, the Group amalgamated certain functions into existing teams. Transport and logistics cost per case increased over the same period, which was driven by rising costs of fuel and the use of a temporary warehouse in central Poland.

Czech Republic

Direct material cost per case increased from FY 2010 to FY 2011. The increase was due primarily to input cost increases. Rectified alcohol prices increased throughout FY 2011 as a result of poor grain harvests, reduction in the number of rectified alcohol producers and increasing alternate uses of alcohol. The Group made further savings from the increase in internal production of wine distillates, following an opportunity to purchase wine at an advantageous price.

Direct labour cost per case decreased from FY 2010 to FY 2011, which was driven by the full-year impact of restructuring activities conducted in FY 2010. Transport and logistics cost per case remained relatively stable over the same period.

Italy

Direct material cost per case increased slightly from FY 2010 to FY 2011. This increase was driven by increased prices for wine distillates, molasses and glass and was partially offset by value engineering initiatives that focused on reducing packaging unit costs across the Group's product range. The key initiatives related to the simplification of bottles and a reduction in the length of the bottle caps.

Direct labour cost per case increased substantially from FY 2010 to FY 2011, which was due primarily to increases in average salary per head. Transport and logistics cost per case decreased over the same period, which was due primarily to a decrease in volumes partially offset by costs associated with storm damage to the Trieste facility, which resulted in the Group moving its goods to Massalengo.

Selling expenses

The Group's selling expenses remained broadly consistent during the two periods (€60.8 million in FY 2010 and €60.4 million in FY 2011). Decreases in selling expenses in the Czech Republic and Italy were largely offset by increases in selling expenses in Poland and Slovakia.

In the Czech Republic, selling expenses decreased due to the Group refocusing its advertising and promotional expenditure from Fernet Stock and Fernet Stock Citrus to support the launch of Fernet Stock Z-

Generation. In addition, advertising and promotional expenditure in FY 2010 included costs associated with the relaunch of the Amundsen range, which was not repeated in FY 2011. In Italy, selling expenses decreased due primarily to reduced expenditure on Limoncè Amaro (which had been soft-launched in FY 2009, followed by a formal launch and increased advertising and promotional expenditure in FY 2010) to a level below the historical pre-relaunch average as the Group realigned advertising and promotional spend to Limoncè Amaro.

In Poland, selling expenses increased due to an increase in production, purchasing and logistics costs and headcount in FY 2011 resulting from the reclassification of non-Lublin warehouse-related indirect costs and headcount from cost of sales to overheads (reported under general and administrative and other operational expenses). In Slovakia, advertising and promotional expenditure increased in FY 2011 as a result of the support following the launch of Fernet Stock Z-Generation.

General and administrative and other operational expenses

The Group's general and administrative and other operational expenses decreased €1.5 million, or 5.6%, from €27.0 million in FY 2010 to €25.5 million in FY 2011. This decrease was due primarily to the Group's underperformance in FY 2011, which led to decreased bonus costs across the Group. The decrease in general and administrative and other operational expenses was also due to a decrease of €0.5 million in payroll costs in Poland resulting from a 25% reduction in headcount across the finance, administration, IT and HR departments.

Depreciation and amortisation allocated to general and administrative and other operational expenses increased from €1.1 million in FY 2010 to €2.7 million in FY 2011 due to an acceleration of the amortisation of an IFRS 3 fair value revaluation adjustment booked against plant, property and equipment in Stock S.r.l. at the date of acquisition by the Group.

The decrease in general and administrative and other operational expenses was partially offset by the following:

- an increase in IT and HR overheads from FY 2010 to FY 2011 due to additional headcount;
- an increase of €0.2 million in Group insurance costs from FY 2010 to FY 2011 due to higher premiums;
- an increase in finance and administration costs in Italy from FY 2010 to FY 2011 due to an increase of €1.5 million in bad debt expense. This increase was due to the FY 2010 balance being lower as a result of the release of a €1.6 million unutilised bad debt provision. In FY 2011, there was an additional release of €0.4 million; and
- an increase of €0.3 million in overheads in Slovakia in FY 2011, due primarily to the recruitment of a new general manager and sales and marketing employees.

Exceptional items

The following table sets out the exceptional items during the periods indicated.

	FY 2010	*FY 2011*
	€ in millions	
Restructuring of Italian business(1)	2.8	2.0
Restructuring of US business(2)	0.2	0.1
Restructuring of International business(3)	0.4	0.2
Costs associated with potential disposal of the Group by majority shareholder(4)	4.5	4.6
Refinancing costs(5)	–	3.9
Bad debt write-off(6)	–	2.3
Other(7)	2.9	1.5
Total exceptional items	**10.8**	**14.7**

(1) Comprised restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including the relocation of some functions from Trieste to Milan.

(2) Comprised legacy costs in relation to the storage and destruction of inventory written-off in 2009.

(3) Comprised reorganisation of the International business, including termination payments and increases in allowances for doubtful debts.

(4) Comprised advisory and legal costs in connection with the potential disposal of the Group by the majority shareholder. Also included is VAT on costs incurred relating to the potential disposal. These costs were thought to be deductible for VAT purposes; however, following a review it was concluded that these costs were non-deductible and, therefore, VAT on these costs must be paid to the Luxembourg VAT authorities.

(5) Comprised advisory and legal costs in connection with the refinancing of the Group completed in October 2011.

(6) Comprised the write-off of a significant trade debtor balance in Poland.

(7) In FY 2011, costs included a Bosnian excise duty charge backdated to FY 2010 and Group reorganisation costs relating to prior years. In FY 2010, costs included legal and other one-off costs at head office and in Poland relating to a legal entity reorganisation project.

Net finance costs

The Group's finance costs increased €14.5 million, or 31.3%, from €46.3 million in FY 2010 to €60.8 million in FY 2011. This increase was due primarily to foreign currency exchange losses of €6.1 million recognised in FY 2011 (compared to nil in FY 2010). The increase was also due to increased interest payable on bank overdrafts, loans (including a loan made to the Group by one of its major shareholders in connection with the equity cure to resolve a potential breach in 2010 of the RBS Facility) and PECs, increased bank commissions, guarantees and other payables.

The Group's finance revenue increased €32.9 million from €11.4 million in FY 2010 to €44.3 million in FY 2011. This increase was due primarily to finance revenue of €43.8 million being recognised in FY 2011 due to a credit on the revision of the estimate of the useful life of the CECs and PECs. This increase was partially offset by €9.0 million of foreign currency exchange gains recognised in FY 2010, as compared to a foreign exchange loss in FY 2011.

The Group's net finance costs were as follows:

	FY 2010	*FY 2011*
	€ in millions	
Finance costs:		
Interest payable on bank overdrafts and loans	5.6	8.4
Coupon interest on PECs	18.9	20.4[1]
Interest payable on CECs	1.1	0.8
Interest payable on PECs	17.9	18.4
Foreign currency exchange loss	–	6.1
Bank commissions, guarantees and other payable	1.2	4.6
Other interest expense	1.6	2.3
Total finance costs	46.3	60.8
Finance revenue:		
Foreign currency exchange gain	9.0	–
Fair value derivative instruments hedged by interest rate and foreign exchange swap	2.3	–
Credit on revision of estimate	–	43.8
Other finance revenue	0.1	0.6
Total finance revenue	11.4	44.3
Net finance costs	**35.0**	**16.5**

(1) Includes interest paid on a loan (bearing fixed interest rate of 20% per annum) made to the Group by one major shareholder in connection with the equity cure to resolve a potential breach in FY 2010 of the RBS Facility. The loan was repaid in full during October 2011.

Income tax expense

The Group's income tax expense decreased €1.1 million, or 20.8%, from €5.3 million in FY 2010 to €4.2 million in FY 2011.

The Group's tax expense consisted of:

	FY 2010	*FY 2011*
	€ in millions	
Current tax expense	9.4	2.8
Tax expense relating to prior year	0.5	0.6
Deferred tax expense relating to the origination and reversal of temporary difference	(4.6)	0.7
Other taxes	–	0.2
Total tax expense	5.3	4.2

Profit for the period

The Group's profit for the period increased €15.5 million from €1.8 million in FY 2010 to €17.3 million in FY 2011 as a result of the factors described above.

6. Liquidity and capital resources

Overview

During the periods under review, the Group's primary sources of funds were cash from operations, borrowings from bank facilities and funding from its Principal Shareholders, in the form of PECs and CECs. The Group also had in place debt factoring arrangements in Poland as a short-term cash management tool from time to time. The bank facilities included a loan and term facility led by The Royal Bank of Scotland (the "**RBS Facility**") and a loan and cash facility from Pekao Bank (the "**Pekao Facility**").

As at 31 March 2010 and 31 March 2011, the Group identified potential covenant breaches of the RBS Facility as a result of the quarterly tightening of covenants coinciding with a peak in the Group's working capital requirement within the Group's trading cycle. The Group's shareholders contributed equity to cure the potential breach in 2010, and the Group obtained a waiver under the RBS Facility to resolve the potential breach in 2011 in exchange for a rebasing of the variable interest rate margin. The Group repaid the additional equity in 2011 with cash on hand and drawings under the ING Credit Facility.

In October 2011, the RBS Facility and the Pekao Facility were repaid and cancelled and replaced with a loan and term facility from several lenders including ING (the ING Credit Facility, as described below). The Group redeemed €80 million of the PECs on 8 April 2013.

In preparation for the Offer, the ING Credit Facility was amended and restated on 24 June 2013. The facilities under the ING Credit Facility comprise seven Term Loans (totalling €240 million, which includes the New Term Loans totalling €70 million) and an RCF (totalling €70 million), each as defined below (see "*ING Credit Facility*"). Each Term Loan can only be drawn in one specified currency.

As at 30 June 2013, the Company had €70 million of unused commitments under the Term Loans. On 1 August 2013 and 7 August 2013, the Group drew €15.6 million and €54.4 million, respectively, under the New Term Loans. The Group utilised the amounts drawn, together with cash on its balance sheet, to partially repay the PECs for a total amount of €82.2 million. On 21 October 2013, pursuant to the Corporate Reorganisation, €134.1 million of PECs and CECs were transferred to the Company in exchange for the new issuance of 48,307,459 Ordinary Shares.

During the periods under review, the Group's primary uses of cash were to fund working capital requirements, repay and service indebtedness, finance capital expenditure, including investments in the Group's production facilities, acquisitions and reorganisation expenses. Going forward, the Group expects that its principal future cash needs will be primarily financing expenditures relating to the purchase of raw materials, maintenance of its facilities, development of new products and future acquisitions or other investments. The Group will seek to meet its needs through cash from operations and borrowings under the RCF, to which it has access to meet working capital requirements. The Group also has the option of using debt factoring arrangements in Poland as a short-term cash management tool.

As of 31 August 2013, the Group's net debt (net current financial debt plus non-current financial debt) was €274.5 million (31 December 2012: €290.0 million). As of 31 August 2013, the Group had cash and short-term deposits totalling €69.2 million, as compared to €138.7 million as of 31 December 2012. The Group's commitments for the acquisition of property, plant and equipment as of 30 June 2013 were €0.1 million and as of 31 December 2012 were €1.0 million.

Other than statutory restrictions on the payment of dividends while a company has negative shareholders' equity, there are no statutory restrictions on the ability of the Company's material subsidiaries to transfer funds to it in the form of cash dividends, loans or advances. The Group is and may become subject to contractual restrictions on the payment of dividends under its existing or future agreements. For example, the ING Credit Facility imposes a restriction on dividend payments if the Group's leverage exceeds a specified threshold.

Liquidity risk

The Group's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. To manage its liquidity risk, the Group has put in place and follows structured cash management and forecasting processes, under which the Group reviews its cash balances and measures its actual performance against forecasts. In addition, the Group monitors its exposure to interest rates and foreign exchange rates with hedging when it deems it appropriate. The Group also uses non-recourse factoring arrangements to manage short-term cash needs.

Cash flow

The following table sets out information relating to the Group's consolidated cash flows for the periods under review.

	FY 2010	*FY 2011*	*FY 2012*	*HY 2012*	*HY 2013*
			€ in millions		
Consolidated Cash Flow Statement Data:					
Cash and cash equivalents at the beginning of the period	44.3	73.7	64.8	64.8	138.7
Net cash generated from operating activities	42.7	37.7	55.7	7.2	20.4
Net cash (used in)/generated from investing activities	(10.5)	(6.4)	39.4	(3.1)	(8.7)
Net cash used in financing activities	(4.4)	(37.9)	(25.1)	(13.1)	(88.8)
Net increase/(decrease) in cash and cash equivalents	27.7	(6.7)	70.0	(9.1)	(77.1)
Net foreign exchange difference	1.6	(2.2)	3.9	2.6	(7.5)
Cash and cash equivalents at the end of the period	73.7	64.8	138.7	58.3	54.1

Net cash generated from operating activities

Net cash generated from operating activities was €20.4 million in HY 2013 compared to €7.2 million in HY 2012. This increase was due primarily to favourable movements in working capital (cash outflow of €0.8 million in HY 2013 compared to a cash outflow of €15.6 million in HY 2012), partially offset by lower earnings.

Net cash generated from operating activities was €55.7 million in FY 2012 compared to €37.7 million in FY 2011. This increase was due primarily to higher earnings in FY 2012 (principally driven by Poland) and favourable net working capital movement (cash inflow of €1.5 million in FY 2012 compared to a cash outflow of €4.4 million in FY 2011). The increase also reflected lower cash exceptional items and lower taxation payments in FY 2012.

Net cash generated from operating activities was €37.7 million in FY 2011 compared to €42.7 million in FY 2010. This reflected primarily higher cash outflow associated with exceptional items.

Net cash (used in)/generated by investing activities

Net cash outflow from investing activities was €8.7 million in HY 2013 compared to net cash outflow of €3.1 million in HY 2012. The increase in outflow was due to increased purchases of property, plant and equipment (€8.7 million in HY 2013 compared to €2.9 million in HY 2012), which was associated with the purchase of refrigerators for installation in traditional trade retailers in Poland.

Net cash inflow from investing activities was €39.4 million in FY 2012 compared to net cash outflow of €6.4 million in FY 2011. This inflow in FY 2012 reflected primarily net proceeds of €55.4 million from the sale of the Group's US business. The inflow was partially offset by an outflow of €6.1 million in connection with the acquisition of Imperator (net of cash acquired) and increased purchases of property, plant and equipment (€10.0 million in FY 2012 compared to €4.9 million in FY 2011), which included the purchase of the ethanol distillery in Germany.

Net cash used in investing activities was €6.4 million in FY 2011 compared to €10.5 million in FY 2010. This primarily reflected decreased payments for property, plant and equipment (€4.9 million in FY 2011 compared to €8.3 million in FY 2010).

Net cash used in financing activities

Net cash used in financing activities was €88.8 million in HY 2013 compared to €13.1 million in HY 2012. This increased outflow was due to the redemption of a portion of PECs totalling €80.0 million in April 2013.

Net cash used in financing activities was €25.1 million in FY 2012 compared to €37.9 million in FY 2011. This primarily reflected lower repayments of borrowings (€6.4 million in FY 2012 compared to €178.9 million in FY 2011) and lower interest paid on borrowings (€18.3 million in FY 2012 compared to €21.9 million in FY 2011). The decrease was partially offset by cash inflow from borrowings of €166.6 million in FY 2011 (owing to drawings under the ING Credit Facility in connection with the repayment of the RBS Facility), which was not repeated in FY 2012.

Net cash used in financing activities was €37.9 million in FY 2011 compared to €4.4 million in FY 2010. This primarily reflected increased repayment of borrowings (€178.9 million in FY 2011 in connection with the repayment and cancellation of the RBS Facility and the Pekao Facility compared to €12.7 million in FY 2010) and increased interest paid on borrowings (€21.9 million in FY 2011 compared to €5.6 million in FY 2010). This increase was partially offset by an increase in borrowings (€166.6 million in FY 2011 compared to €16.0 million in FY 2010) in connection with the replacement of the RBS Facility and the Pekao Facility with the ING Credit Facility.

Free Cash Flow

The table below presents the Group's "Free Cash Flow." The Group defines Free Cash Flow as net cash generated from operating activities (excluding income tax paid, certain exceptional items and their related impact on working capital adjustments) plus net cash used in/generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of a subsidiary).

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
	€ in millions, except %				
Net cash generated from operating activities	42.7	37.7	55.7	7.2	20.4
plus Net cash (used in)/generated from investing activities	(10.5)	(6.4)	39.4	(3.1)	(8.7)
minus Interest received	(0.1)	(0.6)	(1.3)	(0.6)	(0.6)
Cash flow pre-financing activities	**32.0**	**30.7**	**93.7**	**3.4**	**11.1**
Investments(1)	–	–	9.6	–	–
Net proceeds from sale of subsidiary(2)	–	–	(55.4)	–	–
Income tax paid	3.7	7.4	4.3	5.2	7.7
Exceptional items(3)	10.8	14.7	9.8(3)	0.7	8.2
Working capital adjustments(4)	(4.0)	0.8	(2.1)	2.3	(5.4)
Free Cash Flow(5)	**42.5**	**53.5**	**60.1**	**11.6**	**21.7**
Free Cash Flow as a percentage of Adjusted EBITDA	**69.6%**	**83.9%**	**88.2%**	**40.6%**	**63.1%**

(1) Acquisition of Imperator, net of cash acquired (€6.1 million) plus the purchase of the ethanol distillery in Germany (€3.6 million).

(2) Represents the net amount received by the Group from the sale of its US business.

(3) For purposes of this reconciliation, exceptional items in FY 2012 do not include the following non-cash items: net gain on disposal of US business (€54.9 million), impairment of Italian goodwill (€16.5 million), and the impairment charge of €1.6 million to write-down the value of the property at Trieste (recorded under exceptional items as part of the restructuring of the Group's Italian business).

(4) Working capital adjustments represent the movement in trade receivables, trade payables and other liabilities, and provisions related to exceptional items.

(5) Free Cash Flow is a supplemental measure of the Group's liquidity that is not required by, or presented in accordance with, IFRS. The Group presents Free Cash Flow, as calculated above, because it believes that this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present free cash flow when reporting their results. Free Cash Flow is not an IFRS measure and should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Free Cash Flow is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider any cash flows from financing activities, income tax payments and exceptional items. The Group's presentation of Free Cash Flow has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of the Group's results as reported under IFRS. Further, because not all companies use identical calculations, the Group's presentation and calculation of Free Cash Flow may not be comparable to similarly titled measures of other companies.

As set out in "Summary of performance during periods under review", upon Admission, the Group will no longer pay the OCM management fee. In addition, shares of the Operating Company issued under the share-based payments and commitments to grant options over shares of the Operating Company were exchanged for Ordinary Shares and options to acquire Ordinary Shares, respectively, upon the Corporate Reorganisation (and new incentive arrangements were put in place). The long-term incentive plan that existed prior to Admission was amended in respect of awards held by most mid-tier management participants so that 50% of the accrued awards crystallised upon Admission and will be paid out in cash with the remaining portion (increased by 15% – see sections 6.9(A) and (C) of Part VIII (*Directors, Senior Management and Corporate Governance*)) being deferred into share options, which will usually vest one year after Admission and, separately, 70% of the accrued awards held by the remaining six mid-tier management participants in the plan crystallised upon Admission and will be paid out in cash, with a further cash payment to be made one year after Admission to satisfy the remaining portion. New incentive arrangements were put in place. The movement in the total liability associated with these expenses has not been added back for purposes of the computation of Free Cash Flow. The total liability relating to these amounts as at the end of the periods under review was €3.6 million in FY 2010, €3.8 million in FY 2011, €3.4 million in FY 2012, €4.1 million in HY 2012 and €3.8 million in HY 2013.

Working capital

The Group's working capital (being its inventories, trade receivables and other assets, trade payables and other liabilities and provisions) is seasonal and fluctuates significantly due to excise duty payments. The Group collects excise duty at the point of sale to the customer and then remits the excise duty to the authorities at a later date, and therefore, the excise duty liability is a material component of the Group's working capital.

The Group's working capital in Poland comprises the majority of working capital of the Group as excise duty payment terms are typically shorter than those in Italy and the Czech Republic. In Poland, excise duty is paid 25 days after the sale is made (rather than a set day in the month, as in the Czech Republic and Italy), which can often result in duty being paid before the Group receives the related customer payment. The Group uses debt factoring as a short-term cash management tool to finance payment of excise duty in Poland, particularly over the December and January period, when the payments are high due to increased trading over the Christmas period. If the proposed 15%-increase of excise duty on spirits in Poland is implemented in 2014, the Group expects there would be a permanent increase in working capital to finance the increased excise duty rate.

The Group's working capital typically decreases in the last quarter of the year as amounts owed by trade debtors are collected in the Czech Republic from the peak trading periods of November and December before the Group pays the related excise duty liability (which is payable 55 days after the end of the month of sales). This position typically then unwinds in the first quarter, following the Group's payment of the excise duty liabilities.

The Group has placed additional focus on the level of working capital across all markets to reduce inefficiencies, such as excessive levels of inventory and debtors. The Group seeks to reduce inefficient working capital by, when possible, improving inventory management and reducing debtor days outstanding.

Capitalisation and indebtedness

The table below set out the Group's capitalisation and indebtedness as at 30 June 2013. The figures have been extracted without material adjustment from the Group's financial information as at 30 June 2013 as set out in Part XII (*Historical Financial Information)*.

Capitalisation and indebtedness	*As at 30 June 2013 € in millions*
Current debt	
Guaranteed/secured(1)	(3.1)
Unguaranteed/unsecured(2)	(208.5)
Total current debt	(211.6)
Non-current debt (excluding current portion of the long-term debt)	
Guaranteed/secured(1)	(148.3)
Unguaranteed/unsecured	–
Total non-current debt	(148.3)
Shareholder's equity	
Share capital	(0.3)
Equity component of CECs, PECs and CPECs	(55.0)
Share premium	(20.1)
Other reserve	(3.5)
Foreign currency translation reserve	(10.9)
Total equity (excluding retained reserves)	(89.8)
Total capitalisation	**(449.7)**

(1) Comprises the ING Credit Facility. The obligations of the borrowers under the ING Credit Facility are secured against the key assets of the Group (including all assets of Stock Spirits Group Luxembourg Holdings S.à r.l. and the Operating Company's shares in Stock Spirits Group Luxembourg Holdings S.à r.l. and receivables therefrom) and are also guaranteed by certain members of the Group.

(2) Comprises the PECs and CECs. On 1 August 2013 and 7 August 2013, the Group drew €15.6 million and €54.4 million, respectively, under the New Term Loans. The Group utilised the amounts drawn, together with cash on hand, to redeem a portion

of the PECs for a total amount of €82.2 million. On 21 October 2013, pursuant to the Corporate Reorganisation, €134.1 million of PECs and CECs were transferred to the Company in exchange for the new issuance of 48,307,459 Ordinary Shares.

Save for those changes set forth in note 2 (above), there have been no material changes in the capitalisation of the Group since 30 June 2013.

Net indebtedness

The table below sets out the Group's net indebtedness as at 31 August 2013. The statement of indebtedness is unaudited and has been extracted from management accounts that have been prepared using policies that are consistent with those used in the preparation of the Group's financial information for the six months ended 30 June 2013, as set out in Part XII (*Historical Financial Information*).

	As at *31 August 2013* *€ in millions*
Cash	67.8
Cash equivalents	1.4
Liquidity	**69.2**
Current bank loans(1)	(8.2)(3)
PECs and CECs	(117.4)
Current financial debt	**(125.6)**
Net current financial indebtedness	**(56.4)**
Non-current bank loans(2)	(218.1)(3)
Non-current financial indebtedness	**(218.1)**
Net financial indebtedness	**(274.5)**

(1) Includes €1.8 million of accrued interest, which is payable each quarter.

(2) On 1 August 2013 and 7 August 2013, the Group drew €15.6 million and €54.4 million, respectively, under the New Term Loans. The Group utilised the amounts drawn, together with cash on its balance sheet, to redeem a portion of the PECs for a total amount of €82.2 million.

(3) Net of €1.0 million and €5.7 million of arrangement fees included in Current bank loans and Non-current bank loans, respectively.

As at 31 August 2013, the Group does not have contingent or indirect indebtedness.

Borrowings

As at 30 September 2013 (the latest practicable date prior to the date of this Prospectus) the Group's total borrowings (which include current and non-current bank loans and the debt element of the PECs and the CECs) were €355.0 million.

ING Credit Facility

On 30 September 2011, certain members of the Group entered into a credit facility with, among others, ING Bank N.V. London Branch as agent (the "**ING Credit Facility**"). The obligations of the borrowers under the ING Credit Facility are secured against the key assets of the Group (including all assets of Stock Spirits Group Luxembourg Holdings S.à r.l. and the Operating Company's shares in Stock Spirits Group Luxembourg Holdings S.à r.l. and receivables therefrom) and are also guaranteed by certain members of the Group. In preparation for the Offer, the ING Credit Facility was amended and restated on 24 June 2013.

The facilities under the ING Credit Facility comprise seven floating-rate fixed-term loans (in an aggregate amount of €240,000,000, the "**Term Loans**") and one floating-rate multicurrency revolving credit facility (the "**RCF**"):

- two Term Loans (totalling €80 million) were made available to one of the Group's Polish subsidiaries (the "**Polish Term Loans**");
- two Term Loans (totalling €80 million) were made available to one of the Group's Czech subsidiaries ("**Czech Term Loans**");
- one Term Loan (in the amount of €10 million) was made available to the Group's Italian subsidiary (the "**Italian Term Loan**");
- Two Term Loans (totalling €70 million), which were added to the ING Credit Facility in June 2013 (the "**New Term Loans**") are available to all borrowers under the ING Credit Facility; and
- the RCF (in the amount of €70 million) is available to all borrowers under the ING Credit Facility.

As at 30 June 2013, €158.3 million had been borrowed under the Term Loans, and €7.3 million of the RCF had been utilised for customs guarantees. As at 30 June 2013, no amounts had been borrowed under the New Term Loans. On 1 August 2013 and 7 August 2013, the Group drew €15.6 million and €54.4 million under the New Term Loans, together with cash on its balance sheet, to redeem a portion of the PECs.

Each Term Loan can only be drawn in one specified currency (being euro, Czech koruna or Polish złoty). Drawings under the RCF may be made in euro, Czech koruna, Polish złoty, US dollars or such other currencies as the agent may approve. The RCF and two of the Term Loans (one of the Polish Term Loans and one of the Czech Term Loans) terminate on 30 June 2019. The remaining five Term Loans terminate on 30 June 2020.

Borrowings under the ING Credit Facility bear interest at LIBOR, WIBOR, PRIBOR or EURIBOR according to the currency of the relevant borrowing, plus a margin and mandatory costs (if any). Subject to certain conditions, the standard margins applicable to the Term Loans and the RCF are reduced on a quarterly basis if the group (for these purposes, the "**group**" constitutes Stock Spirits Group Luxembourg Holdings S.à r.l. and its subsidiaries for the time being) has met certain leverage thresholds in the preceding twelve-month period.

The group (as defined above) is required to comply with certain financial covenants during the term of the ING Credit Facility. Specifically:

- cashflow cover (calculated as the ratio of Cashflow to Debt Service, as such terms are defined in the ING Credit Facility) must not be less than 1:1;
- interest cover (calculated as the ratio of EBITDA to Net Finance Charges, as such terms are defined in the ING Credit Facility) must not be less than certain ratios, which vary from 2.78:1 to 3.40:1 during the term of the ING Credit Facility; and
- leverage (calculated as the ratio of Total Net Debt to Adjusted EBITDA, as such terms are defined in the ING Credit Facility) must not exceed certain ratios, which vary from 3.50:1 to 3.00:1 during the remaining term of the ING Credit Facility.

These financial covenants are tested on a quarterly basis, subject to certain exceptions (in which case they are tested on a semi-annual basis).

For purposes of the financial covenants:

- cashflow means EBITDA for the relevant period adjusted for certain items, including changes in working capital, taxes, capital expenditure, cash cost of permitted acquisitions and joint venture investments, and cash cost of pensions to the extent not included in EBITDA. The costs incurred in connection with the disposal of the US business and the Offer are to be excluded;

- EBITDA means EBIT (which broadly means operating profit before interest, exceptional items, realised and unrealised gains or losses on foreign exchange currency borrowings, unrealised gains or losses on financial instruments and excluding expensing of stock options and any gains or losses from revaluation of any asset or liability) for the relevant period after adding back depreciation or amortisation and any impairment costs; and
- Adjusted EBITDA means EBITDA adjusted for certain items in relation to acquisitions and dispositions.

The group (as defined above) is subject to certain restrictive covenants under the ING Credit Facility, including restrictions relating to mergers and acquisitions, joint ventures, the nature and scope of business activities, the granting of security over or disposal of assets, the incurrence of financial indebtedness, guarantees and indemnities, the funding and structuring of pension schemes and derivative transactions.

In addition to the restrictions outlined above, the ING Credit Facility also restricts the group (as defined above) from paying a dividend or redeeming or repurchasing share capital unless, among other conditions, the group's leverage (which is calculated as the ratio of Total Net Debt to Adjusted EBITDA, as such terms are defined in the ING Credit Facility in the twelve-month period to the end of the most recent financial quarter) is less than or equal to 3.00:1 and no event of default or potential event of default under the ING Credit Facility is continuing or would result from the transaction. As of 30 June 2013, the Group's ratio of Total Net Debt to Adjusted EBITDA, for purposes of the ING Credit Facility, was 1.55x.

The ING Credit Facility contains certain prepayment provisions, including the mandatory prepayment of all borrowings under, and the cancellation of all commitments under, the ING Credit Facility upon a change of control in relation to Stock Spirits Group Luxembourg Holdings S.à r.l. For the purposes of the ING Credit Facility, a change of control will occur in relation to Stock Spirits Group Luxembourg Holdings S.à.r.l. if any person or group of persons acting in concert (other than the Principal Shareholders and Oaktree) becomes able to control (directly or indirectly) the casting of more than 50% of the maximum number of votes that might be cast at a general meeting of Stock Spirits Group Luxembourg Holdings S.à r.l. As such, a change in control in relation to the Company would also trigger a change of control in relation to Stock Spirits Group Luxembourg Holdings S.à.r.l. These prepayment provisions will not be triggered by the Offer and/or Admission.

The ING Credit Facility contains customary events of default.

Under the ING Credit Facility, the Group is required to hedge two-thirds of the projected floating-rate interest payments in respect of the Term Loans (excluding the New Term Loans), which are based upon WIBOR, PRIBOR and EURIBOR according to the currency of the relevant Term Loan. In FY 2011, the Group contracted to hedge two-thirds of such interest payments through two interest rate swaps exchanging floating-rate interest for fixed-rate interest (in relation to the Czech Term Loans and the Italian Term Loan), and an interest rate cap (in relation to the Polish Term Loans), with the instruments continuing until 30 September 2014. The interest payments relating to the New Term Loans are unhedged. The Group has entered into no derivatives to hedge foreign currency risk in relation to the ING Credit Facility. Each Term Loan and the resulting cash outflows are denominated in local currency and the cash flows are, therefore, economically hedged within each market. See "*Quantitative and qualitative disclosure relating to market risks*."

Shareholder debt

The Group issued PECs for an aggregate amount of €172.0 million in November 2006, July 2007, March 2008 and June 2010. The PECs are not secured and bear interest at rates between 6% and 8.375% and they are regarded as debt instruments. The Group also issued CECs for an aggregate amount of €21.8 million. The CECs are not secured and do not bear interest; they are accounted for as compound financial instruments, consisting of a liability component and equity component. On 8 April 2013, the Group redeemed €80 million of the PECs. On 13 August 2013, the Group utilised amounts borrowed under the ING Credit Facility, together with cash on hand, to redeem a portion of the PECs for a total amount of

€82.2 million. Pursuant to the Corporate Reorganisation, €134.1 million of PECs and CECs were transferred to the Company in exchange for the new issuance of 48,307,459 Ordinary Shares.

Debt factoring

The Group uses non-recourse factoring arrangements to manage short-term cash needs. The Group entered into two non-recourse receivables financing facilities with BRE Faktoring and Coface. It may sell up to €16.6 million and €32.3 million with each party, respectively (at any one time) at face value less certain reserves and fees. As at 30 June 2013, BRE Faktoring charges interest on the drawn amounts of WIBOR 1M + 1.3% and a fee per invoice of 0.175%. Coface charges interest on the drawn amounts of WIBOR 1M + 1.05% and a fee per invoice of 0.19%. The proceeds from these factoring arrangements can be applied for the general corporate and working capital purposes of the Group. Pursuant to the ING Credit Facility, the total amount of receivables subject to a factoring facility may not in aggregate exceed €40 million.

7. Quantitative and qualitative disclosure relating to market risks

The Group's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rates, as well as commodity prices. The Group uses derivative financial instruments to hedge certain risk exposures when the Group considers hedging instruments to be cost effective. The Group did not enter into any derivative financial instruments in FY 2010. In FY 2011, the Group entered into derivative financial instruments to manage its exposure to interest rate risk, with the instruments continuing until 30 September 2014. There were no new derivative financial instruments entered into in FY 2012 or HY 2013. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group conducts financial risk management under policies approved by its Directors, and the use of financial derivatives is governed by the Group's policies.

Foreign currency risk

The Group generates revenue primarily in Polish złoty and secondarily in Czech koruna and a large portion of the Group's assets and liabilities are denominated in Polish złoty and Czech koruna. In addition, the financial covenants in the ING Credit Facility are tested in euro. As a result, the Group is subject to risks associated with fluctuations in foreign currency exchange rates. This risk arises primarily in connection with the translation effect of the Group's assets and liabilities in the Polish złoty (the functional currency of its operations in Poland) and the Czech koruna (the functional currency of its operations in the Czech Republic) to the euro (the Group's reporting currency). Translation risk arises from the fact that for each accounting period the Group translates into euro the foreign currency statements of financial position and income statements of its subsidiaries whose functional currency is not the euro, in order to prepare the consolidated accounts of the Group (see "Basis of consolidation" in Note 3 to the Group's consolidated financial information in Part XII (*Historical Financial Information*)). This currency translation can cause unexpected fluctuations in both the statement of financial position and the income statement.

The Group has not entered into derivatives to hedge foreign currency risk in relation to the ING Credit Facility. Each Term Loan and the resulting cash outflows are denominated in local currency and the cash flows are, therefore, economically hedged within each market. Management considered the foreign currency risk exposure and consider the risk to be adequately mitigated.

Between FY 2010 and FY 2011 and between FY 2011 and FY 2012, the euro strengthened against the Polish złoty by approximately 3.3% and 1.5%, respectively, which had the effect of decreasing the value of translated sales, translated costs and thereby the translated net operating results of the Group's operations in Poland. Between HY 2012 and HY 2013, the euro weakened against the Polish złoty by 1.6%, which had the effect of increasing the value of translated sales, translated costs and thereby translated net operating results of the Group's operations in Poland.

Between FY 2010 and FY 2011, the euro weakened against the Czech koruna by approximately 2.7%, which had the effect of increasing the value of translated sales, translated costs and thereby translated net operating results of the Group's operations in the Czech Republic. Between FY 2011 and FY 2012, the euro strengthened against the Czech koruna by approximately 2.6%, which, following the weakening of the euro in the prior year, had the effect of creating volatility in the value of translated sales, translated costs and thereby the translated net operating results of the Group's operations in the Czech Republic. Between HY 2012 and HY 2013, the euro strengthened against the Czech koruna by 2.1%, which had the effect of decreasing the value of translated sales, translated costs and thereby translated net operating results of the Group's operations in the Czech Republic.

Between FY 2010 and FY 2011, the euro strengthened against the British pound by approximately 1.2%, which had the effect of decreasing the value of translated costs and thereby increasing translated net operating results. Between FY 2011 and FY 2012, the euro weakened against the British pound by approximately 6.9%, which had the effect of increasing the value of translated costs and thereby decreasing translated net operating results. Between HY 2012 and HY 2013, the euro strengthened against the British pound by 3.7%, which had the effect of decreasing the value of translated costs and thereby increasing translated net operating results.

Sensitivity analysis

See Note 30 to the Group's consolidated financial information in Part XII (*Historical Financial Information*) for the impact on the Group's profit before tax of 5% changes to the spot €/CZK, €/PLN and €/GBP exchange rates in the Czech, Polish, sterling and Dollar denominated balances.

Interest rate risk

As at 30 June 2013, the Group had floating-rate long-term intra-group borrowings denominated in złoty and euro that were exposed to a risk of change in cash flows due to changes in interest rates. As at 30 June 2013, the Group's principal third-party borrowing arrangements, the ING Credit Facility, were floating-rate loans based on WIBOR, PRIBOR or EURIBOR. As a result, the Group was also exposed to interest rate risks.

The Group seeks to minimise the effects of the risks associated with floating interest rates of financial liabilities by using derivative financial instruments to hedge these risk exposures. Under the ING Credit Facility, the Group is required to hedge two-thirds of the projected floating-rate interest payments in respect of the Term Loans (excluding the New Term Loans), which are based upon WIBOR, PRIBOR and EURIBOR according to the currency of the relevant Term Loan.

- As at 31 December 2011, 31 December 2012 and 30 June 2013, the Group had an interest rate swap to hedge two-thirds of its exposure to interest rate risk over a three-year period in relation to the Czech Term Loans. The derivative swaps floating-rate interest based upon PRIBOR for a fixed interest rate of 1.375%. As at 30 June 2013, the derivative had a fair value of liability €521,000 (31 December 2012 – €909,000, 2011 – €316,000, 2010 – nil).

- As at 31 December 2011, 31 December 2012 and 30 June 2013, the Group had an interest rate swap to hedge two-thirds of its exposure to interest rate risk over a three-year period in relation to the Italian Term Loan. The derivative swaps floating-rate interest based upon EURIBOR for a fixed interest rate of 1.435%. As at 30 June 2013, the derivative had a fair value of liability €91,000 (31 December 2012 – €144,000, 2011 – €60,000, 2010 – nil).

- As at 31 December 2011, 31 December 2012 and 30 June 2013, the Group had an interest rate cap to hedge two-thirds of its exposure to interest rate risk over a three-year period in relation to the Polish Term Loans. The derivative caps the floating interest rate based upon WIBOR at 5.5%. As at 30 June 2013, the derivative had a fair value of liability €124,000 (31 December 2012 – €175,000, 2011 – €123,000, 2010 – nil).

Note 30 to the Group's consolidated financial information in Part XII (*Historical Financial Information*) demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating-rate loans and borrowings that as at 30 June 2013 are not hedged. With all other variables being constant, a change of 50 basis points in the interest rates on the Group's floating-rate loans and borrowings would not have a material effect on the Group's profit before tax.

Commodity risks

A significant portion of the Group's operating expenses relates to raw materials and agricultural commodities that are exposed to market price risk, such as raw alcohol, externally rectified alcohol, sugar and glass bottles.

In order to manage price volatility, the Group negotiates certain contracts for the purchase of raw materials on an annual basis. The Group also maintains multiple raw material suppliers in order to preserve the Group's purchasing flexibility and competitive pricing. The Group entered into forward purchase contracts for grain alcohol in FY 2011. The Group does not use commodity derivatives to hedge against changes in market prices.

8. Capital expenditure

The Group's capital expenditure (defined as additions to property, plant and equipment and additions to intangibles) in FY 2010, FY 2011 and FY 2012 was €10.7 million (reflecting €8.3 million in additions to property, plant and equipment and €2.4 million in intangible assets), €7.0 million (reflecting €4.9 million in additions to property, plant and equipment and €2.1 million in intangible assets) and €7.7 million (reflecting €6.4 million in additions to property, plant and equipment and €1.4 million in intangible assets), respectively. The Group's capital expenditure (defined as additions to property, plant and equipment and additions to intangibles) in HY 2013 was €9.2 million (reflecting €8.7 million in additions to property, plant and equipment and €0.5 million in intangible assets), compared to €3.7 million (reflecting €2.9 million in additions to property, plant and equipment and €0.8 million in intangible assets) in HY 2012.

During the periods under review, the Group's capital expenditure related mainly to investments in its production and storage facilities. These related to significant investments in the Group's production facilities in Poland and, to a lesser extent, in the Czech Republic, in order to increase its available production capacity to support growth and to improve the efficiency and flexibility of its facilities to operate in lower cost environments. In particular, in addition to its earlier investments, the Group invested a further €26.8 million in Poland during the three years to FY 2010 to create what the Group considers to be the largest and fastest bottling facility in Europe, with a capacity of approximately 230 million litres per year (based on its current product mix, a 20-shift work week for 50 weeks per year and 80% overall equipment effectiveness). The Group also made improvements at the Plzen facility as part of the relocation of the Italian production from Trieste, and installed new equipment and upgraded existing equipment. The Group's capital expenditure also related to the upgrade of its IT platform and, in HY 2013, the branded refrigerators initiative in Poland.

Consistent with the Group's historical strategy, the amount of the Group's capital expenditure and when these expenditures are made depend upon a variety of factors, including changing general economic conditions and customer preferences. Due to the Group's substantial investment in its production facilities in recent years, the Group expects its capital expenditure to be comparatively lower in the medium-term relative to prior periods, excluding expenditure on the Polish refrigerator initiative, the integration of Imperator, the production improvements to the German distillery and further investment in the upgrade of the IT platform.

In addition to the Group's capital expenditure in FY 2012, the Group made additions to property, plant and equipment and intangibles in FY 2012 in the amounts of €5.3 million and €3.6 million relating to the acquisition of Imperator and the ethanol distillery in Rostock, Germany, respectively.

9. Off-balance sheet arrangements

As of 30 June 2013, the Group had no off-balance sheet arrangements.

10. Contractual obligations and commercial commitments

The following table sets out the contractual obligations, commercial commitments and principal payments that the Group was obligated to make as of 30 June 2013 under its long-term debt obligations, capital leases, operating leases, purchase obligations and other material agreements, on a pro forma basis, giving effect to the Offer and the use of the proceeds thereof, drawdowns under the ING Credit Facility since 30 June 2013, the redemption of a portion of the PECs in August 2013, as well as the transfer to the Company of the PECs and the CECs.

	Less than 1 year	*1 – 3 years*	*3 – 5 years*	*After 5 years*	*Total*
			€ in millions		
Long-term debt obligations(1)	5.4	21.0	25.2	125.0	176.6
Capital (finance) lease obligations(2)	0.2	0.3	–	–	0.5
Operating leases(3)	2.8	4.3	1.6	–	8.7
Purchase obligations(4)	0.1	–	–	–	0.1
Interest payable on interest bearing loans(5)	12.5	18.2	15.7	13.8	60.2
Total	**21.0**	**43.8**	**42.5**	**138.8**	**246.1**

(1) This reflects the future principal payments due under the Term Loans (see "*Liquidity and capital resources – Overview*" and "*ING Credit Facility*"). This does not include amounts associated with derivatives entered into in connection with the ING Credit Facility.

(2) Reflects principally minimum lease payments on motor vehicles.

(3) Reflects principally minimum lease payments on commercial leases on certain items, plant and machinery and buildings.

(4) Relates to property, plant and equipment acquisition in the Czech Republic.

(5) Relates to future interest payments on interest bearing loans, which are estimated using the spread between the floating interest rates and the fixed interest rates in effect at 30 June 2013. See "*Quantitative and qualitative disclosure relating to market risks*."

In addition, the Group has pension funding obligations in Italy, where the Group operates an employee severance indemnity for qualifying employees. The plan is based on the working life of employees and on the remuneration earned by employees over the course of a pre-determined term of service. The present value of the severance indemnity obligation as at 30 June 2013 was €0.3 million. The present value is measured using several assumptions, including discount rate of 3.77% per annum and inflation rate at 2% per annum.

11. Contingent liabilities

Following an audit in respect of FY 2006 and FY 2007, the Italian tax authorities issued an additional tax assessment against the Group in June 2013. After settlement talks were unsuccessful, the Group appealed the assessment to Trieste tax court and is awaiting judgment. The aggregate amount at issue is €5.7 million (representing additional tax, penalties and interest) and at 30 June 2013 there is included in the current tax liability an amount of €1.6 million for the potential tax liability (FY 2012: €1.6 million, FY 2011: €1.7 million and FY 2010: €1.1 million). In May 2013, the investigation was extended to cover FY 2008, FY 2009 and FY 2010, but no details are yet known and no provision for a potential tax liability has been made for these periods.

12. Critical accounting estimates

In the application of the Group's accounting policies, which are described in Note 3 to the Group's consolidated financial information in Part XII (*Historical Financial Information*), management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions used by the Group are based on historical experience and other factors that are considered by management to be relevant. Actual results may differ from these estimates.

The Group reviews the estimates and underlying assumptions on an ongoing basis. The Group recognises revisions to accounting estimates in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of goodwill

The Group reviews goodwill impairment annually or more frequently if there is an indication of impairment.

The Group allocates goodwill acquired through business combinations and brands for impairment testing purposes to three cash-generating units (Czech Republic, Italy and Poland) based on the geographical location of production plants and the ownership of intellectual property. These represent the lowest level within the Group at which goodwill and brands are monitored for internal management purposes.

The Group determines impairment of goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The Group's impairment test for goodwill is based on a value-in-use calculation using a discounted cash flow model. The cash flows are derived from the Group's five-year plans. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In FY 2010, FY 2011 and FY 2012, goodwill and brands in the Czech Republic, Italy and Poland were subject to impairment review. Under IAS 36, the Group is required to complete a full impairment review of intangible assets using a value-in-use calculation based upon discounted cash flow models. As at 30 June 2013, the Group is not required to complete a full impairment review of intangible assets so long as no impairment indicators have been identified. Management have considered this in detail and, given the results in HY 2013 for each cash-generating unit and outlook, management concluded that no such impairment indicators exist.

The Group determined the recoverable amount of each unit based on a value-in-use calculation using cash flow projections from the five-year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections was 11.1% in the Czech Republic and 13.7% in Italy and Poland. The Group extrapolated cash flows beyond the five-year period using a 3.0% growth rate in the Czech Republic and 2.5% in Italy and Poland.

The calculation of value-in-use for all regions is most sensitive to the following assumptions made by the Group:

- spirits price inflation – the Group assumes small annual percentage increases in all markets based on historical data;
- growth in spirits market – the Group assumes growth to be static or slightly declining in all markets based on recent historical trends;
- market share – the Group assumes market share to grow overall based on specific actions outlined in detailed internal plans;
- discount rates – the rates reflect the Group's current market assessment of the risks specific to each of the cash generating units. The Group estimates the discount rates based on an average of what the Group believes to be comparable companies, adjusted for the operational size of the Group and specific regional factors.
- raw material cost – the Group assumes raw material cost to be at industry average of sales price;
- excise duty – the Group has not used potential future duty changes on its projections; and
- growth rate used to extrapolate cash flows beyond the forecast period.

Measurement and impairment and indefinite life intangible assets

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, and actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement and impairment of indefinite life intangible assets. The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of their value in use. This involves estimation of future cash flows and choosing a suitable discount rate. See "*Impairment of goodwill*." Brands are considered to have an indefinite life.

Taxation

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with an assessment of the effect of future tax planning strategies.

There are uncertainties with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group's international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could require the Group to make adjustments in the future to tax income and expense already recorded.

See "*Contingent liabilities*" regarding the open query with the Italian tax authorities.

Transfer pricing

The Group is an international drinks business and, as such, transfer pricing arrangements are in place to cover the recharging of management and stewardship costs, as well as the sale of finished goods between Group companies.

13. Recent accounting pronouncements

The following standards and interpretations have an effective date after the date of the Group's consolidated financial information in Part XII (*Historical Financial Information*), but the Group has not early adopted them and plans to adopt them from the effective dates adopted by EU:

Standard or interpretation	*Title*	*Effective for accounting periods beginning on or after*
IAS 27	Separate Financial Statements (as revised 2011)	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Involvement with Other Entities	1 January 2014

PART XII

HISTORICAL FINANCIAL INFORMATION

Section A: Accountant's report on the historical financial information of the Group

The Directors
Stock Spirits Group PLC
Mercury Park
Wooburn Green
Buckinghamshire
HP10 0HH

22 October 2013

Dear Sirs

OCM Luxembourg Spirits Holdings S.à r.l.

We report on the financial information of OCM Luxembourg Spirits Holdings S.à r.l. for the years ended 31 December 2010, 2011 and 2012 and the six month period ended 30 June 2013 set out in Part XII Section B Historical Financial Information (the "Historical Financial Information"). The Historical Financial Information has been prepared for inclusion in the prospectus dated 22 October 2013 of Stock Spirits Group PLC on the basis of the accounting policies set out in Note 3 to the Historical Financial Information. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited or reviewed the financial information for the 6 month period ended 30 June 2012 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of Stock Spirits Group PLC are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the prospectus dated 22 October 2013, a true and fair view of the state of affairs of OCM Luxembourg Spirits Holdings S.à r.l. as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

Section B: Group Historical Financial Information

OCM Luxembourg Spirits Holdings S.à r.l.

Consolidated income statement

		Year ended 31 December			*Six-month period ended 30 June*	
					Unaudited	
		2010	*2011*	*2012*	*2012*	*2013*
	Notes	*€000*	*€000*	*€000*	*€000*	*€000*
Revenue	6	301,956	295,110	292,445	134,434	153,131
Cost of sales		(161,315)	(156,575)	(149,058)	(69,330)	(73,973)
Gross profit		140,641	138,535	143,387	65,104	79,158
Selling expenses		(60,791)	(60,390)	(55,043)	(27,966)	(32,134)
General and administrative and other operational expenses		(26,994)	(25,501)	(29,929)	(14,427)	(16,741)
Exceptional items	8	(10,796)	(14,653)	27,001	(670)	(8,197)
Operating profit		42,060	37,991	85,416	22,041	22,086
Finance revenue	9	11,372	44,324	1,769	859	993
Finance costs	9	(46,335)	(60,797)	(58,236)	(28,437)	(32,404)
Profit/(loss) before tax		7,097	21,518	28,949	(5,537)	(9,325)
Income tax expense	13	(5,298)	(4,242)	(2,852)	(1,373)	(1,401)
Profit/(loss) for the period		1,799	17,276	26,097	(6,910)	(10,726)

OCM Luxembourg Spirits Holdings S.à r.l.

Consolidated statement of comprehensive income

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Profit/(loss) for the period	1,799	17,276	26,097	(6,910)	(10,726)
Other comprehensive income/(expense):					
Exchange differences arising on translation of foreign operations	9,715	(7,795)	6,911	3,543	(6,039)
Total comprehensive income/(expense) for the period, net of tax	11,514	9,481	33,008	(3,367)	(16,765)

OCM Luxembourg Spirits Holdings S.à r.l.

Consolidated statement of financial position

		As of 31 December			*As of 30 June*
		2010	*2011*	*2012*	*2013*
	Notes	*€000*	*€000*	*€000*	*€000*
Non-current assets					
Intangible assets – goodwill	14	75,333	75,310	60,303	60,308
Intangible assets – other	15	308,888	299,530	313,002	302,388
Property, plant and equipment	17	65,538	57,707	57,515	60,864
Deferred tax assets	13	7,033	7,514	9,240	7,990
Other financial assets	20	4,984	7,797	9,826	5,658
		461,776	447,858	449,886	437,208
Current assets					
Inventories	18	26,694	27,227	30,826	31,869
Trade and other receivables	19	164,120	126,459	129,722	117,371
Other financial assets	20	172	1,262	250	4,122
Current tax assets	13	107	2,832	1,629	1,974
Assets classified as held for sale	21	–	–	4,200	4,200
Cash and short-term deposits	32	73,679	64,787	138,718	54,105
		264,772	222,567	305,345	213,641
Total assets		726,548	670,425	755,231	650,849
Non-current liabilities					
Financial liabilities	22	174,021	155,379	155,922	148,340
Other financial liabilities	24	290	782	1,448	991
Deferred tax liabilities	13	66,444	65,632	62,704	58,586
Provisions	25	5,312	5,846	5,295	5,099
		246,067	227,639	225,369	213,016
Current liabilities					
Trade and other payables	27	59,919	39,909	55,810	52,324
Financial liabilities	22	5,091	7,531	8,119	3,094
Other financial liabilities	24	220	240	242	240
Income tax payable	13	5,880	4,946	8,870	3,884
Other tax liabilities	26	96,615	81,506	74,986	66,621
Provisions	25	4,544	220	109	165
Other payables	28	6,955	4,373	2,934	2,857
		179,224	138,725	151,070	129,185
Total liabilities excluding shareholder debt		425,291	366,364	376,439	342,201
Shareholder debt	23	230,053	223,173	264,640	208,539
Total liabilities		655,344	589,537	641,079	550,740
Net assets		71,204	80,888	114,152	100,109

OCM Luxembourg Spirits Holdings S.à r.l.

Consolidated statement of financial position

		As of 31 December			*As of 30 June*
		2010	*2011*	*2012*	*2013*
	Notes	*€000*	*€000*	*€000*	*€000*
Capital and reserves					
Issued capital	29	276	279	279	279
Equity component of CECs, PECs and CPECs		55,011	55,011	55,011	55,011
Share premium		20,097	20,097	20,097	20,097
Other reserve	34	311	511	767	3,489
Foreign currency translation reserve	29	17,813	10,018	16,929	10,890
Retained earnings		(22,304)	(5,028)	21,069	10,343
Total equity		71,204	80,888	114,152	100,109
Total equity and liabilities		726,548	670,425	755,231	650,849

OCM Luxembourg Spirits Holdings S.à r.l.

Consolidated statement of changes in equity

	Issued capital €000	*Equity component of CEC and PEC €000*	*Share premium €000*	*Other reserve €000*	*Foreign currency translation reserve €000*	*Retained earnings €000*	*Total €000*
Balance at 1 January 2010	274	55,001	20,067	27	8,098	(24,103)	59,364
Profit for the year	–	–	–	–	–	1,799	1,799
Other comprehensive income	–	–	–	–	9,715	–	9,715
Total comprehensive income	–	–	–	–	9,715	1,799	11,514
Share-based payment charge (note 34)	–	–		311	–	–	311
Issue of shares (note 29)	2	10	30	–	–	–	42
Other	–	–	–	(27)	–	–	(27)
Balance at 31 December 2010	276	55,011	20,097	311	17,813	(22,304)	71,204
Profit for the year	–	–	–	–	–	17,276	17,276
Other comprehensive expenses	–	–	–		(7,795)	–	(7,795)
Total comprehensive (expense)/income	–	–	–	–	(7,795)	17,276	9,481
Share based payment charge (note 34)	–	–	–	200	–	–	200
Issue of shares (note 29)	3	–	–	–	–	–	3
Balance at 31 December 2011	279	55,011	20,097	511	10,018	(5,028)	80,888
Profit for the year	–	–	–	–	–	26,097	26,097
Other comprehensive income	–	–	–	–	6,911	–	6,911
Total comprehensive income	–	–	–	–	6,911	26,097	33,008
Share based payment charge (note 34)	–	–	–	256	–	–	256
Balance at 31 December 2012	279	55,011	20,097	767	16,929	21,069	114,152
Loss for the period	–	–	–	–	–	(10,726)	(10,726)
Other comprehensive expenses					(6,039)	–	(6,039)
Total comprehensive expense	–	–	–	–	(6,039)	(10,726)	(16,765)
Share based payment charge (note 34)	–	–	–	2,722	–	–	2,722
Balance at 30 June 2013	279	55,011	20,097	3,489	10,890	10,343	100,109
Balance at 31 December 2011	279	55,011	20,097	511	10,018	(5,028)	80,888
Loss for the period (unaudited)	–	–	–	–	–	(6,910)	(6,910)
Other comprehensive income (unaudited)					3,543		3,543
Total comprehensive income/(expense) (unaudited)	–	–	–	–	3,543	(6,910)	(3,367)
Share based payment charge (note 34) (unaudited)	–	–	–	141	–	–	141
Balance at 30 June 2012 (unaudited)	279	55,011	20,097	652	13,561	(11,938)	77,662

OCM Luxembourg Spirits Holdings S.à r.l.

Consolidated statement of cash flows

		Year ended 31 December			*Six-month period ended 30 June*	
					Unaudited	
		2010	*2011*	*2012*	*2012*	*2013*
	Notes	*€000*	*€000*	*€000*	*€000*	*€000*
Operating activities						
Profit/(loss) for the period		1,799	17,276	26,097	(6,910)	(10,726)
Adjustments to reconcile profit/(loss) before tax to net cash flows:						
Income tax expense recognised in income statement	13	5,298	4,242	2,852	1,373	1,401
Interest expense and bank commissions		46,335	54,726	58,236	28,437	29,650
Net gain on disposal of subsidiary		–	–	(54,898)	–	–
Loss on disposal of property, plant and equipment		609	109	–	27	74
Other financial income		(2,403)	(44,324)	(1,309)	(585)	(993)
Depreciation and impairment of property plant and equipment	17	6,461	9,178	9,330	4,538	3,201
Amortisation and impairment of intangible assets and goodwill	14, 15	1,831	1,952	18,419	1,204	835
Net foreign exchange (gain)/loss		(8,969)	6,071	(460)	(274)	2,754
Share-based payment	34	311	200	256	141	2,722
		51,272	49,430	58,523	27,951	28,918
Working capital adjustments						
Decrease/(increase) in trade receivables and other assets		5,495	37,661	(3,263)	2,764	12,351
Decrease/(increase) in inventories		710	(533)	(2,513)	(4,455)	(1,043)
(Decrease)/increase in trade payables and other liabilities		(15,254)	(37,701)	7,942	(14,713)	(11,928)
Increase/(decrease) in provisions		4,168	(3,790)	(662)	792	(140)
		(4,881)	(4,363)	1,504	(15,612)	(760)
Cash flows from operating activities		46,391	45,067	60,027	12,339	28,158
Income tax paid	13	(3,740)	(7,361)	(4,328)	(5,180)	(7,739)
Net cash flows from operating activities		42,651	37,706	55,699	7,159	20,419
Investing activities						
Interest received		140	566	1,309	585	606
Payments to acquire intangible assets		(2,401)	(2,125)	(1,355)	(785)	(534)
Purchase of property, plant and equipment		(8,278)	(4,863)	(9,950)	(2,926)	(8,741)
Acquisition of subsidiary, net of cash acquired	35	–	–	(6,071)	–	–
Net proceeds from sale of subsidiary	8	–	–	55,425	–	–
Net cash flow from investing activities		(10,539)	(6,422)	39,358	(3,126)	(8,669)
Financing activities						
Repayment of borrowings		(12,726)	(178,926)	(6,400)	(2,800)	(84,085)
New borrowings raised		16,000	166,559	–	–	–
Interest paid		(5,597)	(21,807)	(18,329)	(10,053)	(4,470)
Other financial costs		(2,145)	(3,770)	(345)	(270)	(269)
Proceeds from shares issued		42	3	–	–	–
Net cash flow from financing activities		(4,426)	(37,941)	(25,074)	(13,123)	(88,824)
Net increase/(decrease) in cash and cash equivalents		27,686	(6,657)	69,983	(9,090)	(77,074)
Cash and cash equivalents at the start of the period		44,347	73,679	64,787	64,787	138,718
Effect of exchange rates on cash and cash equivalents		1,646	(2,235)	3,948	2,561	(7,539)
Cash and cash equivalents at the end of the period	32	73,679	64,787	138,718	58,258	54,105

Notes to the consolidated historical financial information

1. General information

OCM Luxembourg Spirits Holdings S.à r.l. (the "**Operating Company**") was incorporated under the Luxembourg Companies Law on 21 August 2006 as a private limited company ('société à responsabilité limitée') for an unlimited period of time.

The registered office of the Operating Company is 26A, Boulevard Royal, L-2449 Luxembourg, RCS 118.872.

The objective of the Operating Company is the acquisition of participations, in Luxembourg or abroad, in any companies or enterprises in any form whatsoever and the management of such participations. The Group activities are production and distribution of spirits mainly in Europe.

Subsidiaries and their countries of incorporation are presented in note 33.

On 12 September 2013, Stock Spirits (UK) Limited was incorporated and registered in England and Wales with registered number 8687223. Stock Spirits (UK) Limited was re-named Stock Spirits Group Limited on 2 October 2013. Stock Spirits Group Limited was re-registered as a public limited company on 7 October 2013 with the name Stock Spirits Group PLC (the "**Company**"). Stock Spirits Group PLC is to serve as the holding company for purposes of listing on the London Stock Exchange.

In preparation for the Admission of the Group, the Company undertook a corporate reorganisation on 21 October 2013 (the "**Corporate Reorganisation**") involving the following steps:

- all of the shares in the Operating Company and all of the CECs and PECs issued by the Operating Company that were remaining subsequent to the redemption of PECs in August 2013 (see note 38) were transferred from their existing holders to the Company; and
- the Company issued Ordinary Shares to the former holders of the shares in the Operating Company and the former holders of the CECs and PECs issued by the Operating Company.

The Company has not undertaken transactions since its incorporation other than those set out above and for matters in connection with the Admission.

2. Going concern

The financial position of the Group, its cash flows, liquidity position and borrowings facilities are described below. In addition note 30 to the historical financial information includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity.

Full details of the terms of each external loan facility are set out in note 22. The facilities are subject to covenant requirements and are repayable in full on demand if the covenants are not met. In 2010 the Group had banking facilities with RBS and Pekao Bank. In 2011 these were repaid and cancelled, being replaced with 2 variable rate loans and a revolving credit facility with a syndicate of banks led by ING. In 2013 the Group signed an Amended and Restated Agreement ('ARA') with the syndicate of banks. The ARA added a new Term Loan C ('TLC').

As at 31 March 2010 and 31 March 2011, the Group identified potential covenant breaches of the RBS facility as a result of the quarterly tightening of covenants coinciding with a peak in the Group's working capital requirement within the Group's trading cycle. The Group agreed and implemented an equity cure to resolve the potential breach in 2010, and obtained a waiver under the RBS facility to resolve the potential breach in 2011 in exchange for a rebasing of the variable rate interest margin. The Group repaid the equity cure of €16,000,000 in 2011 with cash on its balance sheet and drawings under the ING Credit Facility. As such the Group met its covenant requirements throughout the years ended 31 December 2010, 2011, 2012 and the 6 months ended and as at 30 June 2013.

The Group is cash generative and has access to short-term funding through its revolving credit facility. See note 22 for further details.

The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within the level of its current available facilities and maintain adequate covenant headroom. The revolving credit facility is available as part of wider borrowing arrangements with the syndicate of banks and is not subject to annual renewal. Stock Polska Sp. Z.o.o. also has a debt factoring facility of €48,961,000 which can be utilised to meet short term working capital requirements if necessary. See note 19 for further details.

After making enquiries, the directors have reasonable expectation that the Operating Company and the Group will have adequate resources to continue their operational existence for the foreseeable future and remain compliant with the covenant requirements for a period of at least 12 months from the date of approval of the historical financial information. Accordingly, they continue to adopt the going concern basis for preparing the financial information.

3. Accounting policies

Basis of preparation

The consolidated historical financial information has been prepared for inclusion in the prospectus of Stock Spirits Group PLC dated 22 October 2013 in compliance with item 20.1 of Annex I to the Commission Regulation (EC) No 809/2004 and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The principal accounting policies adopted in the preparation of this historical financial information are set out below. These policies have been consistently applied for all periods presented.

Basis of consolidation

The consolidated financial information incorporate the financial statements of the Operating Company and its subsidiaries controlled by the Operating Company for the year to 31 December 2010, 2011, 2012 and the period to 30 June 2013 and 30 June 2012.

The closing foreign exchange rates used in the consolidation are as follows:

	31 December 2010	*31 December 2011*	*31 December 2012*	*30 June 2012*	*30 June 2013*
PLN	3.97	4.46	4.09	4.24	4.33
CZK	25.18	25.81	25.12	25.53	25.96
GBP	0.86	0.84	0.82	0.81	0.86

Subsidiaries

Subsidiaries are part of the Group from the date of their acquisition, being the date on which the Group obtains control, and continue to be part of the Group until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights currently exercisable or convertible potential voting rights or by way of contractual agreement. The subsidiary financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All intragroup balances and transactions including unrealised profit arising from them are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control of a subsidiary it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest; (iii) derecognises the cumulative translation differences recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; (vii) recognises the parent's share of any components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of any acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit and loss.

After initial recognition goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill acquired in a business combination is from the acquisition date allocated to each of the Group's cash generating units that are expected to benefit from the combination irrespective of whether assets or liabilities of the acquisition are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

During 2012, the Group made two acquisitions. The acquisition of the share capital of Imperator s.r.o. was accounted for as a business combination, as set out in note 35. The Group also acquired an off the shelf company which was named Baltic Distillery GmbH. Baltic Distillery GmbH then acquired an ethanol manufacturing business based in Germany. This acquisition was accounted for as an asset purchase mainly impacting additions to property, plant and equipment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

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

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

Sales are stated net of price discounts, sales taxes and duties.

Finance revenue

Revenue is recognised as interest accrues using the effective interest method. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Segmental analysis

The Group has adopted IFRS 8, 'Operating Segments'. The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are expressed in Euros ('€'), which is the functional currency of the parent company and the presentation currency for the Group financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

For the purpose of presenting Group financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euros using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Employee benefits – severance indemnity

The provision for employee severance indemnity, mandatory for Italian companies pursuant to Law No. 297/1982, represents an unfunded defined benefit plan, according to IAS 19 (Revised), and is based on the working life of employees and on the remuneration earned by an employee over the course of a pre-determined term of service.

For details of the actuarial assumptions used, see note 25. For the severance indemnity, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The severance indemnity obligation recognised in the statement of financial position represents the present value of the obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Contributions for severance indemnity are recognised as an expense in the income statement when employees have rendered service entitling them to the contributions.

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Where the temporary differences arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

Deferred income tax assets are recognised only to the extent that the directors consider that it is probable that there will be taxable profits from which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rate that are expected to apply when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost less depreciation.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The following useful lives are used in the calculation of depreciation:

Land and buildings	20 – 50 years
Technical equipment	7 – 20 years
Other equipment	3 – 10 years

Intangible assets

Intangible assets acquired separately

Intangible assets including brands, agency contracts, customer lists and patents acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Intangible assets with a definite life are amortised on a straight-line basis over their estimated useful lives in range of 2 – 7 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Fair value of identifiable brands acquired and recognised as part of a business combination are determined using the royalty or multi-period excess methods. All of the Group's brands have indefinite useful lives, are not amortised but are subject to an annual impairment test or whenever there is an indication that the asset may be impaired.

In arriving at the conclusion that a brand has an indefinite life, management considers their future usage, commercial position, stability of industry and all other aspects that might have an impact on this accounting policy. Management considers the business to be a brand business and expects to acquire, hold and support brands for an indefinite period. Subsidiary company history goes back to 1884 in Italy, 1920 in the Czech Republic and for over 100 years in Poland. Brands have a long tradition and companies have built customer loyalty over their history. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of spending on consumer marketing and through significant investment in promotional support. This policy is appropriate due to the stable long-term nature of the business and the enduring nature of the brands.

Subsequent to initial recognition, other intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets excluding goodwill

At each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Cash generating units

The Group has identified the cash generating units, used in the impairment review of intangible assets, to be the Czech region (including Imperator), Italy region and Poland region.

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Trade and other receivables

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Group. Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and doubtful debts. Provisions are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition; a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated or amortised.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Financial assets

Financial assets in the statement of financial position are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

When loans and receivables are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The timing of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are not discounted as the time value of money is not deemed to be material.

Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide a better understanding of the financial performance of the Group. They are material items of expense or income that have been shown separately due to the significance of their nature or amount. Exceptional items includes costs of restructuring the business, costs associated with the potential disposal of the Group by the majority shareholder, refinancing costs and other costs that are considered to be non-recurring.

Financial liabilities

Borrowings and other financial liabilities

Borrowings and other financial liabilities, including loans, are initially measured at fair value, net of transaction costs.

Borrowings and other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Hybrid instruments

Preferred Equity Certificates ('PECs') are regarded as debt instruments.

Convertible Preferred Equity Certificates ('CPECs') are regarded as equity. At the discretion of the Operating Company and not the holder redemption of the CPECs and yield can be made by the issue of shares rather than the payment of cash.

Convertible Equity Certificates ('CECs') are classified as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate. The difference between the proceeds of the issue of the CECs and the fair value assigned to the liability component, representing the option to convert the liability into the equity of the Operating Company, is included in equity.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. This is added to the carrying amount of the CECs.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 30 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the reporting period date. The resulting gain or loss is recognised in profit or loss immediately.

The fair value of derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the relationship is less than 12 months.

Leases and hire purchase commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are capitalised on commencement of the lease at the lower of the fair value of the asset and the present value of the minimum lease payments. Each payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The rental obligations, net of finance charges, are included in interest bearing loans and borrowings.

The finance charges are charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions is recognised together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in general and administrative expenses.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cost based on the original award terms continues to be recognised over the original vesting period and an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

The following are the critical judgements (apart from those involving estimations), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Measurement and impairment and indefinite life intangible assets

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year is the measurement and impairment of indefinite life intangible assets. The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of their value in use. This involves estimation of future cash flows and choosing a suitable discount rate (note 16). Brands are considered to have an indefinite life. Management considers the business to be a brand business and expects to acquire, hold and support brands for an indefinite period.

Impairment of goodwill

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the Group's five-year plans. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, as further explained in note 16. The Group tests annually whether goodwill has suffered any impairment.

Preferred Equity Certificates and Convertible Equity Certificates

Preferred Equity Certificates and Convertible Equity Certificates are assumed to be repaid within 7 years of issue, which is estimated to be 19 October 2013, and hence the fair value of these instruments has been calculated using this assumption. One of the key inputs is the discount rate applied.

Taxation

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by tax authorities of the respective countries in which it operates. The amount of such provisions are based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are included in note 13.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Italian tax authorities have an open enquiry into the Italian subsidiary, Stock S.r.l., covering the years 2006 and 2007. At the date of this report no findings have been reported to management, and at 30 June 2013 there is included in the current tax liability an amount of €1,586,000 for the potential tax liability (2012 – €1,586,000 2011 – €1,702,000, 2010 – €1,052,000). In May 2013 the investigation was extended to cover the periods 2008, 2009 and 2010, but no details are yet known and no provision for a potential tax liability has been made for these periods.

Transfer pricing

The Group is an international drinks business and, as such, transfer pricing arrangements are in place to cover the recharging of management and stewardship costs, as well as the sale of finished goods between Group companies.

5. New standards and interpretations

The following standards and interpretations have an effective date after the date of these financial statements. The Group has not early adopted them and plans to adopt them from the effective dates adopted by EU.

Standard or interpretation	*Title*	*Effective for accounting periods beginning on or after*
IAS 27	Separate Financial Statements (as revised 2011)	1 January 2014
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Involvement with Other Entities	1 January 2014

6. Revenue

An analysis of the Group's revenue is set out below:

	Year ended 31 December			*Six-month period ended 30 June Unaudited*	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Revenue from the sale of spirits	985,755	902,376	874,930	399,762	433,291
Other sales	1,013	1,110	908	527	3,080
Excise taxes	(684,812)	(608,376)	(583,393)	(265,855)	(283,240)
Net sales	301,956	295,110	292,445	134,434	153,131

7. 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, 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 adjusted EBITDA reported to the chief operating decision maker to assess performance is based on operating profit and excludes intra Group profits, depreciation, amortisation and exceptional items.

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.

31 December 2010	*Poland €000*	*Czech €000*	*Italy €000*	*Other Operational €000*	*Corporate €000*	*Total €000*
External revenue	173,334	57,449	46,365	24,808	–	301,956
Adjusted EBITDA	44,234	13,897	7,133	5,143	(9,259)	61,148

31 December 2011	*Poland €000*	*Czech €000*	*Italy €000*	*Other Operational €000*	*Corporate €000*	*Total €000*
External revenue	159,380	65,389	45,112	25,229	–	295,110
Adjusted EBITDA	39,231	19,488	10,159	2,822	(7,926)	63,774

31 December 2012	*Poland €000*	*Czech €000*	*Italy €000*	*Other Operational €000*	*Corporate €000*	*Total €000*
External revenue	175,314	54,742	41,624	20,765	–	292,445
Adjusted EBITDA	54,129	15,204	11,068	550	(12,842)	68,109

30 June 2012	*Poland €000*	*Czech €000*	*Italy €000*	*Other Operational €000*	*Corporate €000*	*Total €000*
External revenue	81,610	23,789	20,189	8,846	–	134,434
Adjusted EBITDA	23,474	5,087	4,451	(570)	(3,989)	28,453

30 June 2013	*Poland €000*	*Czech €000*	*Italy €000*	*Other Operational €000*	*Corporate €000*	*Total €000*
External revenue	89,077	30,023	17,544	16,487	–	153,131
Adjusted EBITDA	25,667	7,637	3,582	1,641	(4,208)	34,319

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

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2012 €000*	*30 June 2013 €000*
Operating profit for the period	42,060	37,991	85,416	22,041	22,086
Depreciation and amortisation	8,292	11,130	9,694	5,742	4,036
Exceptional items	10,796	14,653	(27,001)	670	8,197
Adjusted EBITDA	61,148	63,774	68,109	28,453	34,319

Information about major customers:

Annual revenue from one customer in the Poland segment totalled more than 10% of total Group revenue. In 2013 revenue from this customer amounted to €23,146,000 (H1 2012: €23,041,000, 2012: €46,761,000, 2011: €42,263,000, 2010: €42,505,000).

In 2012 there was an impairment of the Italian CGU totalling €16,500,000. See notes 8 and 16 for further details.

8. Exceptional items

	Year ended 31 December			*Six-month period ended 30 June Unaudited*	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Restructuring of Italian business(1)	2,743	1,998	5,802	266	135
Restructuring of US business(2)	201	115	–	–	–
Restructuring of International business(3)	443	164	445	–	–
Costs associated with potential disposal of the Group by majority shareholder(4)	4,460	4,644	2,972	32	3,708
Refinancing costs(5)	–	3,884	367	105	3,342
Czech alcohol ban(6)	–	–	1,006	–	65
Impairment of Italian goodwill(7)	–	–	16,500	–	–
Bad debt write-off(8)	–	2,311	–	–	–
Restructuring and merger of Slovakian businesses(9)	—	–	119	47	337
Other(10)	2,949	1,537	686	211	572
Disposal of US business(11)	–	–	(54,898)	9	38
Total exceptional items	10,796	14,653	(27,001)	670	8,197

(1) Restructuring costs in respect of the Group's Italian production, sales, distribution and administrative operations, including a relocation of some functions from Trieste to Milan. The charge for 2013 includes costs associated with the disposal of the property at Trieste, which is classified in the statement of financial position as 'assets held for sale' as at 31 December 2012 and 30 June 2013.

(2) Legacy costs in relation to the storage and destruction of inventory written off in 2009.

(3) Reorganisation of the International business, including termination payments and increases in allowances for doubtful debts.

(4) Advisory and legal costs in connection with the potential disposal of the Group by the majority shareholder. Also included in 2010, 2011, 2012 and H1 2013 is VAT on costs incurred relating to the potential disposal. These costs were thought to be deductible for VAT purposes, however following a review it was concluded that these costs were non-deductible and therefore VAT on these costs must be paid to the Luxembourg VAT authorities.

(5) Legal and advisory costs in connection with the refinancing of the Group completed in October 2011 and June 2013. See note 22. Also included in 2012 is VAT on costs incurred relating to refinancing which were thought to be deductible for VAT purposes. However following a review it was concluded that these costs were non-deductible and therefore VAT on these costs must be paid to the Luxembourg VAT authorities.

(6) Costs associated with additional advertising and promotional activities, as well as administrative processes in relation to the Czech alcohol ban in September and October 2012.

(7) Impairment of Italian goodwill as set out in note 16.

(8) Write off of a significant trade debtor balance in Poland.

(9) Reorganisation of the Slovakian businesses, including termination payments and legal costs incurred in relation to the merger of Stock Slovakia s.r.o. and Imperator s.r.o.

(10) Costs in H1 2013 include legal costs associated with the restructure of the IP arrangements in Poland, reorganisation of the Group's operations function, including termination payments, and costs relating to the acquisition and integration of Baltic Distillery GmbH. Costs in H1 2012 include reorganisation of the UK business, including termination payments. Costs in 2012 also included legal and advisory costs associated with the asset purchase of Baltic Distillery GmbH. Costs in 2011 include a

Bosnian excise duty charge. Costs in 2010 include legal and other one-off costs at Head Office and in Poland relating to a legal entity reorganizational project.

(11) 2012 represents the net gain from the disposal in October 2012 of the Gran Gala and Gala Caffe brands as well as the disposal of the US subsidiary, Stock Spirits Group USA, Inc. The trading results of this business are included in Group operating profit up to the date of disposal as the activities do not fall within the definition of discontinued activities. Accordingly, the gain on disposal is included in operating profit as an exceptional item as detailed below.

	Year ended 31 December 2012 €000	*Year ended 31 December 2011 €000*
Profit for the year from Stock Spirits Group USA, Inc.		
Revenue	5,005	(2,281)
Cost of sales	5,829	(2,559)
	2,724	3,270
Expenses	(2,817)	(3,342)
Finance costs	(28)	(167)
Taxation	250	–
Post tax result of Stock Spirits Group USA, Inc.	129	(239)
Gain on disposal of Stock Spirits Group USA, Inc.	54,898	–
Total profit/(loss) from Stock Spirits Group USA, Inc.	55,027	(239)
Cash flows from Stock Spirits Group USA, Inc.		
Net cash inflows from operating activities	890	245
Net cash inflows from investing activities	(1,314)	–
Net cash inflows from financing activities	–	(401)
Net cash outflows	(424)	(156)

The major categories of assets disposed of were:

	Year ended 31 December 2012 €'000
Brands	527
Net assets disposed of	527

The net disposal proceeds were:

	Year ended 31 December 2012 €'000
Net consideration received	55,425
Net assets disposed of	(527)
Gain on disposal	54,898

The charge in 2013 relates to the write off of Gran Gala labels and legal costs associated with the disposal of the US business.

9. Finance revenue and costs

	Year ended 31 December			Six-month period ended 30 June	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Finance revenue:					
Foreign currency exchange gain	8,969	–	460	274	–
Fair value derivative instruments hedged by interest rate and foreign exchange swap	2,263	–	–	–	387
Credit on revision of estimate (note 23)	–	43,758	–	–	–
Other finance revenue	140	566	1,309	585	606
Total finance revenue	11,372	44,324	1,769	859	993
Finance costs:					
Interest payable on bank overdrafts and loans	5,602	8,432	11,990	6,081	4,477
Coupon interest on PECs	18,885	20,360	19,407	9,651	8,924
Interest payable on CECs	1,147	757	1,147	565	598
Interest payable on PECs	17,929	18,360	20,913	10,237	14,377
Foreign currency exchange loss	–	6,071	–	–	2,754
RBS commissions guarantees and other	773	–	–	–	–
Bank commissions, guarantees and other payable	380	4,565	3,270	1,331	1,152
Other interest expense	1,619	2,252	1,509	572	122
Total finance costs	46,335	60,797	58,236	28,437	32,404
Net finance costs	34,963	16,473	56,467	27,578	31,411

10. Staff costs

	Year ended 31 December			Six-month period ended 30 June	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Wages and salaries	21,978	19,290	25,319	13,899	15,411
Social security costs	3,169	3,991	4,615	970	1,113
Other pension costs	494	453	510	101	119
Share based payments (note 34)	311	200	256	141	2,722
	25,952	23,934	30,700	15,111	19,365

Other pension costs relate to the Group's contributions to defined contributions pension plans.

Average monthly number of employees in the period

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	No.	*No.*	*No.*	*No.*	*No.*
Production and logistics	432	410	481	389	491
Sales	274	229	251	229	291
Other	144	157	166	164	180
	850	796	898	782	962

Compensation of key management personnel

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Short term employee benefits	4,831	5,831	4,103	1,964	5,229
Post employment benefits	67	268	19	11	6
Share based payments (note 34)	311	200	256	141	2,722
Termination benefits	30	–	593	207	–
	5,239	6,299	4,971	2,323	7,957

11. Operating profit

Operating profit for the period has been arrived at after charging:

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Advertising, promotion and marketing costs	30,462	27,655	23,152	11,797	14,331
Indirect costs of production	7,055	7,787	7,492	3,912	4,194
Logistics costs	4,834	5,557	5,617	2,795	2,627
Legal and professional fees	2,712	2,784	3,112	1,406	1,626
Depreciation and amortisation – production cost	4,265	5,559	5,150	2,816	2,193
Depreciation and amortisation – selling cost	2,884	2,919	2,806	1,635	1,334
Depreciation and amortisation – administration cost	1,143	2,652	1,738	1,291	509
Total depreciation and amortisation	8,292	11,130	9,694	5,742	4,036

12. Auditors' remuneration

The Group paid the following amounts to its auditors Ernst & Young S.A. and other firms in respect of the audit of the financial statements and for other services provided to the Group:

	Year ended 31 December			*Six-month period ended 30 June*
	2010	*2011*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*
Fees payable for audit of the parent and Group financial statements	46	63	62	583
Fees payable for local statutory audits for subsidiaries	511	591	614	–
Fees payable for audit related services	6	7	8	70
Fees payable to other auditors	55	–	86	31
Transaction services fees	2,996	2,532	1,333	1,619
Other services related to taxation	143	9	90	567
Total	3,757	3,202	2,193	2,870

13. Income taxes

(a) *Income tax recognised in profit or loss:*

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Tax expense comprises:					
Current tax expense	9,385	2,755	8,215	3,982	2,755
Tax expense/(credit) relating to prior year	500	571	1,167	126	(429)
Deferred tax (credit)/expense	(4,587)	723	(6,530)	(2,735)	(1,383)
Foreign taxes	–	193	–	–	458
Total tax expense	5,298	4,242	2,852	1,373	1,401

Reconciliation of total tax expense

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Profit/(loss) before tax	7,097	21,518	28,949	(5,537)	(9,325)
Accounting profit/(loss) multiplied by Luxembourg combined rate of corporation tax of 29.22% (2012 – 28.80%, 2011 – 28.80%, 2010 – 28.59%)	2,029	6,197	8,337	(1,595)	(2,725)
Expenses not deductible for tax purposes	4,400	11,757	14,571	4,512	6,148
Income not taxable	(1,178)	(12,225)	(14,980)	(86)	(134)
Effect of difference in tax rates	(453)	(2,362)	(6,228)	(1,584)	(1,917)
Tax charge/(credit) relating to prior year	500	571	1,167	126	(429)
Foreign taxes	–	193	–	–	458
Foreign exchange differences	–	111	(15)	–	–
Total tax expense reported in the statement of comprehensive income	5,298	4,242	2,852	1,373	1,401

Current tax liability:

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Tax prepayments as of 1 January	1,821	107	2,832	2,832	1,629
Tax liability as of 1 January	(1,230)	(5,880)	(4,946)	(4,946)	(8,870)
Tax charge relating to prior year	(500)	(571)	(1,167)	(126)	429
Adjustment to Stock S.r.l. closing balance	(364)	–	–	–	–
Payments in period	3,740	7,361	4,328	5,180	7,739
Current tax expense	(9,385)	(2,755)	(8,215)	(3,982)	(2,755)
Foreign taxes	–	(193)	–	–	(458)
Foreign exchange adjustment	145	(183)	(73)	(127)	376
Net current tax liability	(5,773)	(2,114)	(7,241)	(1,169)	(1,910)
Analysed as:					
Tax prepayment	107	2,832	1,629	4,467	1,974
Current tax liability	(5,880)	(4,946)	(8,870)	(5,636)	(3,884)
	(5,773)	(2,114)	(7,241)	(1,169)	(1,910)

Transfer pricing

The Group is an international drinks business and, as such, transfer pricing arrangements are in place to cover the recharging of management and stewardship costs, as well as the sale of finished goods between Group companies.

Tax investigation

The Italian tax authorities have an open enquiry in the Italian subsidiary, Stock S.r.l., covering the years 2006 and 2007. At the date of this report no findings have been reported to management, and at 30 June 2013 there is included in the current tax liability an amount of €1,586,000 for the potential tax liability (2012 – €1,586,000 2011 – €1,702,000, 2010 – €1,052,000). In May 2013 the investigation was extended to cover the periods 2008, 2009 and 2010, but no details are yet known and no provision for a potential tax liability has been made for these periods.

(b) *Unrecognised tax losses*

The Group has tax losses which arose in the UK, Luxembourg and the Czech Republic of €38,900,000 as at 30 June 2013 (2012 – €29,000,000, 2011 – €21,200,000, 2010 – €18,100,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. A deferred tax asset has not been recognised in respect of these losses as it is not known when the losses will be utilised in the relevant entities.

(c) *Temporary differences associated with Group investments*

At 30 June 2013, there was no recognised deferred tax liability (2012: €nil, 2011: €nil, 2010: €nil) for taxes that would be payable on the unremitted earnings of certain Group subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

(d) *Deferred tax balances*

Deferred tax assets and liabilities arise from the following:

2010	*1 January 2010 €000*	*(Charged) /credited to income €000*	*Translation difference €000*	*31 December 2010 €000*
Temporary differences:				
Brands	(46,177)	(2,563)	(3,767)	(52,507)
Other assets and liabilities	(16,631)	7,146	11	(9,474)
Unused tax losses and credits	2,566	4	–	2,570
	(60,242)	4,587	(3,756)	(59,411)
Deferred tax asset	5,942	957	134	7,033
Deferred tax liability	(66,184)	3,630	(3,890)	(66,444)
	(60,242)	4,587	(3,756)	(59,411)

2011	*1 January 2011 €000*	*(Charged) /credited to income €000*	*Translation difference €000*	*31 December 2011 €000*
Temporary differences:				
Brands	(52,507)	3,143	1,141	(48,223)
Other assets and liabilities	(9,474)	(1,318)	897	(9,895)
Unused tax losses and credits	2,570	(2,548)	(22)	–
	(59,411)	(723)	2,016	(58,118)
Deferred tax asset	7,033	740	(259)	7,514
Deferred tax liability	(66,444)	(1,463)	2,275	(65,632)
	(59,411)	(723)	2,016	(58,118)

2012	*1 January 2012 €000*	*(Charged) /credited to income €000*	*Acquisition (note 35) €000*	*Translation difference €000*	*31 December 2012 €000*
Temporary differences:					
Brands	(48,223)	(2,305)	(613)	(1,498)	(52,639)
Other assets and liabilities	(9,895)	8,835	(192)	427	(825)
	(58,118)	6,530	(805)	(1,071)	(53,464)
Deferred tax asset	7,514	1,155	–	571	9,240
Deferred tax liability	(65,632)	5,375	(805)	(1,642)	(62,704)
	(58,118)	6,530	(805)	(1,071)	(53,464)

June 2013	*1 January 2013 €000*	*(Charged) /credited to income €000*	*Acquisition (note 35) €000*	*Translation difference €000*	*30 June 2013 €000*
Temporary differences:					
Brands	(52,639)	(1,178)	–	1,745	(52,072)
Other assets and liabilities	(825)	2,561	–	(260)	1,476
	(53,464)	1,383	–	1,485	(50,596)
Deferred tax asset	9,240	(836)	–	(414)	7,990
Deferred tax liability	(62,704)	2,219	–	1,899	(58,586)
	(53,464)	1,383	–	1,485	(50,596)

14. Intangible assets – goodwill

	2010 €000
Cost:	
As at 1 January	75,368
Net foreign currency exchange differences	(35)
As at 31 December	75,333
Amortisation:	
As at 1 January	–
Impairment loss recognised during the year	–
As at 31 December	–
Carrying amount	
As at 31 December 2010	75,333

	2011
	€000
Cost:	
As at 1 January	75,333
Net foreign currency exchange differences	(23)
As at 31 December	75,310
Amortisation:	
As at 1 January	–
Impairment loss recognised during the year	–
As at 31 December	–
Carrying amount	
As at 31 December 2011	75,310

	2012
	€000
Cost:	
As at 1 January	75,310
Goodwill arising on acquisition of subsidiary (note 35)	1,480
Net foreign currency exchange differences	13
As at 31 December	76,803
Amortisation:	
As at 1 January	–
Impairment loss recognised during the year (note 17)	16,500
As at 31 December	16,500
Carrying amount	
As at 31 December 2012	60,303

	2013
	€000
Cost:	
As at 1 January	76,803
Net foreign currency exchange differences	5
As at 30 June	76,808
Amortisation:	
As at 1 January	16,500
As at 30 June	16,500
Carrying amount	
As at 30 June 2013	60,308

Goodwill arising on acquisition of subsidiary in 2012 reflects a purchase price adjustment on this acquisition of €360,000 in 2013. See notes 35 and 38.

Goodwill is subject to annual impairment testing.

During 2012, the impairment assessment resulted in an impairment charge of €16,500,000 relating to the Italian CGU. See note 16 for further details.

15. Intangible assets – other

2010	*Brands* *€000*	*Agency contracts, customer lists, patents* *€000*	*Other* *€000*	*Total* *€000*
Cost:				
As at 1 January 2010	283,044	10,579	12	293,635
Additions	–	1,736	665	2,401
Disposals	–	(394)	–	(394)
Transfers	–	190	(190)	–
Net foreign currency exchange differences	19,732	483	138	20,353
As at 31 December 2010	302,776	12,594	625	315,995
Amortisation:				
As at 1 January 2010	–	5,194	–	5,194
Amortisation expense	–	1,343	488	1,831
Disposals	–	(371)	–	(371)
Net foreign currency exchange differences	–	453	–	453
As at 31 December 2010	–	6,619	488	7,107
Carrying amount				
As at 31 December 2010	302,776	5,975	137	308,888

2011	*Brands* *€000*	*Agency contracts, customer lists, patents* *€000*	*Other* *€000*	*Total* *€000*
Cost:				
As at 1 January 2011	302,776	12,594	625	315,995
Additions	–	1,949	176	2,125
Net foreign currency exchange differences	(9,878)	362	–	(9,516)
As at 31 December 2011	292,898	14,905	801	308,604
Amortisation:				
As at 1 January 2011	–	6,619	488	7,107
Amortisation expense	–	1,952	–	1,952
Net foreign currency exchange differences	–	15	–	15
As at 31 December 2011	–	8,586	488	9,074
Carrying amount				
As at 31 December 2011	292,898	6,319	313	299,530

2012	*Brands* *€000*	*Agency contracts, customer lists, patents* *€000*	*Other* *€000*	*Total* *€000*
Cost:				
As at 1 January 2012	292,898	14,905	801	308,604
Additions	–	1,265	90	1,355
Acquisition of subsidiary (note 35)	3,228	1,052	–	4,280
Asset purchase – Baltic Distillery GmbH	–	–	4	4
Disposal of subsidiary (note 8)	(527)	–	–	(527)
Net foreign currency exchange differences	9,754	549	2	10,305
As at 31 December 2012	305,353	17,771	897	324,021
Amortisation:				
As at 1 January 2012	–	8,586	488	9,074
Amortisation expense	–	1,915	4	1,919
Net foreign currency exchange differences	–	26	–	26
As at 31 December 2012	–	10,527	492	11,019
Carrying amount				
As at 31 December 2012	305,353	7,244	405	313,002

2013	*Brands* *€000*	*Agency contracts, customer lists, patents* *€000*	*Other* *€000*	*Total* *€000*
Cost:				
As at 1 January 2013	305,353	17,771	897	324,021
Additions	–	528	6	534
Disposals	–	–	(17)	(17)
Transfers	(504)	504	–	–
Net foreign currency exchange differences	(10,053)	(155)	(4)	(10,212)
As at 30 June 2013	294,796	18,648	882	314,326
Amortisation:				
As at 1 January 2013	–	10,527	492	11,019
Amortisation expense	–	827	8	835
Disposals	–	–	–	–
Net foreign currency exchange differences	–	84	–	84
As at 30 June 2013	–	11,438	500	11,938
Carrying amount				
As at 30 June 2013	294,796	7,210	382	302,388

Brands are not amortised, as it is considered that their useful economic lives are not limited. An annual impairment assessment is performed to ensure carrying values are recoverable. Agency contracts, customer lists and patents are amortised over 5 years.

The gross carrying value of fully amortised intangible assets that are still in use is €1,931,000 (2012: €1,944,000, 2011: €1,268,000, 2010: €917,000).

16. Impairment of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and brands have been allocated for impairment testing purposes to three cash-generating units based on the geographical location of production plants and the ownership of intellectual property. These represent the lowest level within the Group at which goodwill and brands are monitored for internal management purposes.

	Czech	*Italy*	*Poland*	*Total*
	€000	*€000*	*€000*	*€000*
31 December 2010				
Carrying amount of brands	204,973	49,863	47,940	302,776
Carrying amount of goodwill	34,030	39,097	2,206	75,333
Value in use headroom	44,736	78,746	580,447	703,929

	Czech	*Italy*	*Poland*	*Total*
	€000	*€000*	*€000*	*€000*
31 December 2011				
Carrying amount of brands	199,970	50,687	42,241	292,898
Carrying amount of goodwill	34,023	39,115	2,172	75,310
Value in use headroom	16,132	16,467	264,368	296,967

	Czech	*Italy*	*Poland*	*Total*
	€000	*€000*	*€000*	*€000*
31 December 2012				
Carrying amount of brands	208,691	50,572	46,090	305,353
Carrying amount of goodwill	35,479	22,632	2,192	60,303
Value in use headroom	26,517	–	465,559	492,076

During the years ended 31 December 2010, 2011 and 2012 the goodwill and brands in the Czech Region, Italy Region and Poland were subject to impairment review.

Impairment review

Under IAS 36 the Group is required to complete a full impairment review of intangible assets using a value-in-use calculation based upon DCF models.

As at 30 June 2013 the Group is not required to complete a full impairment review of intangible assets so long as no impairment indicators have been identified. Management have considered this in detail and given the strong 6 month results for each CGU, compared to budget, and positive outlook for 2014, management has concluded that no such impairment indicators exist.

The results of the impairment review for the year ended 31 December 2012 are disclosed within this note.

(i) *Czech Region*

The recoverable amount of the Czech Region unit has been determined based on a value-in-use calculation using cash flow projections from the 5 year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 11.1% (2011: 11.1%, 2010: 10.9%) and cash flows beyond the 5 year period are extrapolated using a 3.0% (2011: 2.5%, 2010: 2.5%) growth rate.

The following sensitivity analysis shows the impact on VIU headroom of different pre-tax weighted average cost of capital rates ('WACC') and EBITDA delivery in the cash flow projections used in the impairment review models.

WACC	10.5%	11.0%	11.1%	11.5%	12.0%
EBITDA delivery	*€000*	*€000*	*€000*	*€000*	*€000*
-10%	18.0	(2.1)	(6.7)	(19.9)	(35.7)
-5%	36.0	14.7	9.9	(4.0)	(20.6)
0%	54.0	31.6	26.5	11.9	(5.6)
5%	72.0	48.5	43.1	27.8	9.4
10%	89.9	65.3	59.7	43.6	24.4

(ii) *Italy Region*

The recoverable amount of the Italy Region unit was determined based on a value-in-use calculation using cash flow projections from the 5 year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 13.7% (2011: 13.4%, 2010: 12.5%) and cash flows beyond the 5 year period are extrapolated using a 2.5% (2011: 3.0%, 2010: 1.3%) growth rate.

During 2012 the value-in-use calculation performed for the Italian CGU resulted in an impairment of €16,500,000 which has been booked. The impairment occurred as a result of the disposal of the Italian Gran Gala brand combined with an increased WACC rate used in the value-in-use calculation. Due to the Italian economic situation during 2012 the long term growth rate used was lowered.

The following sensitivity analysis shows the impact on VIU headroom of different pre-tax weighted average cost of capital rates ('WACC') and EBITDA delivery in the cash flow projections used in the impairment review models.

WACC	12.0%	12.5%	13.0%	13.7%	14.0%
EBITDA delivery	*€000*	*€000*	*€000*	*€000*	*€000*
-10%	(10.1)	(15.7)	(20.8)	(27.2)	(29.7)
-5%	(3.8)	(9.7)	(15.1)	(21.8)	(24.5)
0%	2.5	(3.8)	(9.4)	(16.5)	(19.2)
5%	8.8	2.2	(3.7)	(11.1)	(14.0)
10%	15.1	8.2	2.0	(5.8)	(8.8)

(iii) *Poland Region*

The recoverable amount of the Poland Region unit has been determined based on a value-in-use calculation using cash flow projections from the 5 year planning process approved by senior management. The pre-tax discount rate applied to cash flow projections is 13.7% (2011: 13.5%, 2010: 10.9%) and cash flows beyond the 5 year period are extrapolated using a 2.5% (2011: 2.5%, 2010: 2.5%) growth rate.

The following sensitivity analysis shows the impact on VIU headroom of different pre-tax weighted average cost of capital rates ('WACC') and EBITDA delivery in the cash flow projections used in the impairment review models.

WACC	12.5%	13.0%	13.7%	14.0%	14.5%
EBITDA delivery	*€000*	*€000*	*€000*	*€000*	*€000*
-10%	473.6	443.2	404.4	390.3	367.2
-5%	508.0	475.9	435.0	420.2	395.8
0%	542.5	508.7	465.6	450.0	424.3
5%	576.9	541.4	496.1	479.8	452.8
10%	611.3	574.2	526.7	509.6	481.3

Key assumptions used in the value-in-use calculations

The calculation of value-in-use for all regions is most sensitive to the following assumptions:

- Spirits price inflation – small annual percentage increases assumed in all markets based on historic data.

- Growth in spirits market – assumed to be static or slightly declining in all markets based on recent historic trends.
- Market share – through company specific actions outlined in detailed internal plans, market share to be grown overall.
- 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.
- Raw material cost –assumed to be at industry average of sales price.
- Excise duty – no future duty changes have been used in projections.
- Growth rate used to extrapolate cash flows beyond the forecast period.

The value in use headroom for each cash generating unit where these sensitivities would be applicable has been detailed above. Management believes that no reasonably possible change in the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable value.

17. Property, plant and equipment

2010	*Land and buildings €000*	*Technical equipment €000*	*Other equipment €000*	*Assets under construction €000*	*Total €000*
Cost:					
As at 1 January 2010	32,759	20,046	4,012	12,414	69,231
Additions	15	321	170	7,772	8,278
Disposals	–	(1,791)	(563)	–	(2,354)
Transfers	2,068	16,245	750	(19,063)	–
Foreign currency adjustment	1,333	1,168	263	506	3,270
As at 31 December 2010	36,175	35,989	4,632	1,629	78,425
Depreciation:					
As at 1 January 2010	2,460	2,910	1,534	–	6,904
Depreciation expense	1,028	4,279	1,154	–	6,461
Disposals	–	(1,345)	(423)	–	(1,768)
Foreign currency adjustment	405	607	278	–	1,290
As at 31 December 2010	3,893	6,451	2,543	–	12,887
Carrying amount:					
As at 31 December 2010	32,282	29,538	2,089	1,629	65,538

2011	*Land and buildings €000*	*Technical equipment €000*	*Other equipment €000*	*Assets under construction €000*	*Total €000*
Cost:					
As at 1 January 2011	36,175	35,989	4,632	1,629	78,425
Additions	9	280	274	4,300	4,863
Disposals	(21)	(768)	(682)	–	(1,471)
Transfers	692	1,429	563	(2,684)	–
Foreign currency adjustment	(1,078)	(1,987)	(35)	(166)	(3,266)
As at 31 December 2011	35,777	34,943	4,752	3,079	78,551
Depreciation:					
As at 1 January 2011	3,893	6,451	2,543	–	12,887
Depreciation expense	2,652	5,559	967	–	9,178
Disposals	(60)	(947)	(698)	–	(1,705)
Foreign currency adjustment	116	349	19	–	484
As at 31 December 2011	6,601	11,412	2,831	–	20,844
Carrying amount:					
As at 31 December 2011	29,176	23,531	1,921	3,079	57,707

2012	*Land and buildings €000*	*Technical equipment €000*	*Other equipment €000*	*Assets under construction €000*	*Total €000*
Cost:					
As at 1 January 2012	35,777	34,943	4,752	3,079	78,551
Additions	567	2,021	690	3,113	6,391
Acquisition of subsidiary (note 35)	704	267	86	3	1,060
Asset purchase – Baltic Distillery	884	2,658	17	–	3,559
Disposals	(71)	(4,248)	(1,497)	–	(5,816)
Assets reclassified as held for sale	(6,180)	(883)	–	–	(7,063)
Foreign currency adjustment	882	1,228	37	237	2,384
As at 31 December 2012	32,563	35,986	4,085	6,432	79,066
Depreciation:					
As at 1 January 2012	6,601	11,412	2,831	–	20,844
Depreciation expense	1,735	5,150	890	–	7,775
Disposals	(55)	(3,774)	(1,299)	–	(5,128)
Impairment (note 21)	1,386	169	–	–	1,555
Assets reclassified as held for sale	(2,552)	(311)	–	–	(2,863)
Foreign currency adjustment	(161)	(339)	(132)	–	(632)
As at 31 December 2012	6,954	12,307	2,290	–	21,551
Carrying amount:					
As at 31 December 2012	25,609	23,679	1,795	6,432	57,515

2013	*Land and buildings €000*	*Technical equipment €000*	*Other equipment €000*	*Assets under construction €000*	*Total €000*
Cost:					
As at 1 January 2013	32,563	35,986	4,085	6,432	79,066
Additions	–	8	103	8,630	8,741
Disposals	(17)	(240)	(101)	–	(358)
Transfers	635	3,392	7,195	(11,222)	–
Foreign currency adjustment	(769)	(782)	(36)	(328)	(1,915)
As at 30 June 2013	32,412	38,364	11,246	3,512	85,534
Depreciation:					
As at 1 January 2013	6,954	12,307	2,290	–	21,551
Depreciation expense	507	2,193	501	–	3,201
Disposals	(17)	(185)	(101)	–	(303)
Foreign currency adjustment	131	119	(29)	–	221
As at 30 June 2013	7,575	14,434	2,661	–	24,670
Carrying amount:					
As at 30 June 2013	24,837	23,930	8,585	3,512	60,864

The net book value of assets held under finance leases amounts to €578,000 (2012: €539,000, 2011: €404,000, 2010: €389,000).

The gross carrying value of fully depreciated property, plant and equipment that are still in use is €14,381,000 (2012: €12,887,000, 2011: €11,655,000, 2010: €13,314,000).

18. Inventories

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Raw materials	8,723	7,064	7,786	8,121
Work in progress	3,657	4,056	3,526	3,550
Finished goods and merchandise	15,627	17,738	20,338	20,840
Provision for obsolescence	(1,313)	(1,631)	(824)	(642)
	26,694	27,227	30,826	31,869

During the period 6 months ended 30 June 2013, inventories with a total value of €71,000 (2012: €1,370,000, 2011: €507,000, 2010: €718,000) were written off. All write-offs were incurred as part of normal activities.

19. Trade and other receivables

	31 December 2010 €000	31 December 2011 €000	31 December 2012 €000	30 June 2013 €000
Trade receivables	156,399	121,843	122,222	114,183
Allowance for doubtful debts	(5,717)	(6,212)	(7,173)	(6,403)
	150,682	115,631	115,049	107,780
Other debtors and prepayments	13,438	10,828	14,673	9,591
	164,120	126,459	129,722	117,371

Out of the carrying amount of trade receivables of €107,780,000 (2012: €115,049,000, 2011: €115,631,000, 2010: €150,682,000), €882,000 (2012: €882,000, 2011: €301,000, 2010: €315,000) is due from related parties. Out of the carrying value of other debtors and prepayments of €9,591,000 (2012: 14,673,000, 2011: 10,828,000, 2010: €13,438,000), €1,246,000 (2012: €1,246,000, 2011: €1,316,000, 2010: €1,316,000) is due from related parties.

The movement on the allowance for doubtful debts is set out below.

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
As at start of period	(7,283)	(5,717)	(6,212)	(6,212)	(7,173)
Charge for the period	(187)	(1,262)	(1,064)	(351)	(154)
Amounts utilised	1,777	402	471	380	671
Foreign currency adjustment	(24)	365	(368)	(210)	253
As at end of period	(5,717)	(6,212)	(7,173)	(6,393)	(6,403)

Sale of receivables under non-recourse factoring

The Group has entered into two non-recourse receivables financing facilities with BRE Faktoring (formerly: Polfactor), a part of Commerzbank, and Coface, supported by Natixis Bank. It may sell up to €16,628,000 (PLN 72,000,000) and €32,333,000 (PLN 140,000,000) with each party respectively (at any one time) at face value less certain reserves and fees. As at 30 June 2013 BRE Faktoring charge interest on the drawn amounts of WIBOR 1M + 1,3% and a fee per invoice of 0.175%. Coface charge interest on the drawn amounts of WIBOR 1M + 1.05% and a fee per invoice of 0.19%. The proceeds from the sale can be applied for the general corporate and working capital purposes of the Group.

Trade receivables are denominated in the following currencies:

	As of 31 December 2010 €000	*As of 31 December 2011 €000*	*As of 31 December 2012 €000*	*As of 30 June 2013 €000*
Polish Zloty	95,260	70,733	75,821	77,588
Euro	38,245	24,189	21,942	19,320
US dollar	1,494	1,510	390	362
Czech Koruna	14,833	13,239	12,946	7,271
Other currencies	850	5,960	3,950	3,239
	150,682	115,631	115,049	107,780

As at 30 June and 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Overdue 0 –30 days – net of impairment	20,427	17,873	13,050	9,591
Overdue more than 30 days – net of impairment	8,095	6,385	3,495	1,843
	28,522	24,258	16,545	11,434

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

20. Other financial assets

	Current 31 December 2010 €000	*Non-current 31 December 2010 €000*	*Current 31 December 2011 €000*	*Non-current 31 December 2011 €000*	*Current 31 December 2012 €000*	*Non-current 31 December 2012 €000*	*Current 30 June 2013 €000*	*Non-current 30 June 2013 €000*
Customs guarantees	–	4,984	1,023	6,658	7	8,916	3,884	4,879
Capitalised transfer taxes	–	–	239	1,139	243	910	238	779
Term deposits	172	–	–	–	–	–	–	–
Total	172	4,984	1,262	7,797	250	9,826	4,122	5,658

Customs guarantees are lodged with local Customs and Excise authorities and represent assets belonging to the Group. The guarantees are to provide comfort to local Customs and Excise authorities that liabilities will be settled.

Transfer taxes were incurred in Poland as part of the refinancing undertaken by the Group during 2012. The taxes paid have been capitalised and will be amortised over the life of the loan facilities for Term Loan A and Term Loan B. See further details in note 22.

21. Assets classified as held for sale

During 2012 the Trieste manufacturing facility in Italy was closed, with production being transferred to the Group’s manufacturing facilities in the Czech Republic. Following this closure the site was made available for sale, and was written down to €4,200,000, representing the fair value less costs to sell. Additionally an impairment of €1,555,000 was made for assets that had previously been held at fair value but which were disposed of or scrapped as part of the closure of the site.

In July 2013 the Trieste manufacturing facility was sold for €4,200,000. See note 38.

22. Financial liabilities

	Current 31 December 2010 €000	*Non-current 31 December 2010 €000*	*Current 31 December 2011 €000*	*Non-current 31 December 2011 €000*	*Current 31 December 2012 €000*	*Non-current 31 December 2012 €000*	*Current 30 June 2013 €000*	*Non-current 30 June 2013 €000*
Unsecured – at amortised cost								
Loans from related parties(1)	–	16,000	–	–	–	–	–	–
Interest accrued on related party loans(1)	1,867	–	–	–	–	–	–	–
Secured – at amortised cost								
ING loan(2)	–	–	6,019	160,540	9,323	160,076	4,092	154,171
Cost of arranging bank loan(3)	–	(2,167)	(1,225)	(5,161)	(1,223)	(4,154)	(1,024)	(5,831)
RBS Syndicate loan(4)	–	155,000	–	–	–	–	–	–
Pekao Bank(5)	2,738	5,188	–	–	–	–	–	–
Interest payable	486	–	2,737	–	19	–	26	–
	5,091	174,021	7,531	155,379	8,119	155,922	3,094	148,340

(1) Related party loans of €16,000,000 in 2010 bearing fixed interest rate of 20% p.a. The loan was repaid in full during October 2011.

(2) At 31 December 2012 and 31 December 2011 the facility consisted of 2 variable rate loans Term Loan A ('TLA') and Term Loan B ('TLB') and a Revolving Credit Facility ('RCF') with a banking club consisting of 9 banks including ING who also acted as the agent. On 24 June 2013 the Group signed an Amended and Restated Agreement ('ARA') with the banking club. The ARA added a new Term Loan C ('TLC') of €70 million and increased the size of the RCF, as well as extending the maturity dates of TLA and TLB.

Each of the term loans have been drawn down in multiple tranches in the local currencies of the drawers. The loans bear variable rates of interest which are linked to the inter-bank offer rates of the drawers, WIBOR, PRIBOR or EURIBOR as appropriate. Please refer to the table below for the balances drawn down for the various tranches. Each of the loans has a variable margin element to the interest charge. The margin is linked to a ratchet mechanism where the margin decreases as the Group's leverage covenant decreases.

TLA is an amortising loan with a maturity date of 2019 (2012:2017). TLB is a non-amortising loan with a maturity date of 2020 (2012:2018). TLC is an amortising loan with a maturity date of 2020. As at 30 June 2013 TLC was undrawn. The maturity dates of both TLA and TLB were extended by 2 years as part of the ARA signed in June 2013.

The Group also has an RCF facility which allows the drawdown of up to €70,000,000 (2012 and 2011: €50,000,000) of funds to assist with working capital requirements and to provide funding for acquisitions. As at 30 June 2013 €7,300,000 (2012: €6,300,000, 2011: €2,900,000) of the RCF was utilised for customs guarantees in Italy and Germany.

The following table shows the distribution of loan principal balances as at 30 June 2013 in Euros.

	Term loan A €000	*Term loan B €000*	*Total €000*
Poland	41,634	32,654	74,288
Czech	16,332	57,643	73,975
Italy	–	10,000	10,000
	57,966	100,297	158,263
– Current	4,092	–	4,092
– Non-current	53,874	100,297	154,171

In 2011 the Group contracted to hedge approximately 67% of interest payments, relating to the Czech and Italian TLA and TLB balances with 2 interest rate swaps exchanging variable interest for fixed. There is also an interest rate cap relating to the Polish TLA and TLB balances. Refer to note 30 for more details. The interest payments relating to TLC are unhedged. These hedging arrangements expire in September 2014.

The security given in favour of the banking club as at 30 June 2013 consists primarily of security over the shares and assets in each of Stock Srl, Stock Plzen Bozkov, Stock Polska sp z.o.o., Baltic Distillery GmbH and Imperator s.r.o.

The Transaction Security given in favour of the banking club as at 30 June 2013 consists primarily of pledges, assignments and charges over the shares, receivables, bank accounts, intellectual property rights, trademarks, assets (movable and immovable) and mortgage over properties, in all of or each of Stock Spirits Group Luxembourg Holdings S.à.r.l., Stock Spirits Group Limited, Stock S.r.l., Stock Plzen Bozkov, Stock Polska sp zoo, Wodka Polska SP zoo, F.lli Galli, Camis & Stock A.G., Baltic Distillery GmbH and Imperator s.r.o..

(3) Costs of arranging the Group banking facilities are deducted from the original measurement of the loan facilities and amortised into finance costs throughout the period using the effective interest method.

(4) These are variable rate loans with a syndicate of banks led by Royal Bank of Scotland which were settled in full in October 2011. The total RBS loan facility is €nil (2010: €185,000,000) including the revolving facility. As at 31 December 2010 the Group did not employ any hedging instruments against the variable interest on the RBS facility.

The security given in favour of RBS as at 31 December 2010 consisted primarily of security over the shares in each of Stock S.r.l., Stock Plzen Bozkov s.r.o., Graf Stefan Keglevich Nachfolger Weinbrand GmbH, F.lli Galli, Camis & Stock A.G. and Stock Spirits Group USA, Inc. (formerly Distillerie Stock USA Limited and Heritage Brands Inc.).

The revolving credit facility of €nil (2010: €10,000,000) was provided by the RBS syndicate. During 2010 the facility was reduced by €2,900,000 for a guarantee provided to Italian Customs and Excise. The Group identified a potential covenant breach on its RBS borrowing facility as at 31 March 2010, and agreed and implemented an equity cure in accordance with the terms of the RBS facility agreement to resolve the breach and to provide adequate headroom within the covenant compliance for a period of at least 12 months from 30 June 2010. A further potential breach was identified as at 31 March 2011. The Group negotiated a waiver with the RBS syndicate in exchange for a rebasing of the variable rate interest margin. The entire facility was settled during October 2011.

(5) As at 31 December 2010 Stock Polska Sp. Z.o.o. had a loan facility with Pekao Bank. The facility was settled in full during October 2011.

The PLN 100 million loan was provided at a rate of WIBOR 6M + 0.9%. The loan was settled in full in October 2011. The short-term facility was provided at a rate of WIBOR 1M + 1.75%. The loan was settled in full in October 2011.

The principal security on the above facilities as at 31 December 2010 consisted of a mortgage on the premises of Stock Polska Sp. Z.o.o., a charge over the trademarks of the company and a charge over the shares of the company. These securities were released on settlement of the loan.

23. Shareholder debt

	Current 31 December 2010 €000	*Non-current 31 December 2010 €000*	*Current 31 December 2011 €000*	*Non-current 31 December 2011 €000*	*Current 31 December 2012 €000*	*Non-current 31 December 2012 €000*	*Current 30 June 2013 €000*	*Non-current 30 June 2013 €000*
Unsecured – at amortised cost								
PECs (i)	22,849	186,420	17,930	185,606	243,855	–	187,156	–
CECs (ii)	–	20,784	–	19,637	20,785	–	21,383	–
	22,849	207,204	17,930	205,243	264,640	–	208,539	–

The PECs and CECs are related party balances, see note 31.

(i) PECs: Preferred Equity Certificates. In November 2006, July 2007, March 2008 and June 2010, the Operating Company issued PECs totalling €172,037,029. These are redeemable after 49 years from the date of issue, if not previously redeemed by the holder. The PECs are not secured and carry interest at rates between 6% and 8.375%.

On 8 April 2013 the Operating Company redeemed a portion of Preferred Equity Certificates (PECs) totalling €80,000,000. The payment on redemption was made to the PEC Holders. This payment is a permitted distribution under the Group's ING loan facility (note 22) and no events of default in relation to borrowing covenants have or will occur as a result of this transaction.

(ii) CECs: Convertible Equity Certificates. In November 2006 and January 2008 and March 2008, the Operating Company issued CECs totalling €21,778,258. These are redeemable after 51 years from the date of issue, if not previously converted or redeemed by the holder. The CECs are not secured and do not carry interest.

The holders of the CECs may convert whole or part of their holding into ordinary shares at any time at par value plus accrued unpaid yield by application of the conversion ratio of 1 share per 25 certificates. Conversion equals €871,130 shares if issued at the nominal value of the ordinary shares.

PECs were originally assumed to have a useful life of 5 years from 2006. During 2011 management reviewed this assumption and amended the useful life to 7 years from 2006. The fair value of the instruments has originally been calculated using the 5 year life assumption. The change in valuation assumptions gave rise to a fair value credit on finance revenue of €41,955,000.

CECs are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non convertible debt. The difference between the proceeds of the issue of the CECs and the fair value assigned to the liability component, representing the option to convert the liability into the equity of the Operating Company, is included in equity. The fair value of the CECs was originally calculated using a useful life of 5 years. During 2011 management reviewed this assumption and amended it to a useful life of 7 years. This change in the valuation assumptions gave rise to a fair value credit to finance revenue of €1,803,000.

24. Other financial liabilities

	Current 31 December 2010 €000	*Non-current 31 December 2010 €000*	*Current 31 December 2011 €000*	*Non-current 31 December 2011 €000*	*Current 31 December 2012 €000*	*Non-current 31 December 2012 €000*	*Current 30 June 2013 €000*	*Non-current 30 June 2013 €000*
Finance leases	220	290	240	283	242	220	240	255
Derivative financial instruments	–	–	–	499	–	1,228	–	736
	220	290	240	782	242	1,448	240	991

25. Provisions

	(i) Employee benefits €000	*(ii) Severance indemnity €000*	*(iii) Other provisions €000*	*(iv) Legal and contract related provisions €000*	*Total €000*
2010					
As at 1 January 2010	1,024	1,204	2,793	668	5,689
Arising during the period	1,346	432	237	4,100	6,115
Utilised	(5)	(783)	(1,290)	(11)	(2,089)
Net foreign currency exchange differences	18	–	120	3	141
As at 31 December 2010	2,383	853	1,860	4,760	9,856
– Current	–	–	444	4,100	4,544
– Non-current	2,383	853	1,416	660	5,312
2011					
As at 1 January 2011	2,383	853	1,860	4,760	9,856
Arising during the period	1,314	356	280	–	1,950
Utilised	–	(551)	(1,180)	(3,841)	(5,572)
Net foreign currency exchange differences	(55)	(16)	(58)	(39)	(168)
As at 31 December 2011	3,642	642	902	880	6,066
– Current	–	–	–	220	220
– Non-current	3,642	642	902	660	5,846

	(i) Employee benefits €000	*(ii) Severance indemnity €000*	*(iii) Other provisions €000*	*(iv) Legal and contract related provisions €000*	*Total €000*
2012					
As at 1 January 2012	3,642	642	902	880	6,066
Arising during the period	650	264	818	–	1,732
Utilised	(1,022)	(590)	(398)	(530)	(2,540)
Net foreign currency exchange differences	47	14	85	–	146
As at 31 December 2012	3,317	330	1,407	350	5,404
– Current	–	–	109	–	109
– Non-current	3,317	330	1,298	350	5,295
2013					
As at 1 January 2013	3,317	330	1,407	350	5,404
Arising during the period	519	143	824	–	1,486
Utilised	(90)	(176)	(1,245)	–	(1,511)
Net foreign currency exchange differences	(62)	–	(53)	–	(115)
As at 30 June 2013	3,684	297	933	350	5,264
– Current	–	–	165	–	165
– Non-current	3,684	297	768	350	5,099

(i) The provision for employee benefits represents expenses recognised in relation to a long-term incentive plan operated by the Group and accounted for under IAS 19 (Revised) Employee Benefits. The timing of cash outflows are by their nature uncertain and the best estimates are shown in the table above.

(ii) Employee severance indemnity:

The Group operates an employee severance indemnity, mandatory for Italian companies, for qualifying employees of its Italian subsidiary. Under IAS19 (Revised), this represents an unfunded defined benefit plan and is based on the working life of employees and on the remuneration earned by an employee over the course of a pre-determined term of service.

The most recent actuarial valuations of the present value of the severance indemnity obligation were carried out at 30 June 2013 by an actuary.

The present value of the severance indemnity obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows: discount rate 3.77% p.a. (2012: 3.50 % p.a., 2011: 4.76% p.a., 2010: 4.13% p.a.), inflation rate 2% p.a. (2012: 2% p.a., 2011: 2% p.a., 2010: 2% p.a.), revaluation rate 75% of inflation rate + 1.5 points = 3.23% p.a. (2012: 3.23% p.a., 2011: 3.88% p.a., 2010: 5.00% p.a.)

The amounts recognised in the consolidated statement of financial position are as follows:

	Year ended 31 December			*Six-month period ended 30 June*	
				Unaudited	
	2010	*2011*	*2012*	*2012*	*2013*
	€000	*€000*	*€000*	*€000*	*€000*
Defined benefit obligation 1 January	1,204	853	642	642	330
Interest cost	19	24	9	9	4
Benefits paid	(435)	(208)	(364)	(133)	(77)
Other	32	(29)	64	21	–
Defined benefit obligation	820	640	351	539	257
Other	33	2	(21)	20	40
Non-current provision	853	642	330	559	297

(iii) Other provisions relate primarily to withholding tax in respect of OCM loan interest and other various miscellaneous provisions.

(iv) Legal and contract related provisions relate to exposures for potential contractual penalties arising in the normal course of business.

26. Other tax liabilities

	31 December 2010 €000	31 December 2011 €000	31 December 2012 €000	30 June 2013 €000
Excise taxes	77,594	62,502	58,244	51,672
VAT	19,021	19,004	16,742	14,949
	96,615	81,506	74,986	66,621

27. Trade and other payables

	31 December 2010 €000	31 December 2011 €000	31 December 2012 €000	30 June 2013 €000
Trade payables	36,281	24,160	32,723	26,954
Accruals	23,638	15,749	23,087	25,370
	59,919	39,909	55,810	52,324

28. Other payables

	31 December 2010 €000	31 December 2011 €000	31 December 2012 €000	30 June 2013 €000
Amounts due to related parties	685	–	–	–
Social security and staff welfare costs	1,910	1,209	1,222	1,401
Other payables	4,360	3,164	1,712	1,456
	6,955	4,373	2,934	2,857

29. Authorised and issued share capital and reserves

The movements in issued share capital are set out below:

	A Ordinary	*B Ordinary*	*C Ordinary*	*E Ordinary*	*F Ordinary*	*G Ordinary*	*A1 Ordinary*	*Total Number of shares*
Nominal value	€25	€25	€25	€25	€25	€25	€25	–
Allotted, called up and fully paid								
At 1 January 2010	5,800	199	128	128	676	80	3,945	10,956
Issued in year	–	6	–	–	83	–	–	89
At 31 December 2010	5,800	205	128	128	759	80	3,945	11,045
Issued in year	–	–	–	38	72	–	–	110
At 31 December 2011	5,800	205	128	166	831	80	3,945	11,155
Issued in year	–	–	–	–	16	–	–	16
Redeemed in year	–	–	–	(9)	(16)	–	–	(25)
At 31 December 2012	5,800	205	128	157	831	80	3,945	11,146
At 30 June 2013	5,800	205	128	157	831	80	3,945	11,146

Authorised share capital is divided into 11,146 shares (2012: 11,146, 2011 and 2010: 11,155) with a nominal value of €25 each divided into 5,800 A ordinary shares, 3,945 A1 ordinary shares, 205 ordinary shares, 128 C ordinary shares, 157 E ordinary shares, 831 F ordinary shares and 80 G ordinary shares (2012: 5,800 A ordinary shares, 3,945 A1 ordinary shares, 205 ordinary shares, 128 C ordinary shares, 157 E ordinary shares, 831 F ordinary shares and 80 G ordinary shares, 2011 and 2010: 5,800 A ordinary shares, 3,945 A1 ordinary shares, 205 ordinary shares, 128 C ordinary shares, 166 E ordinary shares, 831 F ordinary shares and 80 G ordinary shares).

The total nominal value of shares as at 30 June 2013 is €278,650 (2012: €278,650, 2011: €278,875, 2010: €276,125).

The A and A1 ordinary shares are entitled to the remainder of the surplus assets on an exit event, as adjusted by an equalisation amount. The B ordinary shares are entitled to a share of the surplus assets. The C ordinary shares are entitled to prior Polish distributions (equal to the percentage of total distributions relating to the Polish business and the total proceeds from the sale of shareholder instruments attributable to the value of the Polish business), plus notional Polish distributions less Polish cost. The E ordinary shares are entitled to prior distributions plus notional Oaktree Capital Management distribution less Oaktree Capital Management subscription. The class F and class G shares are entitled to prior distributions plus notional Oaktree Capital Management distribution less Oaktree Capital Management merger amount.

Other reserves include the credit to equity for share-based payments. A number of shares were issued to members of staff during 2013 under the Group joint ownership equity scheme. Please see note 34 for full details. The charge for the 6 months ended 30 June 2013 was €2,722,000 (2012: €256,000, 2011: €200,000, 2010: €311,000). Share premium represents the excess price paid over the par value of shares.

Foreign currency translation reserve

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Foreign currency translation reserve	17,813	10,018	16,929	10,890

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.

30. Risk management

The Group is exposed to a variety of risk such as market risk, credit risk and liquidity risk. The Group's principal financial liabilities are loans and borrowings. The Group also has trade and other receivables, trade and other payables and cash and short term deposits that arise directly from operations. This note provides further detail on financial risk management and includes quantitative information on the specific risks.

Derivative financial instruments

The Group did not enter into any derivative financial instruments in 2010. In 2011 the Group entered into derivative financial instruments to manage its exposure to interest rate risk, with the instrument continuing until 31 December 2014. There were no new derivative financial instruments entered into in 2012 or the period ended 30 June 2013.

Categories of financial instruments

Long term bank loans and borrowings from related party as provided in note 22 are recognised at amortised cost.

Market risk

The Group's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In 2011 the Group entered into derivative financial instruments to manage its exposure to interest rate risk.

Under the ING loan facility agreement (see note 22) the Group is required to hedge approximately 67% of the variable interest charge which is based upon WIBOR, PRIBOR and EURIBOR in Poland, Czech Republic and Italy respectively.

As at 30 June 2013, 31 December 2012 and 2011 the Group had an interest rate swap to hedge approximately 67% of its exposure to interest rate risk for a 3 year period in relation to the ING loan facility borrowed by the Czech subsidiary Stock Plzen Bozkov s.r.o. Swaps variable interest based upon PRIBOR for a fixed interest rate of 1.375%. As at 30 June 2013 the derivative had a fair value of liability €521,000 (31 December 2012: €909,000, 2011: €316,000, 2010: €nil).

As at 30 June 2013, 31 December 2012 and 2011 the Group had an interest rate swap to hedge approximately 67% of its exposure to interest rate risk for a 3 year period in relation to the ING loan facility borrowed by the Italian subsidiary Stock S.r.l. This swaps variable interest based upon EURIBOR for a fixed interest rate of 1.435%. As at 30 June 2013 the derivative had a fair value of liability €91,000 (31 December 2012: €144,000, 2011: €60,000, 2010: €nil).

As at 30 June 2013, 31 December 2012 and 2011 the Group had an interest rate cap to hedge approximately 67% of its exposure to interest rate risk for a 3 year period in relation to the ING facility borrowed by the Polish subsidiary Stock Polska SP z.o.o. This caps the variable interest rate based upon WIBOR to 5.5%. As at 30 June 2013 the derivative had a fair value of liability €124,000 (31 December 2012: €175,000, 2011: €123,000, 2010: €nil).

The Group has entered into no derivatives to hedge foreign currency risk in relation to the ING facility. Each facility and the resulting cash outflows are denominated in local currency. The cash flows are therefore economically hedged within each market. Management have considered the foreign currency risk exposure and consider the risk to be adequately mitigated.

Sensitivity analysis

The Operating Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its derivatives and also the amounts recorded in its equity and its profit and loss for the period. Therefore the Operating Company has assessed:

(a) What would be reasonably possible changes in the risk variables at the end of the reporting period and

(b) The effects on profit or loss and equity if such changes in the risk variables were to occur.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings which at the end of 30 June 2013 are not hedged. With all other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Group's equity.

	Increase in basis points	*Effect on profit/(loss) before tax €'000*
31 December 2010		
Euro	–50/+50	7,750/(7,750)
Polish Zloty	–50/+50	396/(396)
31 December 2011		
Euro	–50/+50	50/(50)
Polish Zloty	–50/+50	402/(402)
Czech Koruna	–50/+50	395/(395)
31 December 2012		
Euro	–50/+50	50/(50)
Polish Zloty	–50/+50	409/(409)
Czech Koruna	–50/+50	388/(388)
30 June 2012		
Euro	–50/+50	50/(50)
Polish Zloty	–50/+50	407/(407)
Czech Koruna	–50/+50	387/(387)

	Increase in basis points	Effect on profit/(loss) before tax €'000
30 June 2013		
Euro	–50/+50	50/(50)
Polish Zloty	–50/+50	371/(371)
Czech Koruna	–50/+50	370/(370)

As at 31 December 2010 there were no borrowings with a floating interest rate denominated in Czech Koruna.

The assigned movement in basis points for interest rate sensitivity analysis is based upon the currently observable market environment.

The Group's cash balances are held in current bank accounts and earn immaterial levels of interest. Management have concluded that any changes in the EURIBOR rates will have an immaterial impact on interest income earned on the Group's cash balances. No interest rate sensitivity has been included in relation to the Group's cash balances.

Foreign currency risk

The following tables consider the impact of several changes to the spot €/CZK, €/PLN and €/GBP exchange rates of +/– 5%. If these changes were to occur the tables below reflect the impact on profit before tax. Only the impact of changes in the Czech, Polish, Sterling and Dollar denominated balances have been considered as these are the most significant non-Euro denominations used by the Group.

		Effect on profit before tax			
	Change in EUR vs. USD/CZK/PLN rate	*2010*	*2011*	*2012*	*H1 2013*
EUR – PLN	+5%	59	8	88	14
	–5%	(65)	(9)	(98)	(15)
USD – PLN	+5%	(17)	(7)	(36)	(6)
	–5%	18	8	40	7
CZK – PLN	+5%	–	6	–	11
	–5%	–	(7)	–	(12)
EUR – CZK	+5%	(218)	(11)	(8)	57
	–5%	241	12	9	(63)
PLN – CZK	+5%	3	1	–	–
	–5%	(3)	(1)	–	–
GBP – CZK	+5%	1	–	–	2
	–5%	(2)	–	–	(3)

Liquidity risk

The table below summarises the maturity profile of the Group's undiscounted financial liabilities at 30 June 2013 and 31 December 2012, 2011 and 2010.

As at 31 December 2010

Financial liabilities	*On demand €000*	*Less than one year €000*	*Between two and five years €000*	*More than five years €000*	*Total €000*
Interest bearing loans and borrowings	–	260,777	174,387	12,534	447,698
Interest payable on interest bearing loans	–	4,723	16,641	829	22,193
Other financial liabilities (note 24)	–	220	290	–	510
Trade and other payables (note 27)	–	59,919	–	–	59,919
Other payables (note 28)	–	5,045	–	–	5,045
	–	330,684	191,318	13,363	535,365

As at 31 December 2011

Financial liabilities	*On demand €000*	*Less than one year €000*	*Between two and five years €000*	*More than five years €000*	*Total €000*
Interest bearing loans and borrowings	–	8,756	254,053	129,660	392,469
Interest payable on interest bearing loans	–	15,508	25,868	2,680	44,056
Derivative financial instruments (note 24)	–	–	499	–	499
Other financial liabilities (note 24)	–	240	283	–	523
Trade and other payables (note 27)	–	39,909	–	–	39,909
Other payables (note 28)	–	3,164	–	–	3,164
	–	67,577	280,703	132,340	480,620

As at 31 December 2012

Financial liabilities	*On demand €000*	*Less than one year €000*	*Between two and five years €000*	*More than five years €000*	*Total €000*
Interest bearing loans and borrowings	–	273,980	55,938	104,140	434,058
Interest payable on interest bearing loans	–	9,821	19,905	875	30,601
Derivative financial instruments (note 24)	–	–	1,228	–	1,228
Other financial liabilities (note 24)	–	242	220	–	462
Trade and other payables (note 27)	–	55,810	–	–	55,810
Other payables (note 28)	–	1,712	–	–	1,712
	–	341,565	77,291	105,015	523,871

As at 30 June 2013

Financial liabilities	*On demand €000*	*Less than one year €000*	*Between two and five years €000*	*More than five years €000*	*Total €000*
Interest bearing loans and borrowings	–	212,657	41,601	112,571	366,829
Interest payable on interest bearing loans	–	6,904	17,188	2,213	26,305
Derivative financial instruments (note 24)	–	–	736	–	736
Other financial liabilities (note 24)	–	240	255	–	495
Trade and other payables (note 27)	–	52,324	–	–	52,324
Other payables (note 28)	–	1,456	–	–	1,456
	–	273,581	59,780	114,784	448,145

The Group has a further €62,700,000 of undrawn facilities available to it under the terms of RCF. Refer to note 22.

Fair values of financial assets and financial liabilities

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

As at 31 December 2010

	Cash and receivables €000	*Derivatives €000*	*Amortised cost €000*	*Total book value €000*	*Fair value €000*
Financial assets:					
Cash	73,679	–	–	73,679	73,679
Trade and other receivables	164,120			164,120	164,120
Financial liabilities:					
Interest-bearing loans and borrowings:					
(i) Finance lease and hire purchase obligations	–	–	(510)	(510)	(510)
(ii) Floating rate borrowings – banks	–	–	(161,245)	(161,245)	(161,245)
(iii) Fixed rate borrowings	–	–	(247,920)	(247,920)	(247,920)
Trade and other payables	–	–	(59,919)	(59,919)	(59,919)

As at 31 December 2011

	Cash and receivables €000	Derivatives €000	Amortised cost €000	Total book value €000	Fair value €000
Financial assets:					
Cash	64,787	–	–	64,787	64,787
Trade and other receivables	126,459	–	–	126,459	126,459
Financial liabilities:					
Interest-bearing loans and borrowings:					
(i) Finance lease and hire purchase obligations	–	–	(523)	(523)	(523)
(ii) Floating rate borrowings – banks	–	–	(162,910)	(162,910)	(162,910)
(iii) Fixed rate borrowings	–	–	(223,173)	(223,173)	(223,173)
Derivative financial instruments					
– Interest rate swaps and cap(*)	–	(499)	–	(499)	(499)
Trade and other payables	–	–	(39,909)	(39,909)	(39,909)

As at 31 December 2012

	Cash and receivables €000	Derivatives €000	Amortised cost €000	Total book value €000	Fair value €000
Financial assets:					
Cash	138,718	–	–	138,718	138,718
Trade and other receivables	129,722	–	–	129,722	129,722
Financial liabilities:					
Interest-bearing loans and borrowings:					
(i) Finance lease and hire purchase obligations	–	–	(462)	(462)	(462)
(ii) Floating rate borrowings – banks	–	–	(164,041)	(164,041)	(164,041)
(iii) Fixed rate borrowings	–	–	(264,640)	(264,640)	(264,640)
Derivative financial instruments					
– Interest rate swaps and cap(*)	–	(1,228)	–	(1,228)	(1,228)
Trade and other payables	–	–	(55,810)	(55,810)	(55,810)

As at 30 June 2013

	Cash and receivables €000	*Derivatives €000*	*Amortised cost €000*	*Total book value €000*	*Fair value €000*
Financial assets:					
Cash	54,105	–	–	54,105	54,105
Trade and other receivables	117,371	–	–	117,371	117,371
Financial liabilities:					
Interest-bearing loans and borrowings:					
(i) Finance lease and hire purchase obligations	–	–	(495)	(495)	(495)
(ii) Floating rate borrowings – banks	–	–	(151,434)	(151,434)	(151,434)
(iii) Fixed rate borrowings	–	–	(208,539)	(208,539)	(208,539)
Derivative financial instruments					
– Interest rate swaps and cap(*)	–	(736)	–	(736)	(736)
Trade and other payables			(52,324)	(52,324)	(52,324)

(*) Derivative financial instruments have all been valued using other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and credit insurance is used where applicable. The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

The following table sets forth details of the age of accounts receivable that are past due:

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Overdue 0–30 days – net of impairment	20,427	17,873	13,050	9,591
Overdue more than 30 days – net of impairment	8,095	6,385	3,495	1,843
	28,522	24,258	16,545	11,434

The carrying amount of accounts receivable is reduced by an allowance account and the amount of loss is recognised within the consolidated income statement. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Management does not believe that the Group is subject to any significant credit risk in view of the Group's large and diversified client base which is located in several jurisdictions.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. The Group deposits cash with reputable financial institutions, from which management believes loss to be remote. The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2013 and 31 December 2012, 2011 and 2010 is the carrying amounts as illustrated in notes 22 and 32. The Group's maximum exposure for financial guarantees and financial derivative instruments are noted in either note 24 or in the liquidity table above, respectively.

Capital risk management

The primary objective of the Group's capital management is to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks. The Board periodically reviews its capital structure to ensure it meets changing business needs. The Group defines its capital as its share capital, share premium account, other reserves and retained earnings. In addition, the directors consider the management of debt to be an important element in controlling the capital structure of the Group. The Group may carry significant levels of long term structural and subordinated debt to fund investments and acquisitions and has arranged debt facilities to allow for fluctuations in working capital requirements. There have been no changes to the capital requirements in the current period. Management manage capital on an ongoing basis to ensure that covenants requirements on the third party debt are met.

As mentioned above the Board periodically monitor the capital structure of the Group. The table below details the net capital structure at the relevant balance sheet dates.

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Cash and cash equivalents	73,679	64,787	138,718	54,105
Floating rate loans and borrowings (note 22)	(162,926)	(166,559)	(169,399)	(158,263)
Total net debt	(89,247)	(101,772)	(30,681)	(104,158)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2010 €000	*Level 1 €000*	*Level 2 €000*	*Level 3 €000*
Liabilities measured at fair value				
PECs and CECs	230,053	–	–	230,053

	31 December 2011 €000	*Level 1 €000*	*Level 2 €000*	*Level 3 €000*
Liabilities measured at fair value				
Interest rate swaps and cap	499	–	499	–
PECs and CECs	223,173	–	–	223,173

	31 December 2012	*Level 1*	*Level 2*	*Level 3*
	€000	*€000*	*€000*	*€000*
Liabilities measured at fair value				
Interest rate swaps and cap	1,228	–	1,228	–
PECs and CECs	264,640	–	–	264,640

	30 June 2013	*Level 1*	*Level 2*	*Level 3*
	€000	*€000*	*€000*	*€000*
Liabilities measured at fair value				
Interest rate swaps and cap	736	–	736	–
PECs and CECs	208,539	–	–	208,539

31. Related party transactions

The immediate parent of the Group is Oaktree Capital Management (the 'Parent'). Transactions between the Parent and its subsidiaries, which are related parties of the Parent and transactions between Subsidiaries, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. The amounts owed to related parties represents the amounts owed under the Preferred Equity Certificates and Convertible Equity Certificates.

31 December 2010 Parties	*Sales of goods/ services €000*	*Purchases of goods/ services €000*	*Amounts owed by related parties €000*	*Amounts owed to related parties €000*
OCM Luxembourg EPOF S.à r.l.	–	–	1,316	51,599
OCM Luxembourg EPOF A S.à r.l.	–	–	–	39,655
OCM Luxembourg POF IV S.à r.l.	–	–	315	170,525
Other related parties	–	–	–	3,228
OCM Capital Management LP	–	–	–	685
Total	–	–	1,631	265,692

31 December 2011 Parties	*Sales of goods/ services €000*	*Purchases of goods/ services €000*	*Amounts owed by related parties €000*	*Amounts owed to related parties €000*
OCM Luxembourg EPOF S.à r.l.	–	–	1,316	46,203
OCM Luxembourg EPOF A S.à r.l.	–	–	–	42,575
OCM Luxembourg POF IV S.à r.l.	–	–	301	172,855
OCM Luxembourg POF IVA S.à r.l.	–	–	–	18
Other related parties	–	–	–	3,435
Total	–	–	1,617	265,086

31 December 2012 Parties	*Sales of goods/ services €000*	*Purchases of goods/ services €000*	*Amounts owed by related parties €000*	*Amounts owed to related parties €000*
OCM Luxembourg EPOF S.à r. l.	–	–	1,889	48,755
OCM Luxembourg EPOF A S.à r. l.	–	–	–	45,329
OCM Luxembourg POF IV S.à r. l.	–	–	239	186,738
Other related parties	–	–	–	3,657
Total	–	–	2,128	284,479

30 June 2013 Parties	*Sales of goods/ services €000*	*Purchases of goods/ services €000*	*Amounts owed by related parties €000*	*Amounts owed to related parties €000*
OCM Luxembourg EPOF S.à r. l.	–	–	1,889	37,944
OCM Luxembourg EPOF A S.à r. l.	–	–	–	34,259
OCM Luxembourg POF IV S.à r. l.	–	–	239	138,380
Other related parties	–	–	–	2,784
Total	–	–	2,128	213,367

The amounts disclosed above represent the historic carrying value of loan amounts owed to related parties. The fair value of the loan amount outstanding is disclosed in note 23.

32. 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 year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	31 December 2010	*31 December 2011 €000*	*31 December 2012*	*30 June 2013 €000*
Cash and bank balances	73,679	64,787	138,718	54,105

Cash and cash equivalents are denominated in the following currencies:

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Sterling	353	596	594	462
Euro	13,507	18,759	71,680	27,474
US dollar	858	972	726	207
Czech Koruna	43,277	17,374	11,645	12,457
Polish Zloty	12,444	23,793	52,143	12,041
Other currencies	3,240	3,293	1,930	1,464
Total	73,679	64,787	138,718	54,105

33. Group structure and acquisition details

Details of Group undertakings as of 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 are as follows:

Group company	*Country of incorporation*	*Relation*	*31 December 2010*	*31 December 2011*	*31 December 2012*	*30 June 2013*
			Portion of voting rights shares held			
Stock Spirits Group Limited	England	Subsidiary	100%	100%	100%	100%
Graf Stefan Keglevich Nachfolger Weinbrand GmbH	Austria	Subsidiary	100%	–	–	–
Stock Plzen Bozkov s.r.o.	Czech Republic	Subsidiary	100%	100%	100%	100%
Stock Slovakia s.r.o.	Slovakia	Subsidiary	100%	100%	100%	–
Stock S.r.l.	Italy	Subsidiary	100%	100%	100%	100%
Stock Trade d.o.o., Ljubljana	Slovenia	Subsidiary	100%	100%	100%	100%
F.lli, Galli, Camis & Stock A.G.	Switzerland	Subsidiary	100%	100%	100%	100%
Stock Spirits Group USA, Inc.	USA	Subsidiary	100%	100%	–	–
Stock Polska Sp. Z.o.o.	Poland	Subsidiary	100%	100%	100%	100%
Wodka Polska Sp. Z.o.o. sp. K.	Poland	Subsidiary	100%	100%	100%	100%
Stock International s.r.o	Czech Republic	Subsidiary	100%	100%	100%	100%
Stock Spirit Group Luxembourg Holding S.à.r.l.	Luxembourg	Subsidiary	100%	100%	100%	100%
Stock Spirits Group Services AG	Switzerland	Subsidiary	100%	100%	100%	100%
Stock BH d.o.o.	Bosnia	Subsidiary	100%	100%	100%	100%
Stock d.o.o.	Croatia	Subsidiary	100%	100%	100%	100%
Baltic Distillery GmbH (incorporated December 2012)	Germany	Subsidiary	–	–	100%	100%
Imperator s.r.o. (acquired December 2012, see note 35, and merged with Stock Slovakia s.r.o. in May 2013)	Slovakia	Subsidiary	–	–	100%	100%

Stock International Distribution GmbH & Co KG and Stock International GmbH were merged into Graf Stefan Keglevich Nachfolger Weinbrand GmbH, the Group's Austrian subsidiary, in November 2010. Following this merger Graf Stefan Keglevich Nachfolger Weinbrand GmbH was liquidated during December 2011.

In October 2012 the Group disposed of 100% of the issued share capital of its subsidiary Stock Spirits Group USA, Inc.

Stock Slovakia s.r.o. was merged into Imperator s.r.o. in May 2013.

34. Share-based payments

Please see the Statement of Changes in Equity for cumulative share based payment liabilities at each period end.

Jointly owned equity scheme

The Operating Company has entered into a number of Jointly Owned Equity ('JOE') Share Subscription Agreements with key members of Stock Spirits Group Limited staff. Under the terms of the arrangements the staff have been invited to subscribe for an interest in the growth in value of Class F ordinary shares ('F shares') in OCM Holdings ('an Interest') jointly with Ogier Employee Benefit Trustee Limited ('Ogier'). Ogier was acting in its capacity as trustee of the Stock Spirits Employee Benefit Trust ('Ogier', or 'the Trustee').

Number of Class F Ordinary shares subscribed for under JOE arrangements

	31 December 2010	*31 December 2011*	*31 December 2012*	*30 June 2013*
	No.	*No.*	*No.*	*No.*
At 1 January	160	160	216	216
Issued	–	56	16	–
Cancelled	–	–	(16)	(16)
Total number of shares	160	216	216	200

The value of F class shares is dependent and conditional upon Oaktree crystallising a return on a future sale or flotation of more than 50% of the issued share capital of the Operating Company ('Exit Event'). Oaktree's return can comprise a combination of the capital gain realised on its equity investments and any interest paid (or deemed to be paid) on the Preferred Equity Certificates ('PECs') they hold. In outline on a qualifying Exit Event F shares are entitled to a percentage of Oaktree's 'equity' return.

The shares issued had a fair value at the date of issue of €21,837 (2012: €14,315, 2011: €8,703, 2010: €2,258) per share.

The objective of the JOE arrangements is to align the interests of the Operating Company's key employees and the shareholders in order to retain those employees who are considered critical to the success of the business.

During 2012 1 employee who previously had been issued shares under the JOE scheme left the Group. Per the terms of the scheme 16 shares were cancelled.

During H1 2013 1 employee who had previously been issued shares under the JOE scheme left the Group. Per the terms of the scheme 16 shares were cancelled.

Other equity-settled share-based payments

In late 2012 one member of key management purchased a total of 28 E-class shares in the Operating Company. The shares were purchased at a price below fair value giving rise to a share based payment of €160,883. During 2013 the share based payment expense has been recognised on a straight line basis in relation to the deemed Oaktree exit event in October 2013.

In late 2012 several members of the key management team were issued a total of 129 A-class and A1-class share options over shares of the Operating Company. The shares options were purchased at a price below fair value giving rise to a share based payment of €78,332. During 2013 the share based payment expense has been recognised on a straight line basis in relation to the deemed Oaktree exit event in October 2013.

During May 2013 a number of key management were issued a total of 78 A-class and A1-class share options over shares in the Operating Company. One member of key management received options which vest at the deemed Oaktree exit event date of October 2013. These were issued at a price below fair value giving rise to a share based payment of €720,000 which will be recognised on a straight line basis. The remaining options issued will vest over a 2 year period. These options were issued at a price below fair value giving rise to a share based payment of €589,000 which will be recognised on a straight line basis over the vesting period.

The following table lists the inputs to the model used to value the shares and share options issued.

	31 December 2010	*31 December 2011*	*31 December 2012*	*30 June 2013*
Volatility	47%	47%	46%	48%
Expected life	1.5 years	2.5 years	1 year	1 year
Share price	€2,258	€8,703	€14,315	€21,837
Exercise price	€4,570	€10,500	€17,000	€9,268
Risk free rate	1.5%	1.1%	0.3%	0.2%
Dividend yield	0%	0%	0%	0%

The expense recognised in general and administrative and other operational expenses for employee services received during the year is shown in the following table. The fair value was assessed using the Black Scholes model.

Share based payment expense

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2012 €000*	*30 June 2013 €000*
Expense arising from equity-settled share-based payment transactions	311	200	256	141	2,722
Total expense arising from share-based payment transactions	311	200	256	141	2,722

The expected life of the shares and share options is based upon a deemed exit event date being 19 October 2013. The expected volatility is calculated on other similar peers share price volatility. The shares have been accounted for as equity-settled share-based payment transactions.

The increase in 2013 is associated with options which were issued in May 2013.

35. Business combinations

Acquisition in 2012

On 14th December 2012, the Group acquired 100% of the share capital of Imperator s.r.o., an unlisted company based in Slovakia specialising in the production, distribution and sale of alcoholic spirits. The Group acquired Imperator s.r.o. to enhance its presence in the Slovakia market, as well as to acquire a number of fruit distillate brands.

The following table summarises book and fair values, including measurement period adjustments recognised during the reporting period, of the identifiable assets and liabilities of Imperator s.r.o. at the date of acquisition:

Consideration

	Consideration paid €'000
Cash paid	7,140
Total consideration	7,140

Recognised amount of identifiable assets acquired and liabilities assumed

	Fair value recognised on acquisition €'000
Assets	
Cash and cash equivalents	1,069
Property, plant and equipment (note 17)	1,060
Trade and other receivables	2,403
Inventories	922
Brands, patents and licences (note 15)	4,280
Deferred tax assets	13
	9,747
Liabilities	
Trade and other payables	(3,282)
Deferred tax liability	(805)
	(4,087)
Total identifiable net assets at fair value	5,660
Goodwill arising on acquisition (note 14)	1,480
Purchase consideration	7,140

The goodwill of €1,480,000 comprises the value of expected synergies arising from the acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

The fair value of acquired patents and licenses acquired comprise the Imperator trademark, Imperator brands and customer relationships.

In August 2013 a purchase price adjustment of €360,000 was agreed and this was paid to the Group in September. This reduced the initial purchase consideration from €7,500,000 to €7,140,000, thereby reducing the goodwill arising on acquisition from €1,840,000 to €1,480,000. See note 38.

36. Operating lease commitments

The Group has entered into commercial leases on certain items of plant and machinery and buildings. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these contracts.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2010 €000	*31 December 2011 €000*	*31 December 2012 €000*	*30 June 2013 €000*
Within one year	2,530	2,028	2,372	2,753
After one year but not more than five years	6,134	5,307	5,581	5,926
More than five years	–	–	15	–
	8,664	7,335	7,968	8,679

The total charge under operating leases as of 30 June 2013 was €1,360,000 (2012: €2,405,000, 2011: €2,750,000, 2010: €2,412,000).

37. Commitments for capital expenditure

Commitments for the acquisition of property, plant and equipment as of 30 June 2013 are €85,000 (2012: €1,030,000, 2011: €992,000, 2010: €2,670,000).

38. Events after the balance sheet date

A new term loan was drawn down in August 2013. Under the amended and restated agreement ('ARA') signed on June 2013 a new Term Loan C ('TLC') of €70,000,000 was added to the existing loan facility. In addition the size of the RCF was increased and the maturity dates of TLA and TLB extended. See note 22 for full details.

In August 2013 the Operating Company redeemed a portion of Preferred Equity Certificates ('PECs') (note 23) totalling €82,185,011. The payment on redemption was made to the PEC holders. This payment is a permitted distribution under the Group's ING loan facility (note 22) and no events of default in relation to borrowing covenants have or will occur as a result of this transaction.

In August 2013 a purchase price adjustment was agreed and received relating to the acquisition of Imperator s.r.o. which took place in December 2012. The sales and purchase agreement included a purchase price adjustment mechanism relating to net debt and working capital, on which the settlement was based. See note 35.

Following the closure of the Trieste manufacturing facility in 2012, with Italian production being transferred to the Group's manufacturing facilities in the Czech Republic, the facility was sold in July 2013 for €4,200,000. The facility was reclassified from property, plant and equipment to assets classified as held for sale in December 2012, at which point it was written down to the fair value less costs to sell.

In December 2012 the Group paid €3,881,000 into a customs deposit account in relation to the German subsidiary Baltic Distillery GmbH. In July 2013 the customs deposit cash was returned to the Group as a result of an RCF backed bank guarantee being set up as a replacement. See note 22.

PART XIII

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Stock Spirits Group PLC
Mercury Park
Wooburn Green
Buckinghamshire
HP10 0HH

22 October 2013

Dear Sirs

Stock Spirits Group PLC (the "Company")

We report on the pro forma financial information (the "Pro Forma Financial Information") set out in Part XIII of the Company's Prospectus dated 22 October 2013, which has been prepared on the basis described in notes 1 to 4, for illustrative purposes only, to provide information about how the Offer and the use of the net proceeds, the Corporate Reorganisation, the amendment of and payments under the long-term incentive plan, the drawdown of the New Term Loans of €70.0 million and redemption of a portion of PECs totalling €82.2 million might have affected the net assets of the Group as of 30 June 2013 presented on the basis of the accounting policies adopted by the Group in preparing the financial information for the period ended 30 June 2013. This report is required by item 20.2 of Annex I of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

SECTION B: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the Group's net assets of the Offer and the use of the net proceeds, the Corporate Reorganisation, the amendment of and payments under the long-term incentive plan, the draw down of the New Term Loans of €70.0 million and the redemption of a portion of PECs totalling €82.2 million as if they had taken place on 30 June 2013. This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. The unaudited pro forma statement of net assets is compiled on the basis set out below from the IFRS consolidated statement of financial position of the Group as at 30 June 2013, as set out in Part XII (*Historical Financial Information*). It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. The pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Annex II to the PD Regulation.

	As at 30 June 2013 €000 (Note 1)	*IPO Net Proceeds €000 (Note 2)*	*Redemption of a portion of PECs €000 (Note 3)*	*Other adjustments €000 (Note 4)*	*Unaudited Pro Forma Total €000*
ASSETS					
Non-current assets					
Intangible assets – goodwill	60,308	–	–	–	60,308
Intangible assets – other	302,388	–	–	–	302,388
Property, plant and equipment	60,864	–	–	–	60,864
Deferred tax assets	7,990	–	–	–	7,990
Other financial assets	5,658	–	–	–	5,658
Total non-current assets	**437,208**	**–**	**–**	**–**	**437,208**
Current assets					
Inventories	31,869	–	–	–	31,869
Trade and other receivables	117,371	–	–	–	117,371
Other financial assets	4,122	–	–	–	4,122
Current tax assets	1,974	–	–	–	1,974
Assets classified as held for sale	4,200	–	–	–	4,200
Cash and short-term deposits	54,105	51,978	(16,924)	(53,410)	35,749
Total current assets	**213,641**	**51,978**	**(16,924)**	**(53,410)**	**195,285**
Total assets	**650,849**	**51,978**	**(16,924)**	**(53,410)**	**632,493**
LIABILITIES					
Non-current liabilities					
Financial liabilities	148,340	–	68,740	(51,616)	165,464
Other financial liabilities	991	–	–	–	991
Deferred tax liabilities	58,586	–	–	(1,348)	57,238
Provisions	5,099	–	–	(3,684)	1,415
Total non-current liabilities	**213,016**	**–**	**68,740**	**(56,648)**	**225,108**
Current liabilities					
Trade and other payables	52,324	(2,306)	(4,562)	–	45,456
Financial liabilities	3,094	–	1,260	–	4,354
Other financial liabilities	240	–	–	–	240
Income tax payable	3,884	–	–	–	3,884
Other tax liabilities	66,621	–	–	–	66,621
Provisions	165	–	–	2,615	2,780
Other payables	2,857	–	–	–	2,857
Total current liabilities	**129,185**	**(2,306)**	**(3,302)**	**2,615**	**126,192**
Total liabilities excluding shareholder debt	**342,201**	**(2,306)**	**65,438**	**(54,033)**	**351,300**
Shareholder debt	208,539	–	(82,185)	(126,354)	–
Total liabilities	**550,740**	**(2,306)**	**(16,747)**	**(180,387)**	**351,300**
Net assets	**100,109**	**54,284**	**(177)**	**126,977**	**281,193**

Notes:

(1) The financial information has been extracted, without material adjustment, from the statement of financial position of the Group as of 30 June 2013 as set out in Part XII (Historical Financial Information).

(2) The net proceeds of the Offer of €51.6 million are calculated on the basis that the Company issues 22,127,660 new Ordinary Shares of £0.10 each at a price of £2.35 (approximately €2.78) per share, net of estimated fees and expenses in connection with the Offer of €9.8 million, of which €0.4 million was paid in the six months to 30 June 2013 using existing resources (and €2.3 million was accrued for within Trade and Other Payables as at 30 June 2013).

(3) The New Term Loans of €70.0 million were drawn down in August 2013 under the ING Credit Facility. This amount together with existing cash was utilised by the Operating Company to redeem a portion of the PECs together with interest thereon totalling €82.2 million. The associated costs were €4.9 million (of which €4.6 million was accrued for within Trade and Other Payables as at 30 June 2013 and €0.2 million was paid in the six months to 30 June 2013 using existing resources).

(4) The other adjustments give effect to (i) the Corporate Reorganisation through the issuance of Ordinary Shares in settlement of the outstanding PECs and CECs (€126.4 million) and the release of the related deferred tax liability (€1.3 million), (ii) the use of all of the net proceeds from the Offer of €51.6 million to repay part of the borrowings under the ING Credit Facility and (iii) the payment of the amounts that become due under the existing and amended long-term incentive plan of €1.8m at the date of the Offer, accrual as a current liability for further payments of €2.6 million during 2014 and release of €3.7 million that was provided as a non-current liability as at 30 June 2013.

Other than the adjustments detailed above no other adjustments have been made for events occurring after 30 June 2013.

PART XIV

TAXATION

1. UK taxation

The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Ordinary Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax law and what is understood to be the current practice (which may not be binding) of Her Majesty's Revenue and Customs ("**HMRC**") as at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. They relate only to Shareholders who are resident for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholder who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with an office or their (or another person's) employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or resident in the UK, collective investment schemes and those who hold 5% or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme, able to claim any inheritance tax relief or holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

2. Taxation of dividends

2.1 *Withholding taxes*

The Company will not be required to withhold UK tax at source from dividend payments it makes to Shareholders.

2.2 *Individuals*

An individual Shareholder who is resident for tax purposes in the UK and who receives a cash dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the cash dividend received, which tax credit will be equivalent to 10% of the aggregate of the dividend received and the tax credit (the "**gross dividend**"). Such an individual shareholder will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10%, so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder's tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC. An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5% to the extent that such sum, when treated as the top slice of that Shareholder's income, exceeds the threshold for higher rate income tax. After setting the 10% tax credit against part of the Shareholder's liability, a higher rate tax payer will therefore be liable to account for tax equal to 22.5% of the gross dividend (or 25% of the net cash dividend), to the extent that the gross dividend exceeds the threshold for the higher rate.

An individual UK resident Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 37.5% of the gross dividend, but will be able to set the UK tax credit off against part of this liability. The effect of this set-off of the UK tax credit is that such a Shareholder will be liable to account for additional tax equal to 27.5% of the gross dividend (or approximately 30.6% of the net cash dividend) to the extent that the gross dividend exceeds the threshold for the additional rate.

2.3 ***Companies***

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, dividends paid on shares that are "ordinary shares" and are not "redeemable" (as those terms are used in Chapter 3 of Part 9A of the Corporation Tax Act 2009), and dividends paid to a person holding less than 10% of the issued share capital of the Company, should generally fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that Shareholder (currently 23% for companies paying the full rate of corporation tax with effect from 1 April 2013, to be reduced to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015).

2.4 ***No payment of tax credit***

Individual UK resident Shareholders who are not liable to UK income tax in respect of dividends, and other UK resident tax payers who are not liable to UK tax on dividends, including UK pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to any dividends paid by the Company.

2.5 ***Non-UK resident Shareholders***

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident.

Where a non-UK resident Shareholder carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade or, in the case of corporation tax, the Ordinary Shares are held by or for a UK permanent establishment through which a trade is carried on, the Shareholder may be liable to UK tax on dividends paid by the Company. In such cases, there will be no entitlement to repayment of the tax credit attaching to the dividends. Such Shareholders should consult their own tax advisers regarding their tax position.

A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company, whether he is entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which he is subject to tax.

3. Taxation of disposals

(a) ***General***

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for UK tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains, depending upon the Shareholder's circumstances and subject to any available exemption or relief.

(b) ***UK resident individual Shareholders***

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax. The rate of capital gains tax is 18% for individuals who are subject to income tax at the basic rate and 28% for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an exempt amount of gains (currently £10,900) in each tax year without being liable to tax.

(c) ***UK resident corporate Shareholders***

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. An indexation allowance on the cost of acquiring the Ordinary Shares may be available to reduce the amount of the chargeable gain which would otherwise arise on the disposal. Corporation tax is charged on chargeable gains at the rate applicable to the relevant company.

(d) ***Non-UK resident Shareholders***

A Shareholder (individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK capital gains tax.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

An individual who has been resident in the UK and who then ceases to be resident in the UK only temporarily may, in certain circumstances, be subject to tax in respect of gains realised while he is not resident in the UK.

4. Inheritance tax

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder, or the death of an individual Shareholder, may therefore give rise to a liability to UK inheritance tax, depending upon the Shareholder's circumstances and subject to any available exemption or relief. A transfer of Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the Ordinary Shares. Special rules apply to close companies and to trustees of settlements who hold Ordinary Shares, which rules may bring them within the charge to inheritance tax. The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where those rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of Ordinary Shares, to transfer Ordinary Shares at less than market value or to hold Ordinary Shares through a company or trust arrangement.

5. Close company

The Company and each member of the Group may be a "close company" within the meaning of Part 10 of the Corporation Tax Act 2010 as at the date of this Prospectus and, if so, may continue to be so following the Offer. As a result, certain transactions entered into by the Company or other members of the Group may have tax implications for Shareholders. In particular, certain gifts, transfers of assets at less than market value or other transfers of value by the Company or other members of the Group may be apportioned to

Shareholders for the purposes of UK inheritance tax, although the payment of a dividend to a Shareholder or the payment of dividends or transfers of assets between members of the Group will not normally attract such an apportionment. Any charge to UK inheritance tax arising from such a transaction will primarily be a liability of the relevant company, although in certain circumstances Shareholders may be liable for the tax if it is left unpaid by that company. In addition, any transfer of assets at less than market value by the Company or other members of the Group may result in a reduction of a Shareholder's base cost in his Ordinary Shares for the purposes of UK taxation of capital gains, although transfers of assets between members of the Group will not normally attract such treatment. Shareholders should consult their own professional advisers on the potential impact of the close company rules.

6. Stamp duty and Stamp Duty Reserve Tax

The following statements are intended as a general guide to the current UK stamp duty and SDRT position for holders of Ordinary Shares. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the UK.

6.1 *The Offer*

Except in relation to depositary and clearance services (to which special rules apply, as described in section 6.4 below), no UK stamp duty or SDRT should arise on the issue of Ordinary Shares by the Company.

The sale of Existing Ordinary Shares pursuant to the Over-allotment Option will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Over-allotment Shareholders have agreed (subject to certain limitations) to bear the cost of any such liability to stamp duty and/or SDRT arising in respect of the sale of Existing Ordinary Shares pursuant to the Over-allotment Option, up to a maximum rate of 0.5%.

The sale of Existing Ordinary Shares by the Selling Shareholders pursuant to the Secondary Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders have agreed (subject to certain limitations) to meet that liability to stamp duty and/or SDRT, up to a maximum rate of 0.5%.

If, in connection with the Offer, Ordinary Shares are issued or transferred into a clearance service or a depositary receipts system, a liability to stamp duty or SDRT may be payable at the rate of 1.5% of the Offer Price, as described further in section 6.4 below.

6.2 *Subsequent transfers*

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also generally arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded, provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled.

The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

6.3 ***Ordinary Shares held through CREST***

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Under the CREST system, generally no stamp duty or SDRT will arise on a deposit of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5% of the amount or value of the consideration for the Ordinary Shares.

6.4 ***Depositary receipt systems and clearance services***

Under current UK legislation, where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services, or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty).

There is an exception from the 1.5% charge on the issue or transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an appropriate election which has been approved by HMRC. In these circumstances, the normal rates of stamp duty and SDRT (rather than the higher rate regime referred to above) will generally apply to any issue or transfer of Ordinary Shares into the clearance service and to any transactions in Ordinary Shares held within the clearance service.

Any liability for stamp duty or SDRT in respect of an issue or transfer into a clearance service or depositary receipt system, or in respect of a transfer of Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depositary receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depositary receipt system.

However, following recent judicial decisions, HMRC has confirmed that it will no longer seek to apply the 1.5% SDRT charge when shares are first issued into a clearance service or depositary receipt system. The application of the 1.5% charge may also be affected in other circumstances. Accordingly, specific professional advice should be sought before paying the 1.5% stamp duty or SDRT charge in any circumstances.

7. Certain US Federal Income Tax Consequences

TO ENSURE COMPLIANCE WITH US TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION WAS WRITTEN AND IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a discussion of certain US federal income tax consequences of the acquisition, ownership and disposition of the Company's Ordinary Shares that are applicable to US Holders, as defined below, that acquire Ordinary Shares pursuant to this Prospectus (and solely to the extent discussed below in "US Foreign Account Tax Compliance Withholding", shareholders that are not US Holders). This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with US Holders that will hold Ordinary Shares as capital assets for US federal income tax purposes (generally, property held for investment) and that do not own, and are not treated as owning, at any time, 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote. In addition, this description of the material US federal income tax consequences does not address the tax treatment of special classes of US Holders, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons holding the Ordinary Shares as part of a hedging, integrated or conversion transaction, constructive sale or "straddle";
- persons who acquired Ordinary Shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services;
- US expatriates;
- persons subject to the alternative minimum tax;
- dealers or traders in securities or currencies; or
- holders whose functional currency is not the US dollar.

This summary does not address estate and gift tax or any US federal tax consequences other than income tax or tax consequences under any state, local or foreign laws other than as provided in the section entitled "UK taxation" provided above.

For the purposes of this section, "**US Holder**" means a beneficial owner of Ordinary Shares that is (1) an individual who is a citizen or resident of the United States for US federal income tax purposes; (2) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

If a partnership or other pass-through entity is a beneficial owner of Ordinary Shares, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If a Shareholder is a partner (or other owner) of a pass-through entity that acquires Ordinary Shares, such Shareholder is urged to consult its tax adviser regarding the tax consequences of acquiring, owning and disposing of Ordinary Shares.

The following discussion is based upon the US Internal Revenue Code of 1986, as amended (the "**Code**"), US judicial decisions, administrative pronouncements, existing and proposed US Treasury regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in US federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling from the US Internal Revenue Service (the "**IRS**") with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions the Company has reached and described herein.

This discussion assumes that the Company is not, and will not become, a passive foreign investment company (a "**PFIC**"), as discussed under "Certain US Federal Income Tax Consequences – Passive Foreign Investment Company Considerations."

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any Shareholder or prospective Shareholder and no opinion or representation with respect to the US federal income tax consequences to any such Shareholder or prospective Shareholder is made. Prospective purchasers are urged to consult their tax advisers as to the particular consequences to them under US federal, state and local, and applicable foreign, tax laws of the acquisition, ownership and disposition of Ordinary Shares.

Distributions

The gross amount of any distribution made by the Company will generally be subject to US federal income tax as dividend income to the extent paid out of the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. Such amount will be includable in gross income by a US Holder as ordinary income on the date that such US Holder actually or constructively receives the distribution in accordance with its regular method of accounting for US federal income tax purposes. The amount of any distribution made by the Company in property other than cash will be the fair market value (determined in US dollars) of such property on the date of the distribution. Dividends paid by the Company will not be eligible for the dividends received deduction allowed to corporations.

Subject to certain exceptions with respect to short-term and hedged positions, dividends received by non-corporate US Holders from a "qualified foreign corporation" may be eligible for reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the US Treasury determines to be satisfactory for these purposes and that includes an exchange of information provision. The US Treasury has determined that the "Convention between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital Gains" meets these requirements, and the Company believes that it is eligible for the benefits of this treaty.

To the extent that a distribution exceeds the amount of the Company's current and accumulated earnings and profits, as determined under US federal income tax principles, it will be treated first as a tax-free return of capital, causing a reduction in a US Holder's adjusted tax basis in the Ordinary Shares held by such US Holder (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognised by such US Holder upon a subsequent disposition of the Ordinary Shares), with any amount that exceeds the US Holder's adjusted tax basis being treated as a capital gain recognised on a sale, exchange or other taxable disposition (as discussed below). However, the Group does not intend to maintain calculations of the Group's earnings and profits in accordance with US federal income tax principles, and US Holders should therefore assume that any distribution by the Company with respect to the Company's Ordinary Shares will be treated as a dividend for US federal income tax purposes.

Subject to certain limitations (including a minimum holding period requirement), any UK tax withheld with respect to distributions made on the Ordinary Shares will be treated as foreign income tax eligible for credit against a US Holder's US federal income tax liability. Alternatively, a US Holder may, subject to applicable limitations, elect to deduct otherwise creditable UK withholding tax for US federal income tax purposes provided such election is made for all foreign income taxes paid or accrued for the relevant taxable year. Dividends received on the Ordinary Shares will be treated as income from sources outside the United States and generally will constitute "passive category income" for US foreign tax credit limitation purposes. The rules governing the foreign tax credit are complex and involve the application of rules that depend upon a US Holder's particular circumstances. Accordingly, US Holders are urged to consult their tax advisers regarding the availability of the foreign tax credit under their particular circumstances.

The gross amount of distributions to a US Holder paid in pounds sterling will be included by such US Holder in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the US Holders actually or constructively received the distribution in accordance with their regular method of accounting for federal income tax purposes regardless of whether the payment is in fact converted into US dollars. If the pounds sterling are converted into US dollars on the date of the payment, US Holders should not be required to recognise any foreign currency gain or loss with respect to the receipt of pounds sterling as distributions. If, instead, the pounds sterling are converted at a later date, any currency gains or losses resulting from the conversion of the pounds sterling will be treated as US source ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income.

Sale, Exchange or Other Taxable Disposition of Ordinary Shares

A US Holder generally will recognise gain or loss upon the sale, exchange or other taxable disposition of the Ordinary Shares in an amount equal to the difference between (i) the amount realised upon the sale, exchange or other taxable disposition and (ii) such US Holder's adjusted tax basis in the Ordinary Shares. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale, exchange or other taxable disposition, such US Holder has held the Ordinary Shares for more than one year. If a US Holder is an individual or other non-corporate taxpayer, long-term capital gains are subject to taxation at favourable rates. The deductibility of capital losses is subject to limitations under the Code. Gain or loss, if any, that a US Holder realises upon a sale, exchange or other taxable disposition of Ordinary Shares will be treated as having a US source for US foreign tax credit limitation purposes. If a US Holder receives any foreign currency on the sale of Ordinary Shares, such US Holder may recognise ordinary income or loss as a result of currency fluctuations between the date of the sale of Ordinary Shares and the date the sale proceeds are converted into US dollars.

Passive Foreign Investment Company Considerations

Special US federal income tax rules apply to US persons owning stock of a PFIC. A foreign corporation will be considered a PFIC for any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look through" rules, either (1) at least 75% of its gross income is "passive" income (the "income test") or (2) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). For purposes of determining whether a foreign corporation will be considered a PFIC, such foreign corporation will be treated as holding its proportionate share of the assets and receiving directly its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock. If the Company is classified as a PFIC for any year during which a US Holder owns the Ordinary Shares, the Company generally will continue to be treated as a PFIC with respect to such US Holder in all succeeding years, regardless of whether Company continues to meet the income or asset tests discussed above.

If the Company were a PFIC for any taxable year during which a US Holder owned Ordinary Shares, such US Holder would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the Ordinary Shares or upon the receipt of certain distributions. Certain elections might be available to a US Holder if the Company were a PFIC. The Group will provide US Holders with information concerning the potential availability of such elections if it determines that the Company is or will become a PFIC.

The Company believes it will not be a PFIC for its initial taxable year ending 31 December 2013 and the Company does not expect to become a PFIC in the future. Because PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually, no assurance can be given that the Company will not become a PFIC for the current taxable year or future years. This summary assumes that the Company has never been, and will not become, a PFIC. US Holders are urged to consult their own tax advisors about the US federal income tax consequences that would apply to them if the Company were a PFIC.

Additional Tax on Passive Income

A non-corporate US Holder will be required to pay an additional 3.8% tax on the lesser of (1) the US Holder's "net investment income" for the relevant taxable year and (2) the excess of the US Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US$125,000 and US$250,000, depending on the individual's circumstances). A US Holder's net investment income generally includes, among other things, dividends and net gain from disposition of property (other than property held in a trade or business. Such tax will apply to payments of dividends on the Ordinary Shares and to capital gains from the sale or other disposition of the Ordinary Shares, unless derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends paid to a US Holder in respect of the Ordinary Shares and the proceeds received by a US Holder from the sale, exchange or other disposition of Ordinary Shares within the United States unless a US Holder is a corporation or other exempt recipient. A backup withholding tax may apply to such payments if a US Holder fails to provide a taxpayer identification number or certification of exempt status or fails to report in full dividend and interest income. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a US Holder's US federal income tax liability, provided that the required information is furnished to the IRS.

In addition, US Holders should be aware of reporting requirements with respect to the holding of certain foreign financial assets, including stock of foreign issuers that is not held in an account maintained by certain financial institutions, if the aggregate value of all of such assets exceeds US$50,000. The US Treasury and IRS continue to issue new guidance regarding these information reporting requirements, and US Holders are urged to consult their own tax advisers regarding the application of the information reporting rules to the Ordinary Shares and their particular situations.

Notwithstanding anything in this Prospectus to the contrary, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitations of any kind, the tax treatment and tax structure of the transactions described in this Prospectus and all materials of any kind (including opinions and other tax analysis) that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in US Treasury Regulation Section 1.6011-4).

US Foreign Account Tax Compliance Withholding

Provisions under the Code and Treasury regulations thereunder commonly referred to as "FATCA" impose 30% withholding on certain "withholdable payments" and "foreign passthru payments" made by a non-US financial institution that has entered into an agreement with the IRS (an "IRS Agreement") to perform certain diligence and reporting obligations with respect to the financial institution's US-owned accounts (each such non-US financial institution, a "Participating Foreign Financial Institution"). Under applicable regulations, the Company may be a non-US financial institution for purposes of FATCA. If the Company becomes a Participating Foreign Financial Institution, withholding may be imposed on payments on the Ordinary Shares to any non-US financial institution (including an intermediary through which a holder may hold shares) that is not a Participating Foreign Financial Institution and is not otherwise exempt from FATCA, to the extent such payments are considered foreign passthru payments. Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether or to what extent payments on the Ordinary Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before 1 January 2017. The US has entered into intergovernmental agreements with the UK and certain other jurisdictions that will modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the US and these jurisdictions will address "foreign passthru payments" and whether such agreements may relieve UK financial institutions (and financial institutions from certain other jurisdictions) of any obligation to withhold on foreign passthru payments. Payments on the Ordinary Shares will not otherwise be withholdable payments so long as the Ordinary Shares are regularly traded on an established securities market. The UK has issued guidance treating any equity interest as regularly traded on an established securities market if it is listed on a recognized stock exchange, including the London Stock Exchange. Prospective investors should consult their tax advisers regarding the consequences of FATCA, or any intergovernmental agreement or non-US legislation implementing FATCA, to their investment in the Ordinary Shares.

PART XV

ADDITIONAL INFORMATION

1. Persons responsible

The Directors, whose names appear on page 34, and the Company accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and activity of the Company

The Company was incorporated under the name Stock Spirits (UK) Limited on 12 September 2013. The Company was incorporated and registered in England and Wales with registered number 8687223. The registered office and head office of the Company is Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH, UK (telephone number: +44 (0) 1628 648 500). The Company was re-named Stock Spirits Group Limited on 2 October 2013. It was re-registered as a public limited company on 7 October 2013 with the name Stock Spirits Group PLC. The business of the Company, and its principal activity, is to act as the ultimate holding company of the Group.

The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Companies Act.

By a resolution of the Directors dated 2 October 2013, EY was appointed as the auditor of the Company.

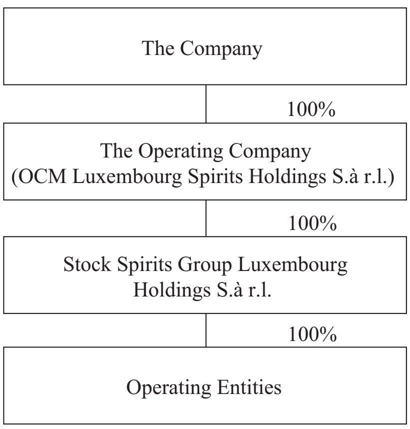
3. Corporate Reorganisation

In connection with Admission, the Group undertook a corporate reorganisation that resulted in the Company becoming the ultimate holding company of the Group (the "**Corporate Reorganisation**"). The Corporate Reorganisation occurred on 21 October 2013. It consisted of the following principal steps:

- all of the shares in the Operating Company and all of the CECs and PECs issued by the Operating Company were transferred from their existing holders to the Company; and
- the Company issued Ordinary Shares to the former holders of the shares in the Operating Company and the former holders of the CECs and PECs issued by the Operating Company and redesignated and sub-divided the Redeemable Preference Shares into Ordinary Shares.

Investors in this Offer will receive Ordinary Shares, which in turn will dilute the shareholdings of the Group's pre-Admission shareholders.

The Corporate Reorganisation did not affect the Group's operations, which will continue to be carried out through its operating subsidiaries. The following chart reflects the Group's corporate structure after Admission, after giving effect to the Corporate Reorganisation:



4. Share capital of the Company

The Company was incorporated with an issued share capital of £1 divided into one ordinary share of £1, which was issued to the initial subscriber to the Articles.

In connection with its re-registration as a public limited company, on 2 October 2013 the Company issued the Redeemable Preference Shares. The Redeemable Preference Shares were fully paid up at issue to their nominal value by virtue of the holder giving an undertaking to pay up to £1 against each share within one year of the application. The Redeemable Preference Shares were redesignated and sub-divided into 500,000 Ordinary Shares and the undertaking to pay up such shares satisfied, pursuant to the Corporate Reorganisation, on 21 October 2013.

By a resolution passed at a general meeting of the sole member of the Company on 21 October 2013, it was resolved that the existing one ordinary share of £1 be sub-divided and converted into ten Ordinary Shares of £0.10 each.

The Ordinary Shares are, or will be when issued, in registered form and capable of being held in uncertificated form. No temporary documents of title have been or will be issued in respect of the Ordinary Shares. The Ordinary Shares will rank *pari passu* for dividends.

As at 22 October 2013, being the date of this Prospectus, the Company held no treasury shares. No Ordinary Shares have been issued other than fully paid.

Immediately following Admission, the Company's share capital is expected to be as follows:

	Nominal Value	*Number of shares issued*	*Amount*
Ordinary Shares	£0.10	200,000,000	£20,000,000

The Ordinary Shares carry the right to receive dividends and distributions paid by the Company. The Shareholders have the right to receive notice of and to attend and vote at all general meetings of the Company.

The ISIN of the Ordinary Shares is GB00BF5SDZ96.

Further information on the rights attaching to the Ordinary Shares is set out in sections 5 and 6 below, and further information on dealing arrangements and CREST is set out in Part VI (*Details of the Offer*).

5. Information about the Ordinary Shares

5.1 *Description of the type and class of securities being offered*

The Ordinary Shares have a nominal value of £0.10 each. The Company has, and following the Offer will have, one class of Ordinary Shares, the rights of which are set out in the Articles, a summary of which is set out in section 6 of this Part XV.

The Ordinary Shares are credited as fully paid and free from all liens, equities, charges, encumbrances and other interests. The Ordinary Shares rank in full for all dividends and distributions on Ordinary Shares of the Company declared, made or paid after their issue.

5.2 *Legislation under which the Ordinary Shares were created*

The Ordinary Shares have been created under the Companies Act.

5.3 *Listing*

Application will be made to the FCA for the Ordinary Shares to be admitted to Premium Listing. Application will also be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange by no later than 08:00 on 25 October 2013.

Listing of the Ordinary Shares is not being sought on any stock exchange other than the London Stock Exchange.

5.4 ***Form and currency of the Ordinary Shares***

The Ordinary Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The Registrars of the Company are Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Title to the certificated Ordinary Shares (if any) will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry in the operator register maintained by Capita Registrars Limited (which will form part of the register of members of the Company).

The Ordinary Shares are denominated in pounds sterling.

5.5 ***Rights attached to the Ordinary Shares***

Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles.

Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.

The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made to fund the repurchase.

At Admission, the Principal Shareholders will hold over 30% of the Ordinary Shares in the Company. While the Company does not intend to commence a buyback programme, any buyback which results in the percentage of voting shares held by the Principal Shareholders increasing will need to be approved by a vote of independent Shareholders to avoid the Principal Shareholders being required to make a mandatory offer for the Company pursuant to Rule 9 of the City Code. For the period from Admission and up to its first annual general meeting as a listed company, the Company has obtained the approval of its independent Shareholders (excluding the Principal Shareholders) to permit such a buyback without triggering a mandatory offer. The Company expects to propose such a "whitewash" resolution at its future annual general meetings.

Further details of the rights attached to the Ordinary Shares in relation to dividends, attendance and voting at general meetings, entitlements on a winding-up of the Company and transferability of shares are set out in section 6 of this Part XV.

5.6 ***Authorities relating to the Ordinary Shares***

By resolution of the holder of the entire share capital in the Company on 21 October 2013 it was resolved that:

(A) the Board be generally and unconditionally authorised and, in the case of the authority described in sub-paragraph (ii) below, subject to and conditional upon Admission, to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(i) up to an aggregate nominal amount of £2,212,766 in connection with the Offer; and

(ii) up to an aggregate nominal amount of £6,666,667,

such authorities to apply until the end the annual general meeting of the Company to be held in 2014 (or, if earlier, until the close of business on 31 December 2014) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended;

(B) subject to and conditional upon the passing of the resolution described in paragraph 5.6(A) above, the Board be given power, in substitution for all subsisting powers, to allot equity securities (as defined in section 560(1) of the Companies Act) for cash under the authority given by the resolution described in paragraph 5.6(A) above and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Companies Act did not apply to any such allotment or sale, such power to be limited:

(i) to the allotment of equity securities up to an aggregate nominal amount of £2,212,766 in connection with the Offer; and

(ii) in the case of the authority granted under sub-paragraph (ii) of the resolution described in paragraph 5.6(A) above and/or in the case of any sale of treasury shares for cash, to the allotment of equity securities or sale of treasury shares:

(a) up to a nominal amount of £1,000,000 (otherwise than pursuant to the authority described in sub-paragraph (ii)(b) below); and

(b) for cash in connection with an offer of, or invitation to apply for, equity securities:

(1) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and

(2) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary as permitted by the rights of those securities,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such power to apply until the end of the annual general meeting of the Company to be held in 2014 (or, if earlier, until the close of business on 31 December 2014) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended; and

(C) subject to and conditional upon Admission, the Company be authorised for the purposes of section 701 of the Companies Act to make one or more market purchases (as defined in section 693(4) of the Companies Act) of its Ordinary Shares, such power to be limited:

(i) to a maximum number of 20,000,000 Ordinary Shares;

(ii) by the condition that the minimum price which may be paid for an Ordinary Share is its nominal value and the maximum price which may be paid for an Ordinary Share is the highest of:

(a) an amount equal to 5% above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

(b) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,

in each case, exclusive of expenses;

such power to apply until the end of the annual general meeting of the Company to be held in 2014 (or, if earlier, until the close of business on 31 December 2014) but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

5.7 ***Description of restrictions on free transferability***

The Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.

The Company may, under the Companies Act, send out statutory notices to those persons whom it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of shares which are the subject of the statutory notice is void.

6. Summary of the Articles

The Articles adopted on 21 October 2013, conditional upon Admission becoming effective, contain (among others) provisions to the following effect:

6.1 ***Unrestricted objects***

The objects of the Company are unrestricted.

6.2 ***Limited liability***

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

6.3 ***Change of name***

The Articles allow the Company to change its name by resolution of the Directors. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act.

6.4 ***Share rights***

Subject to applicable statutes (in this section 6, the Companies Act), any resolution passed by the Company under the Companies Act and existing Shareholders' rights, the Company may issue shares with any rights or restrictions attached to them. These rights or restrictions can either be decided by an ordinary resolution passed by the Shareholders or be decided by the Directors as long as there is no conflict with any resolution passed by the Shareholders. These rights and restrictions will apply as if they were set out in the Articles. Redeemable shares may be issued, subject to existing Shareholders' rights. The Directors can decide on the terms and conditions and the manner of redemption of any redeemable shares. These terms and conditions will apply as if they were set out in the Articles. Subject to the Articles, the Companies Act, any resolutions passed by the Shareholders and existing Shareholders' rights, the Directors can decide how to deal with any shares in the Company.

6.5 ***Voting rights***

Shareholders will be entitled to vote at a general meeting or class meeting, whether on a show of hands or a poll, as provided in the Companies Act. The Companies Act provides that:

(A) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant shareholder to vote in the way that the proxy decides to exercise that discretion; and

(B) on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to any rights or restrictions which are given to any shares or on which shares are held.

If more than one joint shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

6.6 ***Restrictions***

No shareholder is entitled to vote shares at any general meeting or class meeting if he has not paid all amounts relating to those shares which are due at the time of the meeting or if he has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

6.7 ***Dividends and other distributions***

The Shareholders may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable for any loss that shareholders may suffer because a lawful dividend has been paid on other shares that rank equally with or behind their shares.

The Board may withhold all or any part of any dividend or other money payable in respect of the Company's shares from a person with a 0.25% or greater holding of the existing shares of a class (calculated excluding any shares held as treasury shares) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Unless the rights attached to any shares or the terms of any shares say otherwise, all dividends will be divided and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid, and dividends may be declared or paid in any currency.

The Board may, if authorised by an ordinary resolution of the Shareholders, offer Shareholders (excluding any member holding shares as treasury shares) the right to choose to receive extra Ordinary Shares which are credited as fully paid instead of some or all of their cash dividend.

Any dividend unclaimed after a period of twelve years from the date when it was declared or became due for payment will be forfeited and go back to the Company unless the Board decides otherwise.

The Company may stop sending dividend payments through the post or cease using any other method of payment (including through CREST) if (i) for two consecutive dividends the payments sent through the post have been returned undelivered or or remain uncashed during the period for which they are valid or the payments by any other method have failed, or (ii) for any one dividend, the payment sent through the post has been returned undelivered or remains uncashed during the period for which it is valid or the payment by any other method has failed and reasonable enquiries have failed to establish any new postal address or account of the registered Shareholder. The Company will recommence sending dividend payments if requested in writing by the Shareholder or the person entitled by law to the shares.

6.8 ***Variation of rights***

Subject to the Companies Act, rights attached to any class of shares may be changed if this is approved either in writing by Shareholders holding at least three-quarters in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or by a special resolution passed at a separate meeting of the holders of those shares (this is called a "class meeting"). At every such class meeting (except an adjourned meeting), the quorum is two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

If new shares are created or issued which rank equally with any other existing shares, or if the Company purchases or redeems any of its own shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

6.9 ***Transfer of shares***

The shares are in registered form. Any shares in the Company may be held in uncertificated form and, unless the Articles say otherwise, a Shareholder may transfer some or all of his uncertificated shares through CREST. Provisions of the Articles do not apply to any uncertificated shares to the extent that those provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares through CREST, with any provision of the CREST legislation or with the Company doing anything through CREST.

Unless the Articles say otherwise, a Shareholder may transfer all or any of his certificated shares. The transfer must be either in the usual standard form or in any other form which the Board may approve. The share transfer form must be signed or made effective in some other way by or on behalf of the person making the transfer. In the case of a partly-paid share, it must also be signed or made effective in some other way by, or on behalf of, the person to whom the share is being transferred.

The person transferring the shares will continue to be treated as a Shareholder until the name of the person to whom it is transferred is put on the register for that share.

The Board can refuse to register the transfer of any shares which are not fully paid. The Board may also refuse to register the transfer of any shares in the following circumstances.

Certificated shares

(A) A share transfer form cannot be used to transfer more than one class of shares. Each class needs a separate form.

(B) Transfers may not be in favour of more than four joint holders.

(C) The share transfer form must be properly stamped or certified or otherwise shown to the Board to be exempt from stamp duty and must be accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require.

Uncertificated shares

(A) Registration of a transfer of uncertificated shares can be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles).

(B) Transfers may not be in favour of more than four joint holders.

The Board may refuse to register a transfer of any certificated shares by a person with a 0.25% or greater holding of the existing capital (calculated excluding any shares held as treasury shares) if such a person has received a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act unless the Board is satisfied that they have been sold outright to an independent third party.

6.10 ***Sub-division of share capital***

Any resolution authorising the Company to sub-divide any of its shares can provide that, as between the holders of the divided shares, different rights (including deferred rights) and restrictions of a kind which the Company can apply to new shares can apply to different divided shares.

6.11 ***General meetings***

The Articles rely on the Companies Act provisions dealing with the calling of general meetings. Under the Companies Act an annual general meeting must be called by notice of at least 21 days. Upon listing, the Company will be a "traded company" for the purposes of the Companies Act and as such will be required to give at least 21 days' notice of any other general meeting unless a special resolution reducing the period to not less than 14 days has been passed at the immediately preceding annual general meeting or at a general meeting held since that annual general meeting or, pending the Company's first annual general meeting, at any general meeting. By resolution of the holder of the entire share capital in the Company on 21 October 2013 it was resolved that a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every Director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the Company will be a traded company, the notice must also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of members to ask questions at the meeting. In addition, a notice calling an annual general meeting must state that the meeting is an annual general meeting.

Each Director can attend and speak at any general meeting of the Company. The chairman of the meeting can also allow anyone to attend and speak where he considers that this will help the business of the meeting.

6.12 ***Directors***

(A) *Number of Directors*

The Company must have a minimum of two Directors and not more than 15 Directors (disregarding alternate directors). But the shareholders can change these restrictions by passing an ordinary resolution.

(B) *Directors' shareholding qualification*

The Directors are not required to hold any shares in the Company.

(C) *Appointment of Directors*

Directors may be appointed by the Company's Shareholders by ordinary resolution or by the Board. A Director appointed by the Board must retire from office at the first annual general meeting of the Company after his appointment. A Director who retires in this way is then eligible for re-appointment.

The Board or any committee authorised by the Board can appoint one or more Directors to any executive position, on such terms and for such period as they think fit and they can also terminate or vary such an appointment at any time.

(D) *Retirement of Directors*

At every annual general meeting of the Company, any Director who has been appointed by the Board since the last annual general meeting, or who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or who has held office with the Company, other than an executive office, for a continuous period of nine years or more at the date of the meeting shall retire from office. Any Director who retires at an annual general meeting may offer himself for re-appointment by the Shareholders.

(E) *Removal of Directors by special resolution*

The Company's Shareholders can by special resolution remove any Director before the expiration of his period of office.

(F) *Vacation of office*

Any Director automatically stops being a Director if:

(i) he gives the Company a written notice of resignation or he offers to resign and the Board decides to accept this offer;

(ii) all of the other Directors (who must comprise at least three people) pass a resolution or sign a written notice removing him as a Director;

(iii) he is or has been suffering from mental or physical ill-health and the Board passes a resolution removing the Director from office;

(iv) he has missed meetings of the Board (whether or not an alternate Director appointed by him attends) for a continuous period of six months without permission from the Board and the Board passes a resolution removing the Director from office;

(v) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally;

(vi) he is prohibited from being a Director under the Companies Act;

(vii) he ceases to be a Director under the Companies Act; or

(viii) he is removed from office under the Articles.

If a Director stops being a Director for any reason, he will also automatically cease to be a member of any committee or sub-committee of the Board.

(G) *Alternate Directors*

Any Director can appoint any person (including another Director) to act as an alternate Director. The appointment requires the approval of the Board, unless previously approved by the Board or unless the appointee is another Director.

(H) *Proceedings of the Board*

The Board can decide when and where to have meetings and how they will be conducted. They can also adjourn their meetings. If no other quorum is fixed by the Board, two Directors are a quorum. A Board meeting at which a quorum is present can exercise all the powers and discretions of the Board.

The Board can appoint any Director as chairman or as deputy chairman and can remove him from that office at any time. Matters to be decided at a Board meeting will be decided by a majority vote. If votes are equal, the chairman of the meeting has a second, casting vote.

All or any of the Directors can take part in a meeting of the Board by way of a conference telephone or any communication equipment which allows everybody to take part in the meeting by being able to hear each of the other people at the meeting and by being able to speak to all of them at the same time. A person taking part in this way will be treated as being present at the meeting and will be entitled to vote and be counted in the quorum.

The Board can delegate any of their powers or discretions (with the power to sub-delegate) to committees of one or more persons as they think fit provided that there must be more Directors on a committee than persons who are not Directors. If a committee consists of more than one person, the Articles which regulate Board meetings and their procedure will also apply to committee meetings unless these are inconsistent with any regulations for the committee which have been laid down under the Articles.

(I) *Remuneration of Directors*

The total fees paid to all of the Directors (excluding any payments made under any other provision of the Articles) must not exceed £2,000,000 a year or any higher sum decided on by an ordinary resolution of the Shareholders.

The Board or any committee authorised by the Board will decide how much remuneration a Director appointed to an executive office will receive (whether as salary, commission, profit share or any other form of remuneration) and whether this is in addition to or in place of his fees as a Director.

The Board or any committee authorised by the Board can give special pay to any Director who, in their view, performs any special or extra services for the Company.

The Company may pay the reasonable travel, hotel and incidental expenses of each Director incurred in attending and returning from general meetings, meetings of the Board or committees of the Board or any other meetings which as a Director he is entitled to attend. The Company will pay all other expenses properly and reasonably incurred by each Director in connection with the Company's business or in the performance of his duties as a Director. The Company can also fund a Director's or former Director's expenditure and that of a Director or former Director of any holding company of the Company for the purposes permitted by the Companies Act and can do anything to enable a Director or former Director or a Director or former Director of any holding company of the Company to avoid incurring such expenditure all as provided in the Companies Act.

(J) *Pensions and gratuities for Directors*

The Board or any committee authorised by the Board may decide whether to provide pensions or other benefits to any Director or former Director of the Company, or any relation or dependant of, or person connected to, such a person. However, if the Board want to provide a benefit to a Director or former Director who has not been employed by or held an office or executive position in the Company or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the Company or any such other company, or to relations or dependants of, or persons connected to, these Directors or former Directors, the Company's shareholders must also pass an ordinary resolution to approve the payment.

(K) *Directors' interests*

The Board may, subject to the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act to avoid conflicts of interest. Where the Board give authority in relation to a conflict of interest or where any of the situations described in (i) to (v) below applies in relation to a Director, the Board may (a) require that the relevant

Director is excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (b) impose upon the relevant Director such other terms for the purpose of dealing with the conflict of interest or situation as they think fit; and (c) provide that where the relevant Director obtains (otherwise than through his position as a Director of the Company) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence. The Board may revoke or vary such authority at any time.

If a Director has disclosed the nature and extent of his interest in accordance with the Companies Act, a Director can do any one or more of the following:

(i) have any kind of interest in a contract with or involving the Company or another company in which the Company has an interest;

(ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms, including as to remuneration, as the Board may decide;

(iii) alone, or through a firm with which he is associated, do paid professional work for the Company or another company in which the Company has an interest (other than as auditor);

(iv) be or become a director or other officer of, or employed by or a party to a transaction or arrangement with, or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company has an interest; and

(v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

A Director does not have to hand over to the Company or the Shareholders any benefit he receives or profit he makes as a result of a conflict of interest authorised by the Board or anything allowed under the above provisions nor is any contract which is allowed or authorised under these provisions liable to be avoided.

(L) *Restrictions on voting*

A Director cannot vote or be counted in the quorum on a resolution relating to appointing that Director to a position with the Company or a company in which the Company has an interest or the terms or termination of the appointment save to the extent permitted specifically in the Articles.

Subject to certain exceptions set out in the Articles, a Director cannot vote on, or be counted in a quorum in relation to, any resolution of the Board on any contract in which he has an interest and, if he does vote, his vote will not be counted.

Subject to the Companies Act, the Shareholders may by ordinary resolution suspend or relax to any extent the provisions relating to Directors' interests or restrictions on voting or ratify any contract which has not been properly authorised in accordance with such provisions.

(M) *Borrowing and other powers*

The Board shall manage the Company's business and can use all the Company's powers except where the Articles say that powers can only be used by the Shareholders voting to do so at a general meeting. The Board is also subject to any regulations laid down by the Shareholders by passing a special resolution at a general meeting. In particular, the Board may exercise all the Company's powers to borrow money, to guarantee, to indemnify, to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party. The Board will limit the total borrowings of the Company and, so far as they are able, its subsidiary undertakings to ensure that no money is borrowed if the total amount of the group's borrowings (as defined in the Articles) then exceeds, or would as a result of such borrowing exceed, three times the Company's adjusted capital and reserves (as defined in the Articles). However, the Shareholders may pass an ordinary resolution allowing borrowings to exceed such limit.

(N) *Indemnity of Directors*

As far as the Companies Act allows this, the Company can indemnify any Director or former Director of the Company or of any associated company against any liability and can purchase and maintain insurance against any liability for any Director or former Director of the Company or of any associated company.

6.13 ***Methods of service and communications with Shareholders***

Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any Shareholder by the Company personally, by post, by means of a relevant system, by sending or supplying it in electronic form to an address notified by the Shareholder to the Company for that purpose, where appropriate, by making it available on the Website and notifying the Shareholder of its availability, or by any other means authorised in writing by the Shareholder.

The Company has served notice on its existing Shareholders of its intention to communicate with them via the Website and has sought their acceptance to communicate with them by way of other electronic means.

7. Mandatory bids and compulsory acquisition rules relating to the Ordinary Shares

Other than as provided by the City Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

7.1 ***Mandatory bid***

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous twelve months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

7.2 ***Squeeze-out***

Under the Companies Act, if an offeror were to make an offer to acquire all of the shares in the Company not already owned by it and were to acquire 90% of the shares to which such offer related, it could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration to the Company which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

7.3 ***Sell-out***

The Companies Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

8. Subsidiary undertakings

The Company is the holding company of the Group.

The significant subsidiary undertakings and associated undertakings of the Company are as follows:

Name	Country of incorporation	Proportion of ownership interest	Principal activity
OCM Luxembourg Spirits Holding S.à r.l.	Luxembourg	100%	Holding company
Stock Spirits Group Luxembourg Holdings S.à r.l.	Luxembourg	100% owned by OCM Luxembourg Spirits Holding S.à r.l.	Intermediate holding company
Stock Spirits (UK) Limited(1)	England and Wales	100% owned by Stock Spirits Group Luxembourg Holdings S.à r.l.	Operating company
Stock SRL	Italy	25% owned by Stock Spirits Group Luxembourg Holdings S.à r.l. and 75% owned by Stock Spirits (UK) Limited	Trading/operating company
F.Ili Galli Camis & Stock A.G.	Switzerland	100% owned by Stock SRL	IP holding company
Stock Polska SP z.o.o.	Poland	25% owned by Stock Spirits Group Luxembourg Holdings S.à r.l. and 75% owned by Stock Spirits (UK) Limited	Trading/operating company
Wodka Polska SP z.o.o.	Poland	100% owned by Stock Spirits Group Luxembourg Holdings S.à r.l.	IP holding company
Wodka Polska SP z.o.o. S.K.A.(2)	Poland	Stock Polska SP z.o.o. 99.48% limited partner and Wodka Polska SP z.o.o. 0.52% limited partner	IP holding limited joint stock partnership
Baltic Distillery GmbH	Germany	100% owned by Stock Spirits Group Luxembourg Holdings S.à r.l.	Trading/operating company

Name	Country of incorporation	Proportion of ownership interest	Principal activity
Stock Plzen Bozkov s.r.o.	Czech Republic	10% owned by Stock Spirits Group Luxembourg Holdings S.à r.l. and 90% owned by Stock Spirits (UK) Limited	Trading/operating company
Imperator s.r.o.	Slovakia	100% owned by Stock Plzen Bozkov s.r.o.	Trading/operating company
Stock Trade d.o.o., Ljubljana(3)	Slovenia	100% owned by Stock SRL	Trading/operating company
Stock International s.r.o.	Czech Republic	100% owned by Stock Spirits (UK) Limited	Trading/operating company
Stock BH d.o.o.	Bosnia & Herzegovina	100% owned by Stock Spirits Group Luxembourg Holdings S.à r.l.	Trading/operating company
Stock d.o.o.	Croatia	100% owned by Stock Spirits Group Luxembourg Holdings S.à r.l.	Trading/operating company
Stock Spirits Group Services AG	Switzerland	100% owned by Stock Spirits Group Luxembourg Holdings S.à r.l.	Services company
Stock Finance (Euro) Limited	England and Wales	100% owned by Stock Spirits (UK) Limited	Dormant company
Stock Finance (Koruna) Limited	England and Wales	100% owned by Stock Spirits (UK) Limited	Dormant company
Stock Finance (Zloty) Limited	England and Wales	100% owned by Stock Spirits (UK) Limited	Dormant company

(1) Stock Spirits (UK) Limited was named Stock Spirits Group Limited until 2 October 2013 when, in connection with the Corporate Reorganisation, it was re-named Stock Spirits (UK) Limited.

(2) In connection with an internal corporate reorganisation unconnected to the Offer and Admission, Wodka Polska SP z.o.o. S.K.A. was, on 3 October 2013, transformed from a limited partnership (Wodka Polska SP z.o.o. K) to a limited joint stock partnership.

(3) As a consequence of outsourcing its sales force to a third-party distributor in Slovenia, the Group is in the process of liquidating this entity on a solvent basis. It expects that the liquidation process will be completed by the end of FY 2013.

9. Interests of Principal Shareholders and Selling Shareholders

9.1 *Principal Shareholders*

As at 21 October 2013 (the last practicable date prior to the publication of this Prospectus) and insofar as is known to the Company, the Principal Shareholders will, on Admission, be directly or indirectly, interested in 3% or more of the voting rights of the Company (being the threshold for notification of voting rights that will apply to the Company and Shareholders as of Admission pursuant to Chapter 5 of the Disclosure and Transparency Rules). Their expected interests both immediately prior to and immediately following Admission are disclosed in the table set out in section 9.2 below.

9.2 ***Selling Shareholders***

In addition to the New Issue Ordinary Shares that will be issued by the Company pursuant to the Offer, Existing Ordinary Shares will be sold by the Selling Shareholders pursuant to the Offer. The Selling Shareholders are the Principal Shareholders, the Senior Management Shareholders and the Non-Management Shareholders listed in the table below. The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission and immediately following Admission are set out in the table below.

	Interests immediately prior to Admission[5]		Ordinary Shares to be sold pursuant to the Offer		Interests immediately following Admission[5][6]	
Selling Shareholder	**No.**	**% of total issued**	**No.**	**% of holding**	**No.**	**% of total issued**
OCM Luxembourg EPOF S.à r.l.[1][2]	44,193,193	24.8%	21,786,137	49.3%	22,407,056	11.2%
OCM Luxembourg POF IV S.à r.l.[1][2]	82,842,364	46.6%	40,839,209	49.3%	42,003,155	21.0%
OCM Luxembourg EPOF A S.à r.l.[1][2]	24,188,704	13.6%	11,924,425	49.3%	12,264,279	6.1%
Jack Keenan[2][3]	784,320	0.4%	156,864	20.0%	627,456	0.3%
Christopher Heath[2]	4,980,864	2.8%	846,748	17.0%	4,134,116	2.1%
Ian Croxford[2]	2,181,902	1.2%	545,476	25.0%	1,636,426	0.8%
Elisa Gomez de Bonilla[2]	1,051,881	0.6%	294,527	28.0%	757,354	0.4%
Mariusz Borowiak[2]	849,238	0.5%	254,772	30.0%	594,466	0.3%
Petr Pavlík[2]	1,095,619	0.6%	328,686	30.0%	766,933	0.4%
Claudio Riva[2]	1,103,509	0.6%	275,878	25.0%	827,631	0.4%
Caelyn Limited[2][4]	2,253,583	1.3%	676,075	30.0%	1,577,508	0.8%
Neil Everitt[2]	9,102,655	5.1%	9,102,655	100.0%	–	0.0%
Brian Hurley[2]	52,087	0.0%	26,044	50.0%	26,043	0.0%
Anthony Roberts[2]	905,382	0.5%	814,844	90.0%	90,538	0.0%

(1) Assuming the Stock Lending Arrangements are not exercised.

(2) For the purposes of the Offer, the business address of OCM Luxembourg EPOF S.à r.l., OCM Luxembourg POF IV S.à r.l. and OCM Luxembourg EPOF A S.à r.l. is 26A, boulevard Royal L-2449 Luxembourg, the business address of Caelyn Limited is 35, Theklas Lysioti, Eagle Star House, 5th floor, CY – 3030 Limassol, registered with the Cyprus Registrar of Companies under number HE 183547 and the business address of the other Selling Shareholders is Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH.

(3) Does not include the interests in Ordinary Shares of Grand Cru Consulting Limited. Jack Keenan owns 99.9% of the shares in Grand Cru Consulting Limited and is the sole director of Grand Cru Consulting Limited.

(4) Caelyn Limited is a limited liability company governed by the laws of Cyprus, with registered office at 35, Theklas Lysioti, Eagle Star House, 5th floor, CY – 3030 Limassol, registered with the Cyprus Registrar of Companies under number HE 183547. Marek Malinowski, who is a former member of the Group's senior management team, is the sole shareholder of Caelyn Limited and a director of Caelyn Limited.

(5) Includes, in the case of Christopher Heath, his interest in the JOE Shares.

(6) Includes, in the case of Christopher Heath, Ian Croxford, Elisa Gomez de Bonilla, Mariusz Borowiak, Petr Pavlík and Claudio Riva, interests in Ordinary Shares arising pursuant to the grant of an option (or options, as the case may be) under the Top-Up Option Agreements and/or the Substitute Option Agreements (as described further in section 11.3, below).

If the Over-allotment Option were exercised in full, the Principal Shareholders would be interested in 30.1% of the issued share capital of the Company immediately following Admission.

As at 21 October 2013 (the last practicable date prior to the publication of this Prospectus) and immediately after Admission:

(A) the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company; and

(B) the Principal Shareholders do not have and will not have different voting rights.

9.3 ***Relationship between the Selling Shareholders and the Group***

Jack Keenan and Christopher Heath are Directors of the Company.

Ian Croxford, Elisa Gomez de Bonilla, Mariusz Borowiak, Petr Pavlík and Claudio Riva are all currently members of the Senior Management.

Anthony Roberts and Brian Hurley and Marek Malinowski (who is the sole shareholder and a director of Caelyn Limited) have been, during the previous three years, members of the Group's senior management team.

10. Directors and Senior Management

10.1 ***Other directorships and partnerships***

The details of those companies and partnerships outside the Group of which the Directors and the members of Senior Management are currently directors or partners, or have been directors or partners at any time during the previous five years prior to the date of this Prospectus, are as follows:

Name	**Position**	**Company/Partnership**	**Position still held (Y/N)**
Jack Keenan	Director	Revolymer plc	Y
	Non-executive director	Revolymer (UK) Ltd	Y
	Director	Revolymer EBT Ltd	Y
	Director	Grand Cru Consulting Ltd	Y
	Non-executive director	National Angels Ltd	Y
	Director	Bavaria Yachtbau GmbH	N
	Director	Grupo Panrico SA	N
Christopher Heath	None	None	N/A
Lesley Jackson	Director	William Grant & Sons Distillers Ltd	N
	Director	William Grant & Sons Holdings Ltd	N
	Director	William Grant & Sons Limited	N
	Director	William Grant & Sons IML Limited	N
	Director	William Grant & Sons Irish Manufacturing Limited	N
	Director	William Grant & Sons Irish Brands Limited	N
	Director	William Grant & Sons Ireland Holdings Limited	N
	Director	William Grant & Sons India Private Limited	N
	Director	William Grant & Sons Marketing Limited	N
	Director	The 1887 Company Limited	N
	Director	Jepito Limited	N
	Director	Grants of Ireland Limited	N
	Director	Tequilera Milagro S.A. de C.V.	N
	Director	Tullamore Dew Company Limited	N
	Director	Highland Distillers Group Ltd	N

Name	Position	Company/Partnership	Position still held (Y/N)
Karim Khairallah	Director	Panrico S.A.U.	Y
	Director	Campofrio Food Group SA	Y
	LLP Member	Oaktree Capital Management (UK) LLP	Y
	Director	SG OCM Ltd	N
	Director	R&R Ice Cream plc	N
	Non-executive director	Ruby Acquisitions Ltd	N
David Maloney	Non-executive director	Enterprise Inns plc	Y
	Deputy Chairman	Micro Focus International plc	Y
	Chairman	Brandon Hire plc	Y
	Non-executive director	Cineworld Group plc	Y
	Chairman	Reed & Mackay Limited	Y
	Non-executive director	Ludorum plc	N
	Non-executive director	Carillion plc	N
	Chairman	Hoseasons Holdings Limited	N
Andrew Cripps	Non-executive director	Boparan Holdings Limited	Y
	Deputy Chairman	Swedish Match AB	Y
	Non-executive director	Booker Group plc	Y
	Non-executive director	Helphire Group plc	N
	Non-executive director	Molins plc	N
John Nicolson	Non-executive director	A.G. Barr plc	Y
	Vice-Chairman	Inversiones y Rentas S.A.	Y
	Non-executive Vice-Chairman	Compañía Cervecerías Unidas S.A.	Y
	Non-executive director	Cervecera CCU Chile Ltda	Y
	Non-executive director	Cla. Cervecerias Unidas Argentina S.A.	Y
	Non-executive director	Compania Pisquera de Chile S.A.	Y
	Non-executive director	Cervejarias Kaiser Brasil S.A.	Y
	Non-executive Vice-Chairman	Cerveceria Costa Rica S.A.	Y
	President	Heineken Americas Inc.	Y
	Non-executive director	North American Breweries, Inc.	Y
	Non-executive director	United Breweries Limited	N
	Non-executive director	Heineken Canada Inc.	N
	Non-executive director	Heineken UK Canada Inc.	N
	President	Heineken MX Canada Inc.	N
	Non-executive director	Cervecerías Barú-Panamá S.A.	N

Name	Position	Company/Partnership	Position still held (Y/N)
Ian Croxford	Director	Total Improvement Process Limited	N
	Director	International Celtic Consortium Limited	N
	Director	ILG Realisations (No. 8) Limited	N
	Director	ILG Realisations (No. 9) Limited	N
	Director	ILG Realisations (No. 10) Limited	N
	Director	ILG Realisations (No. 12) Limited	N
	Director	ILG Realisations (No. 14) Limited	N
	Director	ILG Realisations (No. 18) Limited	N
Richard Hayes	Director	Seven League Boots Limited	Y
	Director	Richard Hayes Associates Ltd	N
Elisa Gomez de Bonilla	None	None	None
Mariusz Borowiak	Director	Grupa Zywiec SA	N
Petr Pavlík	None	None	None
Claudio Riva	None	None	None
Steve Smith	None	None	None

The Directors and the members of the Senior Management listed above have no actual or potential conflicts of interest apart from Karim Khairallah who represents the Principal Shareholders and therefore potentially has such a conflict.

On 22 October 2013 the Principal Shareholders entered into the Relationship Agreement with the Company (please see further section 16.4, below). Under the terms of the Relationship Agreement, the Principal Shareholders agreed that with effect from Admission, their Representative Director shall not vote on, be present at any discussion of, or receive any information relating to any matter in respect of which he or the Principal Shareholders has/have a direct or indirect conflict of interest (as to be determined by the Independent Board in its absolute discretion).

10.2 ***Confirmations***

As at the date of this Prospectus, no Director and no member of the Senior Management has during the last five years:

(A) had any convictions in relation to fraudulent offences;

(B) been associated with any bankruptcies, receiverships or liquidations acting in the capacity of any of the positions set out against the name of the Director or the member of the Senior Management in section 10.1 above;

(C) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities including, where relevant, designated professional bodies; or

(D) been disqualified by a court from acting as a member of the administrative management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

10.3 ***Interests of Directors and Senior Management in the Ordinary Shares***

On Admission, assuming that no further Ordinary Shares have been purchased or issued after 21 October 2013 (the latest practicable date prior to publication of the Prospectus) certain of the Directors and members of Senior Management will have the following beneficial interests in Ordinary Shares:

	Interests of the Directors/members of Senior Management in the issued share capital of the Company as at 21 October 2013[(1)]		Interests of the Directors/members of Senior Management in the issued share capital of the Company immediately following completion of the Offer[(*)(1)(2)]	
Director/member of Senior Management	**Shareholding**	**Percentage of issued share capital of the Company**	**Shareholding**	**Percentage of issued share capital of the Company**
Jack Keenan[(3)]	1,142,044	0.6%	985,180	0.5%
Christopher Heath	4,980,864	2.8%	4,134,116	2.1%
Lesley Jackson	1,630,209	0.9%	1,630,209	0.8%
Karim Khairallah	–	0.0%	–	0.0%
David Maloney	–	0.0%	–	0.0%
Andrew Cripps	–	0.0%	–	0.0%
John Nicolson	–	0.0%	–	0.0%
Ian Croxford	2,181,902	1.2%	1,636,426	0.8%
Richard Hayes	149,553	0.1%	149,553	0.1%
Elisa Gomez de Bonilla	1,051,881	0.6%	757,354	0.4%
Mariusz Borowiak	849,238	0.5%	594,466	0.3%
Petr Pavlík	1,095,619	0.6%	766,933	0.4%
Claudio Riva	1,103,509	0.6%	827,631	0.4%
Steve Smith	149,553	0.1%	149,553	0.1%

(*) Assumes no exercise of the Over-allotment Option.

(1) Includes, in the case of Christopher Heath and Lesley Jackson, their respective interests in the JOE Shares.

(2) Includes, in the case of Christopher Heath, Lesley Jackson, Ian Croxford, Richard Hayes, Elisa Gomez de Bonilla, Mariusz Borowiak, Petr Pavlík, Claudio Riva and Steve Smith, interests in Ordinary Shares arising pursuant to the grant of an option (or options, as the case may be) under the Top-Up Option Agreements and/or the Substitute Option Agreements (as described further in section 11.3, below).

(3) Includes the interests of Grand Cru Consulting Limited. Jack Keenan owns 99.9% of the shares in Grand Cru Consulting Limited and is the sole director of Grand Cru Consulting Limited.

The interests of the Directors and the members of Senior Management together represent approximately 8.1% of the issued share capital of the Company in existence as at 21 October 2013 (being the latest practicable date prior to publication of this Prospectus) and on Admission are expected to represent 5.8% (of the enlarged issued share capital of the Company).

10.4 ***Transactions with Directors***

None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by any member of the Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

None of the Directors has or has had a beneficial interest in any contract to which any member of the Group was a party during the current or immediately preceding financial year.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors.

10.5 ***Executive Directors' service contracts***

On 21 October 2013, the Company entered into new service agreements with Christopher Heath and Lesley Jackson, who are the Executive Directors of the Company. The new service agreements will take effect from Admission. The principal terms of these agreements are set out below.

(A) *General terms*

Name	*Title*	*Date of joining the Group*
Christopher Heath	CEO	14 November 2007
Lesley Jackson	CFO	28 February 2011

Christopher Heath and Lesley Jackson will be paid annual base salaries of £490,000 and £318,000, respectively, which are to be reviewed, but not necessarily increased, annually. Christopher Heath and Lesley Jackson will be eligible to participate, at the discretion of the Remuneration Committee, in the Company's annual bonus plan and share incentive schemes.

Their benefit package includes private health cover, critical illness cover and life assurance and they will each receive an annual car allowance of £12,000. Christopher Heath and Lesley Jackson will receive a salary supplement of up to 15% of base salary by way of pension allowance.

In addition to normal public holidays, the Executive Directors are entitled to 30 working days' paid holiday in each complete holiday year.

(B) *Termination provisions*

The service agreements of the Executive Directors can be terminated by not less than twelve months' written notice by the Executive Director (as relevant) and twelve months' notice by the Company.

The Company may put each of the Executive Directors on garden leave during his or her notice period. During this period, the Executive Director remains an employee of the Company and is subject to certain restrictions.

The Company may elect to terminate employment immediately by making a payment in lieu of notice equivalent to the Executive Director's salary for the notice period. The Company may also elect to make a payment in lieu of notice in monthly instalments which will continue until the expiry of the notice period or the date on which the Executive Director obtains an alternative remunerated position. If the Executive finds an alternative remunerated position, the monthly payments will be reduced by the amount of remuneration received by the Executive Director pursuant to that alternative remunerated position.

In addition, the employment of each Executive Director is terminable with immediate effect in certain circumstances; including where that Executive Director (i) commits a serious breach of his or her service agreement; (ii) is guilty of gross misconduct; (iii) prejudices or because of their behaviour is likely in the reasonable opinion of the Board to prejudice the interests or reputation of the Executive Director, the Company or any Group company; (iv) is convicted of a criminal offence other than an offence which does not in the reasonable opinion of the Board affect their position; (v) becomes bankrupt or enters into or makes any arrangement or composition with or for the benefit of their creditors generally; (vi) infringes, or the Company has reasonable suspicion that he or she has infringed, the rules or regulations of any regulatory authority.

The service agreements of the Executive Directors also contain post-termination restrictions.

For a period of twelve months after termination (less any period spent on garden leave), an Executive Director may not (i) be concerned in certain restricted business activities with competitors in territories where the Group operates; (ii) be concerned in or interfere with the Company's suppliers; (iii) be concerned in or interfere with or solicit or deal with the Company's customers; (iv) solicit any critical employees away from the Company in connection with competitors; or (v) use in connection with any business any name which includes the name of the Company or any Group company or any colourable imitation of it.

10.6 ***Non-Executive Directors' letters of appointment and fees***

The Company has five Non-Executive Directors: the Chairman, one non-independent Non-Executive Director and three independent Non-Executive Directors. They were appointed by letter of appointment for an initial term of three years. The principal terms of these agreements are set out below:

(A) *General terms*

Name	*Title*	*Date of appointment to the Board*
Jack Keenan	Chairman	21 October 2013
Karim Khairallah	Non-Executive Director	21 October 2013
David Maloney	Senior Independent Non-Executive Director	21 October 2013
Andrew Cripps	Independent Non-Executive Director	21 October 2013
John Nicolson	Independent Non-Executive Director	21 October 2013

Jack Keenan will, from Admission, be paid an annual fee of £200,000. Each of David Maloney, Andrew Cripps and John Nicolson are entitled to receive an annual fee of £46,000. They will also be entitled to receive an additional fee if they are appointed to serve on the Audit Committee, Remuneration Committee or Nomination Committee, at an annual rate of £5,000 per committee. An additional fee of £5,000 is also payable to David Maloney for his role as Senior Independent Director and for his role as Chairman of the Nomination Committee and to Andrew Cripps and John Nicolson for their roles as Chairmen of the Audit Committee and Remuneration Committee, respectively.

In respect of Karim Khairallah, a fee of £46,000 is payable to OCM FIE LLC. He will also be entitled to receive an additional fee if he is appointed to serve on the Audit Committee, Remuneration Committee or Nominations Committee, at an annual rate of £5,000 per committee.

In addition, the Chairman and the Independent Non-Executive Directors are entitled to be reimbursed for reasonable expenses properly incurred arising from the performance of their duties as a Director of the Company. They may not participate in any pension scheme operated by the Company.

(B) *Termination provisions*

The appointment of each of the Independent Non-Executive Directors is terminable by either the Independent Non-Executive Director or the Company on three months' notice. The appointment of Jack Keenan is terminable by either Jack Keenan or the Company on three months' notice.

The appointment of any Independent Non-Executive Director may also be terminated with immediate effect by the Company if the Independent Non-Executive Director (i) is unable to perform his duties through ill-health for up to ten weeks in any twelve month period; (ii) is disqualified from acting as a director or been removed from office; (iii) fails to be re-appointed or re-elected, or retires or vacates his office, in accordance with the Articles; or (iv) commits a serious breach or repeats any material breach of his obligations under the letter of appointment or duties to the Company or is guilty of conduct bringing any member of the Group or himself into disrepute.

An Independent Non-Executive Director's letter of appointment shall also terminate if the Independent Non-Executive Director is not re-elected at any Annual General Meeting at which the Articles require, or the Company Board resolves, that the Independent Non-Executive Director stand for re-election.

10.7 *Directors' remuneration*

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits to the Board who served during 2012, in respect of the year ended 31 December 2012, were as follows:

Name	**Position**	**Basic salary or fees (£)**	**Discretionary bonus (£)**	**Benefits in kind (£)**	**Pension contributions (£)**	**2012 Total (£)**
Jack Keenan	Non-Executive Chairman	120,000(1)	N/A	N/A	N/A	120,000
Christopher Heath	CEO	309,000	673,500	Company car allowance of 12,000 and private medical expenses insurance	N/A	994,500
Lesley Jackson	CFO	219,400	563,301	Company car allowance of 12,000 and private medical expenses insurance	N/A	794,701
Karim Khairallah	Non-Executive Director	N/A	N/A	N/A	N/A	N/A

(1) Paid to Grand Cru Consulting Limited in respect of Jack Keenan's role as Chairman of the Group. Grand Cru Consulting Limited is a private limited company incorporated and registered in England and Wales with registered number 04302451. Jack Keenan owns 99.9% of the shares in Grand Cru Consulting Limited and is the sole director of Grand Cru Consulting Limited.

10.8 *Senior Management's remuneration*

Under the terms of their service agreements and applicable incentive plans, the aggregate remuneration and benefits to members of Senior Management (excluding the Executive Directors) who served during 2012, in respect of the year ended 31 December 2012, consisting of seven individuals, was €3,264,849.

11. Share plans and other share incentive arrangements

The Company has adopted, conditional on Admission, the Stock Spirits Group PLC Performance Share Plan (the "**PSP**") and the Stock Spirits Group PLC Deferred Annual Bonus Plan (the "**DABP**" and together with the PSP, the "**Executive Share Plans**"), the principal features of which are summarised in section 11.1 below. In addition, the Company, the trustee of the EBT and (as relevant) either of the Executive Directors have entered into the JOE Agreements, the principal features of which are summarised in section 11.2 below. The Company has also entered into agreements, conditional on Admission, in respect of the Top-up Options (the "**Top-up Option Agreements**") and the Substitute Options (the "**Substitute Option Agreements**"), the principal features of which are summarised in section 11.3 below.

11.1 *Principal terms of the Executive Plans*

The following paragraphs first describe the unique features of the PSP and the DABP and then the features which are common to both of the Executive Share Plans.

The Executive Share Plans were each adopted by the Board on 21 October 2013, conditional on Admission.

(A) Principal terms of the PSP

Grant of options/awards under the PSP

The Remuneration Committee may grant awards to acquire Shares as conditional share awards or as nil (or nominal) cost options. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

Timing of grants

The Remuneration Committee may grant options/awards within six weeks of Admission. Thereafter, the Remuneration Committee may grant options/awards within six weeks following the Company's announcement of its results for any period. The Remuneration Committee may also grant options/awards at any other time when it considers there to be exceptional circumstances which justify the granting of options/awards.

The First Grants are expected to be granted shortly following the announcement of the Company's year-end results for 2013.

Individual limit

An employee may not receive options/awards in any financial year over Shares having a market value in excess of 200% of his annual base salary in that financial year. In exceptional circumstances, this limit may be increased to 300% at the discretion of the Remuneration Committee.

It is anticipated that the First Grants to the Executive Directors will be granted over Shares having a market value of no more than 140% of their respective annual base salaries as at the date of grant.

Performance conditions

The vesting of options/awards granted to executive directors of the Company will be subject to performance conditions set by the Remuneration Committee. The vesting of options/awards granted to other participants may be subject to performance conditions set by the Remuneration Committee.

The performance conditions applying to one-half of each of the First Grants will be based on fully diluted adjusted earnings per share ("**EPS**") performance. One quarter of such part of the First Grants shall vest if a threshold level of EPS for 2016 is achieved, increasing on a straight-line basis to full vesting of such part if EPS for 2016 is at a stretch level of performance or better. The threshold and stretch levels of EPS performance for such purposes will be set by the Remuneration Committee prior to the grant of the options/awards. Fully diluted adjusted EPS for the purposes of such determinations will be as reported in the Company's report and accounts and therefore net of exceptional items.

The performance conditions applying to the other half of each of the First Grants will be based on total shareholder return ("**TSR**") performance. One quarter of such part of the First Grants shall vest if the Company's TSR performance over a three-year measurement period is ranked at the median of a comparator group of companies, increasing on a straight-line basis to full vesting of such part if the Company's TSR is ranked at the upper quartile of the comparator group. The comparator group for such purposes will comprise an international peer group of companies as determined by the Remuneration Committee prior to the date of grant.

The Remuneration Committee can set different performance conditions from those described above for future options/awards. Details of the performance conditions set for any options/awards to the Executive Directors would be disclosed in the Directors' Remuneration Report each year in the Company's annual report.

The Remuneration Committee may, acting fairly and reasonably, vary any performance conditions applying to existing options/awards if an event has occurred which causes the Remuneration Committee reasonably to consider that it would be appropriate to amend the performance conditions, provided that, in the reasonable opinion of the Remuneration Committee, the varied conditions are not materially less challenging than the original conditions would have been but for the event in question.

Vesting of options/awards

Options/awards normally vest to the extent that any performance conditions have been satisfied (and it is envisaged that any performance conditions will normally measure performance over a three-year period). Vesting will ordinarily be dependent on the participant still being employed in the Company's group.

Options/awards normally vest on the third anniversary of grant or, if later, when the Remuneration Committee determines the extent to which any performance conditions have been satisfied. Options are then ordinarily exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier. Shorter exercise periods apply in the case of "good leavers" and/or in connection with corporate events.

Leaving employment

As a general rule, an option/award will lapse upon a participant ceasing to hold employment or be a director within the Company's group.

However, if the participant ceases to be an employee or a director within the Company's group because of his injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Remuneration Committee, then his option/award will vest on the date when it would have vested if he had not so ceased to be an employee or director of a group company. The extent to which an option/award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have been satisfied at that time; and (ii) the pro-rating of the option/award to reflect the reduced period of time between its grant and vesting, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an option/award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above, the Remuneration Committee can decide, in exceptional circumstances, that his option/award will vest early, subject to: (i) the performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above. If a participant dies, his option/award will vest early (unless the Remuneration Committee decides, in exceptional circumstances, that his option/award will vest on the date when it would have vested if he had not died).

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all options/awards will vest early, subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the options/awards to reflect the period of time between their grant and vesting, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an option/award or to disapply (or partially disapply) any performance conditions if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation options/awards may, at the discretion of the Remuneration Committee, be replaced by equivalent new options/awards over shares in a new holding company, provided that the board of directors of the new holding company agrees. If such replacement is not agreed before the internal corporate reorganisation takes place, then the options/awards will vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, then the Remuneration Committee may decide that options/awards will vest on the basis which would apply in the case of a takeover as described above.

Clawback

The Remuneration Committee may decide within two years of an option/award vesting that a participant's option/award will be subject to clawback in certain circumstances, including where, broadly, there has been a material misstatement in the Company's financial results or an error in assessing any applicable performance condition or other condition or if the participant's employment is terminated for gross misconduct.

The clawback may be satisfied in a number of ways, including by way of a reduction in the amount of any future bonus, the vesting of any subsisting or future share awards or PSP awards, the number of Shares under any vested but unexercised option granted under certain share incentive plans and/or a requirement to make a cash payment.

The clawback provisions will not apply following the occurrence of certain corporate events.

(B) Principal terms of the DABP

Overview

The general purpose of the DABP is to facilitate the deferral of part of executives' annual bonus into Shares at the discretion of the Remuneration Committee. The decision (if any) to require any such bonus deferral in any year, and the portion of any bonus which will be deferred, will be determined by the Remuneration Committee.

It is currently anticipated that the Remuneration Committee will require that 25% of any bonuses payable to the Executive Directors of the Company under the ABP in relation to the 2014 bonus year be deferred under the DABP.

Grant of options/awards under the DABP

The Remuneration Committee may grant awards to acquire Shares as conditional share awards or as nil (or nominal) cost options. The Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so (except in the case of the options granted in relation to the Cash LTIP, where it is currently envisaged that these options will be satisfied either with Shares purchased in the market following Admission or with cash, or with a combination of cash and Shares purchased in the market following Admission at the discretion of the Remuneration Committee).

Timing of grants

The Remuneration Committee may grant options/awards within six weeks of Admission. Thereafter, the Remuneration Committee may grant options/awards within six weeks following the Company's announcement of its results for any period or the date on which bonuses are determined. The Remuneration Committee may also grant options/awards at any other time when it considers there to be exceptional circumstances which justify the granting of options/awards.

Individual limit

An employee may not receive options/awards (not being options granted in relation to the Cash LTIP – see Part VIII (*Directors, Senior Management and Corporate Governance*), sections 6.9(A) and (C) for further details) in any financial year over Shares having a market value in excess of 100% of the related bonus.

In the case of the options granted in relation to the Cash LTIP only (see Part VIII (*Directors, Senior Management and Corporate Governance*), sections 6.9(A) and (C) for further details), an employee may not receive options over Shares having a market value on the dealing day before (or an average market value over the five dealing days before) the date of vesting in excess of 115% of the relevant 50% portion of the accrued Cash LTIP award. Note that, for options granted in relation to the Cash LTIP, it is currently envisaged that these options will be satisfied either with Shares purchased in the market following Admission or with cash, or with a combination of cash and Shares purchased in the market following Admission, at the discretion of the Remuneration Committee.

Vesting of options/awards

The normal vesting date for options granted in connection with the Cash LTIP will be the first anniversary of the date of Admission. The normal vesting date for other options/awards will be the second anniversary of grant (or such other normal vesting date (or dates in respect of distinct portions) as the Remuneration Committee may specify).

Vesting will ordinarily be dependent on the participant still being employed in the Company's group.

Options will then be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier. Shorter exercise periods apply in the case of "good leavers" and/or in connection with corporate events.

Leaving employment

As a general rule, an option/award will lapse upon a participant ceasing to hold employment or be a director within the Company's group.

However, if the participant ceases to be an employee or a director within the Company's group because of his death, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Remuneration Committee, then his option/award will vest early to such extent as the Remuneration Committee determines appropriate. In the case of the options granted in relation to the Cash LTIP only (see Part VIII (*Directors, Senior Management and Corporate Governance*), sections 6.9(A) and (C) for further details), it has been determined that these options will vest in full in such circumstances.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all options/awards will vest early in full.

In the event of an internal corporate reorganisation options/awards may, at the discretion of the Remuneration Committee, be replaced by equivalent new options/awards over shares in a new holding company, provided that the board of directors of the new holding company agrees. If such replacement is not agreed before the internal corporate reorganisation takes place, then the options/awards will vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, then the Remuneration Committee may decide that options/awards will vest on the basis which would apply in the case of a takeover as described above.

Clawback and malus

The Remuneration Committee may decide before and/or within two years of an option/award vesting that a participant's option/award will be subject to clawback or malus (as the case may be) in certain circumstances, including where, broadly, there has been a material misstatement in the Company's financial results, an error in assessing the number of Shares subject to the option/award or any condition, or if the participant's employment is terminated for gross misconduct.

The clawback or malus (as the case may be) may be satisfied in a number of ways, including by way of a reduction in the amount of any future bonus, the vesting of any subsisting or future share awards, the number of Shares under any vested but unexercised option granted under certain share incentive plans and/or a requirement to make a cash payment.

The clawback and malus provisions will not apply following the occurrence of certain corporate events.

(C) Principal terms common to the Executive Share Plans

Operation

The Remuneration Committee will supervise the operation of the Executive Share Plans.

Eligibility

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Executive Share Plans at the discretion of the Remuneration Committee.

An option/award may not be granted more than ten years after the date on which the Executive Share Plans were adopted.

No payment is required for the grant of an option/award. Options/awards are not transferable, other than to the participant's personal representative in the event of his death. Benefits provided under the Executive Share Plans are not pensionable.

Dividend equivalents

The Remuneration Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their options/awards of an amount equivalent to the dividends that would have been paid on the relevant Shares between the time when the options/awards were granted and the time when they vest (or such later date as determined by the Remuneration Committee being no later than the date of the delivery of Shares under the options/awards). This amount may assume the reinvestment of dividends. Alternatively, participants may have their options/awards increased as if dividends were paid on the Shares subject to their option/award and then reinvested in further Shares.

Participants' rights

Options/awards will not confer any shareholder rights until the awards have vested or the options have been exercised as relevant and the participants have received their Shares (if any – note that, in the case of the DABP options granted in relation to the Cash LTIP, it is currently envisaged that these options will be satisfied either with Shares purchased in the market following Admission or with cash, or with a combination of cash and Shares purchased in the market following Admission at the discretion of the Remuneration Committee).

Rights attaching to Shares

Any Shares allotted when an option/award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number and/or class of Shares subject to an option/award and/or the exercise price payable (if any).

Overall limits

The Executive Share Plans may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than (i) 10% of the issued ordinary share capital of the Company under the Executive Share Plans and any other (executive or otherwise) share incentive plan adopted by the Company and/or (ii) 5% of the issued ordinary share capital of the Company under the Executive Share Plans and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional guidelines cease to require such shares to be so counted.

Shares issued or to be issued under awards or options granted before Admission together with those issued or to be issued under the DABP in relation to the Cash LTIP and any pre-Admission entitlements will not count towards these limits. However, it is currently envisaged that the DABP options granted in relation to the Cash LTIP will be satisfied either with Shares purchased in the market following Admission or with cash, or with a combination of cash and Shares purchased in the market following Admission at the discretion of the Remuneration Committee.

Alterations

The Remuneration Committee may, at any time, amend the Executive Share Plans in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired, and the adjustment of options/awards that may be made in the event of any variation of capital and the rule relating to such prior approval.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the Executive Share Plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any permitted amendments to any performance condition applying to an option/award in respect of the PSP. Any amendment to the disadvantage of participants (other than a permitted alteration to the performance conditions) requires the majority consent of those disadvantaged participants invited to indicate whether or not they approve the alteration and who so gave an indication.

Overseas plans

The board resolution adopting the Executive Share Plans states that the Remuneration Committee can establish further plans for overseas territories, any such plan to be similar to the Executive Share Plans, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Executive Share Plans.

11.2 ***Principal Terms of the JOE Arrangements***

(A) Interests under the JOE Agreements

Each Executive Director beneficially owns a portion of the JOE Shares under the applicable JOE Agreement (with the other portion beneficially owned by the trustee of the EBT). The legal title to the JOE Shares is held by the trustee of the EBT as nominee for the Executive Directors.

The JOE Shares may not be disposed of, dealt in or transferred without the consent of the relevant Executive Director and also the trustee of the EBT.

None of the benefits under the JOE Agreements are pensionable.

(B) Options under the JOE Agreements

Under the JOE Agreements, each of the Executive Directors was granted an option to purchase the EBT trustee's interest in the JOE Shares (broadly, the value of the JOE Shares up to a specified hurdle). The options are not subject to any performance conditions or forfeiture provisions and will vest on Admission.

Following vesting, the options are ordinarily exercisable in full or in part at any time until the fifth anniversary of Admission.

Following, and to the extent of, exercise, legal title in the relevant JOE Shares will usually be transferred to the Executive Director (subject to the payment of the relevant exercise price and any applicable tax) and the relevant Shares will be solely beneficially owned by the Executive Director.

(C) Rights attaching to the JOE Shares

Dividends paid in respect of the JOE Shares will be divided between the Executive Director and the trustee of the EBT in proportion to their respective beneficial interest in the JOE Shares.

For so long as the trustee of the EBT holds the JOE Shares, the trustee of the EBT will act as sole representative in respect of the JOE Shares (including the exercise of any voting rights).

11.3 ***Principal terms of the Top-up Option Agreements and the Substitute Option Agreements***

The following paragraphs first describe the features which are common to the Top-up Options, as well as to all of the Substitute Option Agreements, and then the features that are unique to those Substitute Option Agreements entered into with Richard Hayes and Steve Smith.

All of the Top-up Option Agreements and the Substitute Option Agreements were executed on 21 October 2013.

(A) Principal terms common to all of the Top-up Option Agreements and the Substitute Option Agreements

Grant of options under the Top-up Option Agreements and Substitute Option Agreements

Under the Top-up Option Agreements, conditional upon Admission, a Top-up Option was granted to nine members of senior management, including the Executive Directors.

Under the Substitute Option Agreements, conditional upon Admission, a Substitute Option was granted to five members of senior management (including Lesley Jackson).

Vesting of Top-up Options and Substitute Options

The Top-up Options and the Substitute Options (except for those Substitute Options granted to Richard Hayes and Steve Smith) vested immediately on grant. The Substitute Options granted to Richard Hayes and Steve Smith normally vest, dependent on the participant still being employed in the Company's group, on 1 May 2015.

Following vesting, the Top-up Options and Substitute Options are ordinarily exercisable up until the tenth anniversary of grant unless they lapse earlier. Shorter exercise periods apply in connection with corporate events.

Corporate events

In the event of an internal corporate reorganisation, Top-up Options and Substitute Options will be replaced by equivalent new options over shares in the new holding company.

Operation

The Remuneration Committee will supervise the operation of Top-up Option Agreements and the Substitute Option Agreements.

Dividend equivalents

Participants will receive a payment in cash on or shortly following the exercise of their Top-up Options/Substitute Options of an amount equivalent to the dividends that would have been paid on the Shares underlying such Top-up Options/Substitute Options between the time when the Top-up Options/Substitute Options vested and the time when the underlying Shares were delivered to the relevant optionholder.

Optionholders' rights

Top-up Options/Substitute Options will not confer any shareholder rights until the options have been exercised and the participants have received their Shares.

Rights attaching to Shares

Any Shares allotted when a Top-up Option or Substitute Option is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number and/or class of Shares subject to a Top-up Option or Substitute Option.

Source of Shares

The Top-up Options/Substitute Options are intended to be satisfied with Shares currently held in the EBT.

Alterations

Any alterations to the Top-up Option Agreements/Substitute Option Agreements will require the written consent of the Company and the relevant optionholder.

(B) Principal terms of the Substitute Option Agreements entered into with Richard Hayes and Steve Smith

Leaving employment

As a general rule, an unvested Substitute Option will lapse upon an optionholder ceasing to hold employment or be a director within the Company's group.

However, if the optionholder ceases to be an employee or a director within the Company's group because of his injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Remuneration Committee, then his Substitute Option will vest on the date when it would have vested if he had not so ceased to be an employee or director of a group company. The extent to which a Substitute Option will vest in these situations will depend upon the pro-rating of the option/award to reflect the reduced period of time between its grant and vesting, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an option/award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if an optionholder ceases to be an employee or director in the Company's group for one of the "good leaver" reasons specified above, the Remuneration Committee can decide, in exceptional circumstances, that his option/award will vest early, subject to pro-rating by reference to the time of cessation as described above. If a participant dies, his Substitute Option will vest early (unless the Remuneration Committee decides, in exceptional circumstances, that his Substitute Option will vest on the date when it would have vested if he had not died).

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all options/awards will vest early, subject to the pro-rating of the Substitute Options to reflect the period of time between their grant and vesting, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of a Substitute Option if it regards it as appropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, the Remuneration Committee may decide that the Substitute Options should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Shares to a material extent, then the Remuneration Committee may decide that the Substitute Options will vest on the basis which would apply in the case of a takeover as described above.

12. Employee benefit trusts

The Company may operate the Executive Share Plans in conjunction with the existing offshore Stock Spirits Employee Benefit Trust, established on 27 May 2010, or any other employee benefit trust that may be established by the Company or any other member of its Group (each an "**EBT**"). The EBT may acquire Shares and shall be entitled to hold or distribute Shares in respect of share options and awards granted pursuant to the Executive Share Plans. The trustee of the EBT may buy Shares in the market or subscribe for them. The EBT may be funded by way of loans and other contributions from the Company and other group companies.

The EBT may not, at any time without prior shareholder approval, hold more than 5% of the issued ordinary share capital of the Company (or such other greater percentage as may be required under institutional investor guidelines from time to time). Shares held by the trustee of the EBT as nominee for any person or Shares held by the trustee of the EBT prior to Admission will not count towards this limit.

13. Pensions

As prescribed by Italian legislation, certain employees in Italy are entitled to employee severance indemnities. This indemnity payment is payable to employees at the time the employee leaves for any reason (i.e. death, retirement, dismissal or voluntary redundancy). The provision for employee severance indemnity, mandatory for Italian companies pursuant to Law No. 297/1982, represents a defined benefit plan, according to IAS 19, and is based on the working life of employees and on the remuneration earned by an employee over the course of a pre-determined term of service. The most recent actuarial valuations of plan assets and the present value of the Group's defined benefit obligation were carried out at 30 June 2013 by an actuary.

The value of the Group's defined benefit obligation was €0.6 million at 1 January 2012 and €0.3 million at 1 January 2013. See Note 25 to the Group's audited consolidated financial information in Part XII (*Historical Financial Information*) for the assumptions used in the actuarial valuations.

14. Significant change

Save as disclosed in this section 14, there has been no significant change in the financial or trading position of the Group since 30 June 2013, being the date to which the historical financial information in Part XII (*Historical Financial Information*) was prepared.

- The Group completed the sale of the Trieste Site in July 2013 for €4.2 million.
- In July 2013, the cash deposited by the Group into a customs deposit account in relation to the German distillery (€3.9 million) was returned to the Group in exchange for an ING Credit Facility-backed bank guarantee, which was increased in September 2013.
- In August 2013, a purchase price adjustment of €360,000 in the Group's favour was agreed in respect of the Imperator acquisition, reducing the total consideration paid to €7.1 million.
- In August 2013, the Group entered into an agreement with Beam to distribute Beam's portfolio of brands in Poland on an exclusive basis starting in September 2013. Revenue derived from this agreement will be reported in the Polish segment.
- On 1 August 2013 and 7 August 2013, the Group borrowed €15.6 million and €54.4 million, respectively, under the New Term Loans. The Group utilised the amounts, together with cash on its balance sheet, to redeem a portion of the outstanding PECs for a total of €82.2 million. The associated costs were €4.9 million (of which €4.6 million was accrued for within Trade and other Payables as at 30 June 2013 and €0.2 million was paid in the six months to 30 June 2013 using existing resources).

15. Litigation and disputes

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the twelve months prior to the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

The Group is currently engaged in litigation in Bosnia & Herzegovina for unauthorised use of the Group's intellectual property rights with a former distributor. Since the termination of the arrangement, the former distributor has been selling products in the market that bear the Group's trademarks without its consent. The Group has initiated litigation for intellectual property infringement, breach of contract obligations and violation of customs laws, each of which is currently ongoing. The Group is claiming an amount of approximately €2.5 million.

Following an audit in respect of FY 2006 and FY 2007, the Italian tax authorities issued an additional tax assessment against the Group in June 2013. After settlement talks were unsuccessful, the Group appealed the assessment to the Trieste tax court and is awaiting judgment. The aggregate amount at issue is €5.7 million (representing additional tax, penalties and interest) and at 30 June 2013 there is included in the current tax liability an amount of €1.6 million for the potential tax liability (FY 2012: €1.6 million, FY 2011: €1.7 million and FY 2010: €1.1 million). In May 2013, the investigation was extended to cover FY 2008, FY 2009 and FY 2010, but no details are yet known and no provision for a potential tax liability has been made for these periods.

16. Material contracts

Set out below is a summary of (i) each material contract (other than a contract in the ordinary course of business) to which the Company is a party which has been entered into within the two years immediately preceding the date of this Prospectus; and (ii) any other contract (other than a contract in the ordinary course of business) entered into by any member of the Group which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus.

16.1 ***Underwriting Agreement***

The Company, the Directors, the Joint Global Coordinators, the Underwriters and the Principal Shareholders have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained in the Underwriting Agreement which are customary in agreements of this nature, each of the Underwriters has severally agreed to underwrite a proportion of, and together to underwrite in aggregate all of, the issue of the Ordinary Shares available under the Offer before any exercise of the Over-allotment Option.

The Offer is conditional upon, *inter alia*, Admission occurring not later than 08:00 on 25 October 2013 (or such later date and time as the Joint Global Coordinators may agree with the Company) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. The underwriting commitment of the Underwriters in respect of the New Issue Ordinary Shares and the Existing Ordinary Shares which are the subject of the Secondary Offer will cease to be conditional at the point of Admission. If the conditions to the Underwriting Agreement have not been satisfied, or if the Underwriters otherwise cease to underwrite the Offer in accordance with the terms of the Underwriting Agreement, Admission will not occur.

The Underwriting Agreement can be terminated at any time prior to Admission in certain customary circumstances set out in the Underwriting Agreement. If these termination rights are exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

The Underwriting Agreement provides for the Underwriters to be paid a commission by the Company in respect of the New Issue Ordinary Shares underwritten, the Principal Shareholders in respect of the Existing Ordinary Shares sold by them pursuant to the Offer and the Over-allotment Shareholders in respect of any Over-allotment Shares sold by them following exercise of the Over-allotment Option. The aggregate commission will be equal to 2.25% of the Offer Price, multiplied by the aggregate number of such shares. The Company and the Principal Shareholders may also, at their absolute discretion, pay an additional commission equal to up to 0.75% of the Offer Price multiplied by the aggregate number of such shares, the amount of which will be determined within 45 days of Admission. Each Underwriter will be entitled to receive a proportion of such commissions equal to the proportion of the Offer Shares it has agreed to underwrite. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them as Underwriters may be retained or dealt in, by them, for their own benefit.

Allocations of the Offer Shares among prospective investors will be determined by the Joint Global Coordinators in consultation with the Company.

All Offer Shares issued or sold and all Over-allotment Shares sold pursuant to the Offer will be issued and/or sold, payable in full, at the Offer Price in accordance with the terms of the Offer.

The Company has agreed to pay or cause to be paid (together with any applicable irrecoverable amounts in respect of VAT) certain costs, charges, fees and expenses of or arising in connection with or incidental to, the Offer. The Principal Shareholders have agreed to pay or cause to be paid (subject to certain limitations) any stamp duty and/or SDRT accruing on sales of their Existing Ordinary Shares pursuant to the Offer. The Over-allotment Shareholders have agreed to pay or cause to be paid (subject to certain limitations) any UK stamp duty and/or SDRT accruing on sales of the Over-allotment Shares pursuant to the Offer or on transfers of Existing Ordinary Shares under the Stock Lending Arrangements.

The Company, the Directors and the Principal Shareholders have each given customary representations, warranties and undertakings to the Banks, and the Company and the Principal Shareholders have given certain indemnities to the Banks, including in the case of the Company, indemnities for liabilities under applicable securities laws.

The parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

The Company has entered into certain lock-up arrangements relating to the Ordinary Shares and securities of the Company which are substantially similar to the Ordinary Shares (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities). The Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Coordinators, issue, lend, mortgage, assign, charge, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Each of the Directors has agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, he or she will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) which that Director did not sell at Admission or enter into any transaction with the same economic effect as any of the foregoing.

The Principal Shareholders have agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, they will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

16.2 ***Stock Lending Agreement***

In connection with settlement and stabilisation, J.P. Morgan Cazenove, as Stabilising Manager, has entered into a stock lending agreement (the "**Stock Lending Agreement**") with each of the Lending Shareholders pursuant to which the Stabilising Manager will be able to borrow, from each of the Lending Shareholders, a number of Ordinary Shares equal in aggregate to up to 15% of the total number of Ordinary Shares comprised in the Offer for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholders in accordance with the terms of the Stock Lending Agreement.

16.3 ***Lock-up arrangements***

Pursuant to the Underwriting Agreement, each of the Company, the Principal Shareholders and the Directors has agreed to certain lock-up arrangements. These arrangements are more fully described in section 16.1, above.

Pursuant to the Small Selling Shareholder Arrangements, each Non-Management Shareholder has agreed to certain lock-up arrangements. These arrangements are more fully described in section 17, below.

Pursuant to the Offer, at Admission each Senior Management Shareholder can sell up to 30% of the Ordinary Shares he owns the day before Admission. During the period of 365 days from the date of Admission, any Ordinary Shares (or any interest therein or in respect thereof) that a Senior Management Shareholder did not sell at Admission can only be offered, sold subject to a contract for sale, or otherwise disposed of, subject to certain exceptions, with the consent of the Board.

16.4 ***Relationship Agreement***

The Company entered into the Relationship Agreement, on 22 October 2013, with the Principal Shareholders which will regulate (in part) the degree of control that the Principal Shareholders and their affiliates may exercise over the management of the Company. The principal purpose of the

Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Principal Shareholders.

The substantive provisions of the Relationship Agreement will take effect on and from Admission (provided that it is not later than 4 December 2013 or such later date as the parties may agree, in which case the Relationship Agreement will terminate), save for the provision in relation to board composition outlined in (A) below, which will take effect on and from the date of the Relationship Agreement. The Relationship Agreement will continue, in respect of the Principal Shareholders until (i) they each cease to hold a relevant interest in the Company or (ii) the Principal Shareholders are in material breach of the Relationship Agreement, the Company serves a notice to terminate the Relationship Agreement and such breach remains unremedied for a period of ten business days from receipt of the notice. For these purposes, a "relevant interest" is an interest, either direct or indirect, in 10% or more of the aggregate voting rights in the Company from time to time.

The Relationship Agreement regulates the continuing relationship between the Principal Shareholders and the Company on and after Admission. In particular:

(A) the Principal Shareholders and the Company shall procure that, as at Admission, the Board shall comprise those Directors specified in the Relationship Agreement;

(B) the Principal Shareholders shall have the right to nominate one person to be their Representative Director on the Board and such Representative Director may be paid, either directly or via a management or services company, reasonable fees and expenses, on a consistent basis with any other Non-Executive Directors, in respect of the performance of that Representative Director's duties as a Director;

(C) the Principal Shareholders agree, so far as they are reasonably able to procure the same, to ensure that all Shareholders are treated equally, that the independence of the Board is maintained and that the Company shall be capable of carrying on its business independently of the Principal Shareholders;

(D) all agreements, transactions and relationships between the Principal Shareholders, any of their affiliates and the Company and its subsidiaries will be conducted on arm's length and normal commercial terms;

(E) the Principal Shareholders agree that they shall not influence the day-to-day running of the Company at an operational level or hold or acquire a material shareholding in any of Company's subsidiaries and will prevent their affiliates from doing so;

(F) the Principal Shareholders shall not, and shall use best endeavours to procure that none of their affiliates shall, acquire Ordinary Shares, without the consent of the Independent Board, if it is reasonable to expect that such acquisition will require a mandatory offer under the City Code;

(G) the Principal Shareholders shall consult with the Company prior to divesting any interest of 5% or more of the issued Ordinary Shares in the Company or in any other circumstances where any divestment is likely to result in costs being incurred by the Company in relation to the divestment;

(H) the Principal Shareholders shall not be entitled to nominate as their Representative Director any person who is also a Director of any other person in whom the Principal Shareholders or any of their affiliates, has any interest if such other person is a competitor of the Company;

(I) the Representative Director shall not be entitled to participate in any meeting of the Board or discussions of the Board where the matter being considered presents a conflict between the interests of the Company and the Principal Shareholders. The Independent Board shall be responsible for determining, in cases of doubt, whether a conflict of interest exists; and

(J) neither the Representative Director of the Principal Shareholders nor the Principal Shareholders themselves shall receive any information relating to any matter where a conflict of interest may arise.

The Company shall provide such cooperation, information and assistance as the Principal Shareholders may reasonably request in relation to a proposed divestment of the Principal Shareholders' shares.

The Board believes that the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Principal Shareholders and their affiliates, and ensure that all transactions and relationships between the Company and the Principal Shareholders and their affiliates are, and will be, at arm's length and on a normal commercial basis.

16.5 ***ING Credit Facility***

The facilities under the ING Credit Facility comprise seven floating-rate fixed-term loans (in an aggregate amount of €240,000,000, the Term Loans) and one floating-rate multicurrency revolving credit facility (in an amount of €70,000,000, the RCF). The terms of the ING Credit Facility are described in the paragraph entitled 'Borrowings' in section 6 "*Liquidity and capital resources*" in Part XI (*Operating and Financial Review*).

16.6 ***Acquisition and Disposal Agreements***

(A) Acquisition of Imperator – Framework Acquisition Agreement with five individual sellers (the "Imperator Sellers") dated 6 November 2012 (the "Imperator AA")

Pursuant to the Imperator AA, Stock Slovakia s.r.o. and Stock Plzeň-Božkov s.r.o. (the "**Imperator Purchasers**") acquired the equity in Imperator from the Imperator Sellers for a total purchase price of €7,500,000 on 13 December 2012. A proportion of this amount was transferred to an escrow account, to be held until 31 December 2017, to cover potential claims by the Imperator Purchasers against the Imperator Sellers under the Imperator AA.

The Imperator Sellers gave customary representations to the Imperator Purchasers, subject to certain qualifications. The liability of the Imperator Sellers in respect of key representations relating to the ownership of Imperator, neither Imperator nor the Imperator Sellers being insolvent or in imminent insolvency, and product liability claims is capped at €7,500,000 in aggregate. The liability of the Imperator Sellers under the other less key representations of the Imperator AA is capped at 50% of the adjusted final purchase price, or €3,000,000, whichever was higher. The limits on liability do not apply in cases of fraud, intentional misconduct or gross negligence.

The Imperator Sellers have agreed not to compete with Imperator's business, or to solicit any of its clients, customers, suppliers or employees, for a period of two years after closing.

Since the completion of the acquisition of Imperator, the Group and the Imperator Sellers have been negotiating an adjustment to the total purchase price and have agreed, pursuant to an amendment to the Imperator AA, a total adjustment amount of €360,000 in favour of the Imperator Purchasers. This purchase price adjustment was paid to the Group in September 2013.

(B) Acquisition of assets of Novel Ferm – Asset Purchase Agreement dated 26 October 2012 (the "Baltic SPA")

Pursuant to the Baltic SPA, an agreement between Baltic Distillery, a company newly formed by the Group for the acquisition, Novel Ferm and certain other entities (the general partner, limited partners and the shareholder of one of the limited partners of Novel Ferm), Baltic Distillery agreed to acquire all of the assets of Novel Ferm, an ethanol distillery in Germany, for a consideration of approximately €3.6 million. The assets acquired included land and buildings, plant and machinery, inventories, all 36 employees of Novel Ferm and certain contracts such as customer and supplier contracts. The acquisition completed on 30 November 2012.

Certain customary warranties were given to Baltic Distillery by Novel Ferm, including as to the legal capacity of Novel Ferm to enter into the Baltic SPA (this warranty was given by Novel Ferm and its general partner) and the existence of all permissions necessary for Novel Ferm to carry on its business. Despite this latter warranty, certain relevant permissions connected to particular entities and/or individuals were to be requested at the risk and the expense of Baltic Distillery.

Pursuant to the Baltic SPA, Novel Ferm is liable in the event of a warranty breach and, in the first instance, must take such action as is required to create the circumstances that would have existed had the breach not occurred and, if this is not possible, pay damages. The amount of such damages is, depending on the particular warranty which has been breached, limited to 100% or 50% of the consideration. Loss of profit and indirect damages are not covered. Save in respect of the tax indemnification (which has a shorter limitation period), the applicable limitation periods for warranty claims under the Baltic SPA range between three and five years and commence from the date on which the last asset was transferred to Baltic Distillery.

In addition, one party to the Baltic SPA agreed, in the form of a contract to the benefit of a third party, to grant financial support to Novel Ferm to enable it to meet its obligations (in particular, its obligations towards Baltic Distillery, especially in the event of liability in respect of Novel Ferm) for a certain period of time. In the event of insolvency of Novel Ferm after such period of time, that party will be subrogated into Novel Ferm's position as regards the representations and warranties towards Baltic Distillery and thereby assume all Novel Ferm's liabilities.

(C) Disposal of US business – Stock Purchase Agreement with Sazerac of Canada Inc ("Sazerac") dated 15 August 2012 (the "US Business SPA")

Pursuant to the US Business SPA, Stock Spirits Group Limited (the "**US Business Seller**") agreed to sell and Sazerac agreed to acquire all of the shares in Stock Spirits Group USA Inc ("**Stock US**"). The main business of Stock US was the ownership, and intermediation in the sale and distribution in the US, of the Gran Gala brand. The purchase price payable for the shares in Stock US was subject to certain adjustments under the US Business SPA. The sale completed on 15 October 2012.

Pursuant to the US Business SPA, the US Business Seller and Sazerac each made various representations and warranties to one another, with various periods of application.

The US Business Seller and Sazerac agreed to indemnify one another (and, in the case of the indemnity provided by the US Business Seller, the affiliates of Sazerac) from any losses suffered due to a number of reasons, including breaches or non-performance of certain obligations contained in the US Business SPA. The liability of each party with regard to the indemnity is unlimited in certain cases, capped at an aggregate of US$4,000,000 in other cases and capped at an aggregate of US$30,000,000 in respect of certain liabilities relating to tax matters.

There were various agreements entered into in connection with the US Business SPA, namely: (i) an intellectual property purchase agreement pursuant to which two of the Company's indirect subsidiaries sold and transferred certain intellectual property relating to the Gran Gala brand to an affiliate of Sazerac; (ii) an inventory purchase agreement for the sale and transfer of the finished goods inventory owned by one of the Company's indirect subsidiaries and to be sold under the Gran Gala brand to an affiliate of Sazerac; and (iii) a transitional production, bottling and packing agreement which provided for one of the Company's indirect subsidiaries to produce, bottle, package and deliver certain Gran Gala and Gala Caffe products to an affiliate of Sazerac for a limited period of time (which was terminated on 15 April 2013).

(D) ***Disposal of Trieste Site – Sale and Purchase Agreement between Stock S.r.l. ("Stock Italy") and Revas Group S.p.A. ("Revas") dated 9 July 2013 (the "Trieste SPA")***

Pursuant to the Trieste SPA, which is governed by Italian law, Stock Italy agreed to sell and Revas agreed to acquire the land and buildings located at 27 Via Caboto, Trieste, Italy, registered at the Trieste Land Registry with registration numbers 3974 (subdivision 4151/7) and 3223 (subdivision 4151/1) (the "**Trieste Site**"). The Trieste Site was used by the Group until June 2012 for the manufacture of alcoholic drinks. The purchase price was €4.2 million (exclusive of VAT), part of which was used to discharge a mortgage in favour of the ING Credit Facility existing over the Trieste Site.

Stock Italy gave the customary warranties as to title to the Trieste Site and freedom from encumbrances (save for a mortgage mentioned above and an easement for electricity mains with an associated right of way). Revas acknowledged that, having made its own investigations, it accepted the Trieste Site in its condition as at the date of disposal (including, without limitation, the location of the Trieste Site within a designated Site of National Interest and the presence of asbestos within the Trieste Site). Revas also relinquished its right to recover from Stock Italy the costs of any actions required to be carried out in relation to the Trieste Site, and agreed to hold harmless and indemnify Stock Italy in respect of any liability to third parties arising out of the Trieste SPA.

17. Small Selling Shareholder Arrangements

The Senior Management Shareholders and the Non-Management Shareholders have each entered into a deed of election under which he or she agrees:

(A) to sell a specified proportion of his or her Existing Ordinary Shares pursuant to the Offer;

(B) (i) if he is a Non-Management Shareholder, he may sell some or all of his Existing Ordinary Shares;

(ii) if he or she is a Senior Management Shareholder, he or she may sell up to 30% of the aggregate of his or her Existing Ordinary Shares and any options he or she is entitled to exercise, at the date of Admission, over any Ordinary Shares;

(C) if he is a Non-Management Shareholder he shall pay to the Underwriters a commission of 2.25% of the amount equal to the product of the Offer Price and the number of Existing Ordinary Shares sold by him pursuant to the Offer (plus, if applicable, amounts in respect of VAT). These amounts shall be deducted by J.P. Morgan Cazenove (acting as settlement agent) from the payment to be made by J.P. Morgan Cazenove to such Selling Shareholder in respect of the sale of his Existing Ordinary Shares pursuant to the Offer;

(D) to pay to and reimburse the Underwriters in respect of any stamp duty and/or SDRT arising on the initial sale of his or her Existing Ordinary Shares under the Offer. These amounts shall be deducted by J.P. Morgan Cazenove (acting as settlement agent) from the payment to be made by J.P. Morgan Cazenove to such Selling Shareholder in respect of the sale of his or her Existing Ordinary Shares pursuant to the Offer;

(E) to give certain representations, warranties and undertakings to the Underwriters. The liabilities of such Selling Shareholders pursuant to these representations, warranties and undertakings are limited as to time and amount; and

(F) (i) to undertake that, if he is a Non-Management Shareholder, subject to certain exceptions, during the period of 180 days from the date of Admission, he will not, without the prior written consent of the Joint Global Coordinators, offer, sell or contract to sell, grant or sell any option over, charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) which he did not sell at Admission or enter into any transaction with the same economic effect as any of the foregoing; and

(ii) to undertake that if he or she is a Senior Management Shareholder, subject to certain exceptions, during the period of 365 days from the date of Admission, he or she will not, without the prior written consent of the Board, offer, sell or grant or sell any option over charge, pledge or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) which he did not sell at Admission or enter into any transaction with the same economic effect as any of the foregoing.

18. Related party transactions

Save as disclosed: (i) in the financial information set out in the related party transaction notes to the financial statements for FY 2010, FY 2011, FY 2012 and HY 2013 contained in Note 31 of Part XII (*Historical Financial Information*); and (ii) in the paragraph directly below, there were no material transactions with related parties during FY 2010, FY 2011, FY 2012, HY 2013 or between 30 June 2013 and the date of this Prospectus.

The Operating Company redeemed PECs (together with interest thereon) totalling €80.0 million in April 2013 and PECs (together with interest thereon) totalling €82.2 million in August 2013. In both cases, payment on redemption was made to the PEC Holders (who are considered to be related parties).

19. Working capital statement

The Company is of the opinion that, taking into account the net proceeds of the Offer receivable by the Company and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of the publication of this Prospectus.

20. Consents

EY has given and has not withdrawn its written consent to the inclusion in this Prospectus of its reports, set out in Part XII (*Historical Financial Information*) and Part XIII (*Unaudited Pro Forma Financial Information*), and references to them in the form and context in which they appear and has authorised the contents of those reports for the purpose of Prospectus Rule 5.3.3.R(2)(f) of the Prospectus Rules and item 23.1 Annex I of the Commission Regulation (EC) 809/2004.

Each Joint Sponsor has given and not withdrawn its consent to the inclusion in this Prospectus of its name in the form and context in which it appears.

21. Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company, Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH and the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the duration of the Offer:

- the Articles;
- the reports of EY set out in Parts XII (*Historical Financial Information*) and XIII (*Unaudited Pro Forma Financial Information*) of this Prospectus;
- consent letters; and
- a copy of this Prospectus.

For the purposes of PR 3.2.4 of the Prospectus Rules, the Prospectus will be published in printed form and available free of charge for the duration of the Offer at the registered office of the Company in the UK at Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH and at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY. In addition, the Prospectus will be published in electronic form and available on the Website, subject to access restrictions.

22. General

The total costs and expenses of, and incidental to, Admission and the Offer (including the listing fees, printer's fees, advisers' fees, professional fees and expenses, the costs of printing and distribution of documents and amounts in respect of VAT payable by the Company) are estimated to amount to £8.3 million and are payable by the Company. Included within the total are commissions, which are expected to be up to approximately £1.6 million, payable by the Company to the Underwriters.

PART XVI

DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

2010 PD Amending Directive	Directive 2010/73/EU;
ABP	the Stock Spirits Group PLC Annual Bonus Plan;
Adjusted EBIT	as described in Part V (*Presentation of Information*);
Adjusted EBITDA	as described in Part V (*Presentation of Information*);
Admission	admission of the Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange;
Articles	the Articles of Association of the Company;
Audit Committee	the audit committee of the Company;
BaFin	the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*);
Baltic Distillery	Baltic Distillery GmbH;
Baltic SPA	Asset Purchase Agreement dated 26 October 2012 for the acquisition of Novel Ferm assets;
Banks	J.P. Morgan Cazenove, Nomura, Jefferies and Berenberg;
Beam	Beam Inc.;
Berenberg	Joh. Berenberg, Gossler & Co. KG, acting through its London branch, with address at 60 Threadneedle Street, London EC2R 8HP, United Kingdom;
Bribery Act	Bribery Act 2010 of the United Kingdom as amended;
CAGR	compound annual growth rate;
Cash LTIP	the Stock Spirits Cash Long Term Incentive Plan;
CECs	convertible equity certificates;
CEO	chief executive officer;
CFO	chief financial officer;
Chairman	Jack Keenan;
City Code	the City Code on Takeovers and Mergers;
CO	the Swiss Code of Obligations;
Code	the US Internal Revenue Code of 1986, as amended;
Companies Act	the UK Companies Act 2006, as amended;

Company or **Issuer**	Stock Spirits Group PLC, a public limited liability company incorporated under the laws of England and Wales, with its registered office at Solar House, Mercury Park, Wooburn Green, Buckinghamshire HP10 0HH;
Corporate Reorganisation	as described in section 3 of Part XV (*Additional Information*);
CPECs	convertible preferred equity certificates;
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear UK & Ireland Limited;
Czech Act on Spirits	the Czech act on spirits, Act No. 61/1997 Coll., as amended;
Czech Compulsory Labelling Act	the Czech act on compulsory labelling of spirits, Act. No. 676/2004 Coll., as amended;
Czech Excise Taxes Act	the Czech act on excise taxes, Act No. 353/2003 Coll., as amended;
Czech rum	a spirit drink local to the Czech Republic, also called "local rum" or "Tuzemak", made from sugar beet, as opposed to traditional rum, which is made from sugar cane;
Czech Term Loans	two of the Term Loans (totalling €80 million) made available to one of the Group's Czech subsidiaries;
Czech Trade Licensing Act	the Czech trade licensing act, Act No, 455/1991 Coll., as amended;
Czech Trade Permit	the trade (concession) permit issued by the Trade Licensing Office in the Czech Republic;
DABP	the meaning given in Part XV (*Additional Information*), section 11 of this document;
Directors or **Board**	the Chairman and the Executive and Non-Executive Directors of the Company;
Disclosure and Transparency Rules	the disclosure and transparency rules made by the FCA under Part VI of FSMA;
EBITDA	earnings before interest, tax, depreciation and amortisation as described in Part XI (*Operating and Financial Review*);
EBT	the meaning given in Part XV (*Additional Information*), section 12 of this document;
EIU	the Economist Intelligence Unit;
Element	as described in Part I (*Summary*);
EU15	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom;
EURIBOR	Euro Interbank Offered Rate;
European Economic Area or **EEA**	the European Union, Iceland, Norway and Liechtenstein;
European Union or **EU**	an economic and political union of 27 Member States which are located primarily in Europe;

Eurozone	the Member States of the European Union that have adopted the euro as their common currency and sole legal tender;
Exchange Act	the United States Exchange Act of 1934, as amended;
Excluded Distribution Arrangement	a distribution agreement for a third-party brand in the Czech Republic and Slovakia, which will terminate in FY 2013;
Executive Directors	each of Christopher Heath and Lesley Jackson;
Executive Share Plans	the DABP and the PSP;
Existing Ordinary Shares	the Ordinary Shares in issue immediately prior to Admission;
EY	Ernst & Young LLP, whose registered office is at 1 More London Place, London SE1 2AF, United Kingdom;
FCA	the UK Financial Conduct Authority;
FCA Handbook	the FCA's Handbook of Rules and Guidance;
FINMA	the Swiss Financial Market Supervisory Authority;
First Grants	as described in Part VIII (*Directors, Senior Management and Corporate Governance*), section 6.5 of this document;
FMCG	fast moving consumer goods;
Free Cash Flow	as described in Part V (*Presentation of Information*);
FSA	the UK Financial Services Authority;
FSMA	the UK Financial Services and Markets Act 2000 (as amended);
FY	the financial year ended 31 December;
German Spirits Monopoly Act	the German spirits monopoly act (*Branntweinmonopolgesetz*), as amended;
Group	prior to the Corporate Reorganisation, OCM Luxembourg Spirits Holding S.à r.l. and its subsidiaries and subsidiary undertakings, and with effect from the Corporate Reorganisation, the Company and its subsidiaries and subsidiary undertakings and, in each case, where the context requires, its associated undertakings;
HMRC	Her Majesty's Revenue and Customs;
HoReCa	hospitality, restaurants and catering;
HY	the six months ended 30 June;
IFRS	International Financial Reporting Standards as adopted by the European Commission for use in the European Union;
Imperator	Imperator s.r.o.;
Imperator AA	Framework Acquisition Agreement dated 6 November 2012 for the acquisition of the entire share capital of Imperator;
Imperator Purchasers	Stock s.r.o. and Stock Plzeň-Božkov s.r.o., being the purchasers of the entire share capital of Imperator under the Imperator AA;

Imperator Sellers	the five individual sellers of the entire share capital of Imperator under the Imperator AA;
Independent Board	the Board from time to time excluding the Representative Director;
Independent Non-Executive Directors	each of David Maloney, Andrew Cripps and John Nicolson;
ING Credit Facility	the credit facility entered into by, among others, certain members of the Group and ING Bank N.V. on 30 September 2011, as amended and restated on 24 June 2013;
IRI	Information Resource Incorporated;
IRS	US Internal Revenue Service;
ISIN	International Securities Identification Number;
Issuer	see definition of "Company" above;
Italian Excise Tax Code	Legislative Decree dated 26 October 1995, No. 504;
Italian Term Loan	one of the Term Loans (in the amount of €10 million) made available to the Group's Italian subsidiary;
IWSR	International Wine and Spirit Research;
Jefferies	Jefferies International Limited, whose registered address is at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ, United Kingdom;
JOE Agreements	the meaning given in Part VIII (*Directors, Senior Management and Corporate Governance*), section 6.6(A) of this document;
JOE Shares	the meaning given in Part VIII (*Directors, Senior Management and Corporate Governance*), section 6.6(A) of this document;
Joint Bookrunners	each of J.P. Morgan Cazenove, Nomura and Jefferies;
Joint Global Coordinators	each of J.P. Morgan Cazenove and Nomura;
Joint Sponsors	each of J.P. Morgan Cazenove and Nomura;
J.P. Morgan Cazenove	J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove), whose registered office is at 25 Bank Street, London E14 5YP, United Kingdom;
KPI	key performance indicators;
Lead Manager	Berenberg;
Lending Shareholders	the Principal Shareholders;
LIBOR	London Interbank Offered Rate;
Listing Rules	the listing rules made by the UK Listing Authority under Part VI of FSMA (as set out in the FCA Handbook), as amended;
London Stock Exchange or **LSE**	London Stock Exchange plc;
MAT	moving annual total;
Member State	member state of the European Economic Area;

Model Code	the model code published in Annex I to LR9 of the Listing Rules;
Net Free Cash Flow	EBITDA excluding exceptional items less interest or debt service, taxation, capital expenditure, working capital adjustments (excluding any movements in relation to exceptional items) and any amounts relating to investments, acquisitions or disposals;
New Issue Ordinary Shares	those Ordinary Shares to be issued by the Company pursuant to the Offer as described in Part VI (*Details of the Offer*);
New Term Loans	two of the Term Loans (totalling €70 million) added to the ING Credit Facility in June 2013 and available to all borrowers under the ING Credit Facility;
Nielsen	The Nielsen Company;
Nomination Committee	the nomination committee of the Company;
Nomura	Nomura International plc, whose registered office is at 1 Angel Lane, London EC4R 3AB, United Kingdom;
Non-Executive Directors	each of Karim Khairallah, David Maloney, Andrew Cripps and John Nicolson;
Non-Management Shareholders	Anthony Roberts, Neil Everitt and Brian Hurley, who are each former members of the Group's senior management team who left the Group more than six months prior to Admission;
Novel Ferm	Novel Ferm Brennerei Dettmannsdorf GmbH & Co KG;
NPD Programme	new product development programme;
Oaktree	Oaktree Capital Management LP, a global asset management firm;
OCM management fee	as defined in Part XI (*Operating and Financial Review*);
Offer	the offer of Ordinary Shares to certain institutional investors, including QIBs in the United States described in Part VI (*Details of the Offer*), being made by way of this Prospectus;
Offer Price	235 pence;
Offer Shares	as defined in Part VI (*Details of the Offer*);
Official List	the Official List maintained by the UKLA;
Operating Company	OCM Luxembourg Spirits Holding S.à r.l.;
Ordinary Shares or **Shares**	ordinary shares of £0.10 each in the Company;
Over-allotment Option	the over-allotment option granted by the Over-allotment Shareholders to the Stabilising Manager in the Underwriting Agreement;
Over-allotment Shareholders	the Principal Shareholders;
Over-allotment Shares	Ordinary Shares acquired at Admission pursuant to the exercise of the Over-allotment Option (if it is exercised);
PD Regulation	the Prospectus Directive Regulation (2004/809/EC);
PEC Holders	the Principal Shareholders, Neil Everitt, Caelyn Limited, Anthony Roberts, Ian Croxford, Christopher Heath, Claudio Riva, Elisa Gomez de Bonilla, Jack Keenan and Petr Pavlík;
PECs	preferred equity certificates;

Pekao Facility	the loan and cash facility provided by Bank Pekao SA, which was settled in full during October 2011;
periods under review	the periods under review for the purposes of the consolidated financial information included in Part XI (*Operating and Financial Review*), being the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013;
PFIC	passive foreign investment company;
Polish Ethyl Alcohol Production Act	the Polish act on the production of ethyl alcohol, as amended;
Polish Excise Tax Act	the Polish act on excise duties, as amended;
Polish Sobriety Education Act	the Polish act on sobriety education and counteracting alcoholism dated 26 October 1982, as amended;
Polish Spirits Production Act	the Polish act on the production of spirits beverages, as amended;
Polish Term Loans	two of the Term Loans (totalling €80 million) made available to one of the Group's subsidiaries;
PRA	the UK Prudential Regulation Authority;
Premium Listing	the premium listing segment of the Official List;
PRIBOR	Prague Interbank Offered Rate;
Principal Shareholders	OCM Luxembourg EPOF S.à r.l., OCM Luxembourg POF IV S.à r.l. and OCM Luxembourg EPOF A S.à r.l., being entities controlled by Oaktree;
Prospectus	this document;
Prospectus Directive	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), including any relevant implementing measure in each Relevant Member State;
Prospectus Rules	the prospectus rules made by the UK Listing Authority under Part VI of FSMA (as set out in the FCA Handbook), as amended;
PSP	the meaning given in Part XV (*Additional Information*), section 11 of this document;
Qualified Institutional Buyer or **QIB**	Qualified Institutional Buyer within the meaning given by Rule 144A;
RBS Facility	the loan and term facility led by The Royal Bank of Scotland, which was settled in full during October 2011;
RCF	the floating-rate multicurrency revolving credit facility (in an amount of €70,000,000) available under the ING Credit Facility;
Redeemable Preference Shares	50,000 redeemable non-voting preference shares of £1 each in the capital of the Company, which have been redeemed;
Registrars	Capita Registrars Limited;
Regulation S	Regulation S under the Securities Act;

Relationship Agreement	the relationship agreement between the Company and the Principal Shareholders;
Relevant Member State	each Member State of the European Economic Area that has implemented the Prospectus Directive;
Remuneration Committee	the Remuneration Committee of the Company;
Representative Director	a Director nominated by the Principal Shareholders pursuant to the Relationship Agreement;
Restricted Securities	securities within the meaning of Rule 144;
Revas	Revas Group S.p.A.;
Rule 144A	Rule 144A under the Securities Act;
Rum	both traditional rum, which is made from sugar cane, and Czech rum, which is made from sugar beet;
Sazerac	Sazerac of Canada Inc;
SDRT	stamp duty reserve tax;
Secondary Offer	the offer of up to 87,872,340 Existing Ordinary Shares which are owned by the Selling Shareholders prior to Admission;
Securities Act	the United States Securities Act of 1933, as amended;
SEDOL	Stock Exchange Daily Official List;
Selling Shareholders	the Principal Shareholders, the Senior Management Shareholders and the Non-Management Shareholders;
Senior Management	those individuals listed in section 2 of Part VIII (*Directors, Senior Management and Corporate Governance*);
Senior Management Shareholders	the Chairman, certain current members of the Senior Management (being Christopher Heath, Ian Croxford, Elisa Gomez de Bonilla, Mariusz Borowiak, Petr Pavlík and Claudio Riva) and certain former members of the Group's senior management team who left the Group less than six months prior to Admission and their associated persons (being Caelyn Limited, which is wholly owned by Marek Malinowski);
Shareholder	a holder of Ordinary Shares;
Slovak Act on Spirits	the Slovak act on the production of spirits and their placement on the market, Act No. 467/2002 Coll., as amended;
Slovak Excise Taxes Act	the Slovak act on excise taxes on alcoholic beverages, Act No. 530/2011, as amended;
Slovak Trade Licensing Act	the Slovak act on licensed trades, Act No. 455/1991 Coll., as amended;
Small Selling Shareholder Arrangements	the arrangements for the sale of Existing Ordinary Shares by the Senior Management Shareholders and the Non-Management Shareholders described in section 17 of Part XV (*Additional Information*);

Stabilising Manager	J.P. Morgan Cazenove;
Stock Italy	Stock S.r.l.;
Stock Lending Agreement	the stock lending agreement between the Stabilising Manager and the Lending Shareholders;
Stock Lending Arrangements	the arrangements set out in the Stock Lending Agreement pursuant to which the Stabilising Manager may borrow from the Lending Shareholders a number of Ordinary Shares equal in aggregate to up to 15% of the total number of Ordinary Shares comprised in the Offer;
Stock US	Stock Spirits Group USA Inc;
Substitute Options	the meaning given in Part VIII (*Directors, Senior Management and Corporate Governance*), section 6.6(C) of this document;
Takeover Panel	the UK Panel on Takeovers and Mergers;
Term Loans	the seven floating-rate fixed-term loans (in an aggregate amount of €240,000,000) available under the ING Credit Facility;
Top-up Options	the meaning given in Part VIII (*Directors, Senior Management and Corporate Governance*), section 6.6(B) of this document;
Trieste Site	the land and buildings located at 27 Via Caboto, Trieste, Italy, registered at the Trieste Land Registry with registration numbers 3974 (subdivision 4151/7) and 3223 (subdivision 4151/1);
Trieste SPA	the Sale and Purchase Agreement between Stock Italy and Revas dated 9 July 2013 for the disposal of the Trieste Site;
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland;
UK Corporate Governance Code	the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council;
UK Listing Authority or **UKLA**	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
Underwriters	J.P. Morgan Cazenove, Nomura, Jefferies and Berenberg;
Underwriting Agreement	the underwriting agreement entered into between the Company, the Directors, the Joint Global Coordinators, the Underwriters and the Principal Shareholders on 22 October 2013 and described in Part XV (*Additional Information*);
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
US Business Seller	Stock Spirits Group Limited, being the seller of the entire share capital of Stock US under the US Business SPA;
US Business SPA	the Stock Purchase Agreement with Sazerac dated 15 August 2012 for the sale of the entire share capital of Stock US;
US Holder	a beneficial owner of Ordinary Shares that is (1) an individual who is a citizen or resident of the United States for US federal income tax purposes; (2) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or

	organised under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person;
US Treasury	US Department of the Treasury;
VAT	value added tax;
WACC	weighted average cost of capital;
Website	www.stockspirits.com; and
WIBOR	Warsaw Interbank Offered Rate.

Stock Spirits Group

Solar House
Mercury Park
Wooburn Green
Buckinghamshire
HP10 0HH
United Kingdom

www.stockspirits.com

Tel: +44 1628 648500
Fax: +44 1628 521366