Embargoed until 7am on Thursday 12 March

Stock Spirits Group PLC

Results for the year ended 31 December 2014

Stock Spirits Group PLC, a leading Central and Eastern European branded spirits producer, announces its results for the year ended 31 December 2014.

FINANCIAL HIGHLIGHTS

- **Total revenue €292.7 million (2013: €340.5 million)**
- **Operating profit €53.6 million (2013: €47.7 million)**
- **Profit after tax €35.8 million (2013: €8.9 million)**
- **Interim dividend of €0.0125 per share paid in September, proposed final dividend of €0.025 per share**
- Adjusted EBITDA* €66.4 million (2013: €83.7 million)
- Adjusted free cash flow* of €29.3 million, 44.2% of Adjusted EBITDA*

OPERATIONAL HIGHLIGHTS

- Poland
  - Market disruption resulting from 15% Excise Duty increase
  - Consumers have accepted duty driven price increases
  - Supply chain disruption continues but is expected to improve during the course of 2015
  - Completion of 'Project Polar' initiative to install 20,000 fridges in traditional off-trade stores
  - Czysta de Luxe now 7th best-selling vodka in the world (IWSR 2013)
  - Strong performance in first year of Beam Suntory relationship with significant value and volume share growth being recorded
- Czech Republic
  - Strong growth of Fernet brand following rejuvenated brand building investment
  - Growth in value and volume share of Diageo Captain Morgan brand in first year of relationship
- Italy & Other markets
  - Strategy delivering strong profit growth
  - Imperator integration largely complete in Slovakia, benefits now being realised
  - Exclusive new distribution contracts signed with Beam Suntory in Croatia and Bosnia
- Continued focus on NPD - Further successful new product launches including Stock Prestige limited edition, new flavours of Lubelska, and Bozkov

Chris Heath, CEO of Stock Spirits Group, commented:

"Whilst 2014 has been a very challenging year for the Group following the 15% increase in excise duty in Poland, we have remained faithful to our strategy and achieved several important goals. We have continued to invest in our brands and our production capability and launched a number of successful new products. We are also delighted with the first full year of our distribution agreements with Beam Suntory in Poland and Diageo in the Czech Republic which have helped deliver significant value and volume growth. In the past year we have also signed new distribution agreements with Beam Suntory in Croatia and Bosnia, paid our first dividend and renegotiated a reduction in our bank margins.

We expect trading conditions in Poland to remain difficult moving into 2015 but expect more normal trading patterns will resume during the course of the year.

Our underlying performance and cashflow are strong and the Board is pleased to propose a final dividend of €0.025 per share. We remain confident in the future of the Group which is well placed to capitalise on the opportunities available in the Central and Eastern European Region. "

* Stock Spirits Group uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. Details of the basis of calculation for Adjusted EBITDA, Adjusted EBITDA margin and adjusted free cash flow can be found in Note 6.

Management will be hosting a presentation for analysts at 9am on Thursday 12 March at:

Nomura
1 Angel Lane
London
EC4R 3AB

There will be a simultaneous web cast of the presentation via www.stockspirits.com with a recording made available shortly thereafter.

For further information:

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Clinton Manning

A copy of this press release has been posted on www.stockspirits.com. The 2014 Annual Report and Accounts will be available on www.stockspirits.com on 8 April 2015.

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

Notes to editors:

About Stock Spirits

Stock Spirits, one of Central and Eastern Europe's leading branded spirits and liqueurs businesses, offers a modern premium branded spirits portfolio, rooted in local and regional heritage. With core operations in Poland, the Czech Republic, Slovakia, Italy, Croatia and Bosnia & Herzegovina, Stock also exports to more than 40 other countries worldwide. Global sales volumes currently total over 125 million litres per year.

Stock holds the market leadership positions in spirits in both Poland and the Czech Republic, where it has invested in what is believed to be state of the art production facilities, and is one of the world's leading vodka producers. This includes having the number one leading vodka brands in Poland, Italy and the Czech Republic. Core Stock brands include products made to long-established recipes such as Stock brandy, Fernet Stock bitters and Limonce, as well as more recent creations like Stock Prestige and Czysta de Luxe vodkas.

Stock was created through the integration of Eckes & Stock and Polmos Lublin in 2008 and floated on the main market of the London Stock Exchange in October 2013.

Stock supports and is active in the promotion of responsible and moderate drinking. For further information please visit: www.stockspirits.com

Chairman's Statement
Jack Keenan

Overall, we faced a challenging year, primarily because of the 15% duty increase in Poland. However, what pleases me most about the year is that we continued to invest in our strong leadership brands in Poland, the Czech Republic and Italy. These leading brands finished the year with strong market share and consumer loyalty.

I am also encouraged by the success of our new product development (NPD) programme. This strength in NPD continues to be a major asset for the Group and demonstrates our understanding of consumer trends as well as underscoring our strength in innovation and the scale of distribution in the markets in which we operate.

That distribution scale has also won us agreements with Beam Suntory, Inc. in Poland and with Diageo plc in the Czech Republic. These agreements have benefitted the brand owners and ourselves as we have achieved significant value growth in the first year of our relationships. It is a testament to our delivery that we have signed a new agreement with Beam Suntory, Inc. for the distribution of their brands in Croatia and Bosnia.

Significant work has been undertaken on reviewing opportunities for the development of our business in new markets. We have not been able to conclude a transaction during 2014, but will continue to pursue a number of opportunities in which we are currently engaged.

The Group undertook a partial refinancing during the year and this has resulted in considerable savings on finance costs. We also completed the corporate restructuring, as laid out in our IPO prospectus, to bring the Group in line with other PLC organisations.

The Group enjoys support from a diverse group of shareholders, and we have continued to engage actively through investor events and meetings during the year. I have met with a number of our major shareholders during the year and I am delighted with the support they provide. We remain committed to returning value to our shareholders and have begun paying dividends as envisioned in our prospectus. I am delighted that we are recommending a final dividend of €0.025 per share for approval at the Annual General Meeting.

I would also like to take this opportunity to personally thank Karim Khairallah and Oaktree Capital Management, who fostered the creation of Stock Spirits Group, for being such supportive shareholders for over seven years until partial divestiture at our IPO. Karim served as a Non-Executive Director after the IPO until the full divestment by Oaktree in April 2014.

People

I would like to recognise the commitment of all our employees and thank them for their contribution to the Group's performance and support during this challenging year. There have been no changes to the remuneration policy which was approved at the AGM in 2014, details of which are contained within the Corporate Governance section of this report, and the interests of Executive Directors and senior managers remain completely aligned to shareholders.

Governance

The Group is committed to high levels of corporate governance, and I personally place great emphasis on this area. The routine of the Board and its sub committees has settled since the IPO and evaluations have been undertaken of the Board and all the committees, and I thank the Executive and Non-Executive Directors with whom I serve for their support and insight in helping to run the Group.

I commend to your attention the special section on Corporate Governance as well as the reports from our committee chairmen of Remuneration, Audit and Nomination.

The Board receives input from a number of external advisors who have been invaluable in helping to shape our policies and processes. I would like to thank EY for the service they have provided as our external auditors for the last eight years, and their support throughout the IPO process. We look forward to working with KPMG, our proposed incoming auditors, subject to the approval of our shareholders.

Looking ahead

In spite of the difficult environment we have navigated our way through in 2014, I firmly believe that the outlook for Stock Spirits Group is very promising. We have the right strategy, exceptional brands, a strong financial structure, leading edge production capability and distribution and a proven executive team, to lead the business forward.

Chief Executive Officer's Statement
Chris Heath

It has been a very difficult year for the Group, primarily due to the disruption created in Poland, our largest market, as a result of the significant increase in excise duty posted by the Polish Government on 1 January 2014. Whilst this has impacted the Group's financial performance and resulted in us having to revise our full year EBITDA forecast lower in November 2014, we are clear that the impact has mostly been restricted to our customers' supply chain, combined with aggressive activity of competitors. However, the consumer environment remains robust as consumers appear to have accepted the increased prices resulting from the duty increase. Whilst we anticipate it may take a little longer for the supply chain to settle down, we expect more normal trading will emerge during 2015.

Despite continued tough trading conditions in our other markets, our results there have been in line with or slightly ahead of expectations. The excise increases posted in Italy and the growth of private label products in the Czech Republic added to the headwind we were facing but, against this backdrop, I am greatly encouraged by the commitment of our people and the underlying strength of our brands in those markets. With regard to our brands, in Poland, Żołądkowa Czysta de Luxe continues to hold the leading position in the clear vodka market. Stock Prestige, supported by a new “limited edition” black pack, performed ahead of the premium category during 2014, growing its share of both volume and value. Also in Poland, the new orange and peach additions to the Lubelska flavoured vodka-based liqueur range have added further consumer choice to the existing range of flavours for this market leading brand. We were also active on Żołądkowa Gorzka, the second biggest flavoured brand in Poland, where we launched a new Black Cherry flavour which has been very well received by consumers and exceeded our expectations. In the Czech Republic, our recent media advertising campaign “Nevy Meknem” (“We won’t give in!”) has helped to inject growth into our Fernet range, which has grown share in this important category. In Italy, Keglevich has continued to outperform the market in both volume and value terms.

I continue to believe that given the very strong positions we enjoy in our core markets, the leading positions of our brands, our success in new products and the underlying strength of our production capability, we are well positioned to take advantage of the continued strong demand for spirits in the region in which we operate.

We completed Project Polar in 2014 with the final installation of over 20,000 branded refrigerators in the very important traditional trade channel in Poland. The speed of execution of this project, in around 12 months was a clear demonstration of our ability to take first mover advantage. The results of this initiative remain very positive and have greatly assisted the retention of our core brands’ leading positions in difficult trading conditions, in addition to providing a great platform to showcase our new products and communicate with consumers at the point of purchase.

2014 was the first full year of our new distribution relationships with Beam Suntory and Diageo. The transition from their previous distributors to our business was well executed and we have seen excellent results after the first year. In Poland, whisky is a fast growing and important emerging spirits category. We have been able to outgrow the market in both value and volume for the Beam brands. Likewise, in the Czech Republic, Captain Morgan the leading brand in Diageo’s range there, has outgrown the market in both volume and value in the rum category. In the summer of 2014, we signed a new distribution agreement for the exclusive distribution of the Beam Suntory brands in Croatia and we subsequently agreed to extend it to cover Bosnia, so we are now working in partnership with global spirits leaders in four of our six markets. Our performance to date serves to validate the success of our strategy and demonstrate the confidence of these leading global spirits companies in the quality of our distribution platforms. These agreements support the strategic drive to strengthen the premium elements of our brand portfolio further.

Group financial performance

We fully expected our results to be impacted by the Polish excise duty increase, however the impact, financially, was more significant than we had anticipated. In spite of the trading conditions we have remained loyal to our strategy to grow value ahead of volume and, where necessary, concede unprofitable market share. We have grown average net selling prices per case by over 4% despite being unable to fully implement planned price rises, and maintained our cost of goods per case at broadly the same level as last year.

We have executed amendments to our borrowing facilities which resulted in a reduction in our borrowing costs, have now completed the corporate restructuring we documented at the time of the IPO, and in September we paid our maiden interim dividend.

We highlighted last year that we estimated the impact of the Polish excise duty increase to have increased our EBITDA for 2013 by €5m and would reduce our EBITDA in 2014 by the same amount. In addition to the estimated impact of excise duty, we have also been impacted by movements in foreign exchange, primarily arising from the devaluation of the Czech Koruna which has further reduced the 2014 result versus 2013 by €1.7m. Our 2014 adjusted EBITDA of €66.4m shows a decrease versus last year of €17.3m.

Our adjusted net free cash flow of €29.3m has been affected by the timing of our sales in the fourth quarter and this will result in a higher level of cash inflow in early 2015.

New product development (NPD)
The Group enjoys a very strong track record of developing successful new products and new variants of existing products. 2014 has been no exception and we have continued to launch new products into our markets successfully. The very detailed consumer insight we undertake, complemented by the brand academy initiative we developed in 2013, means that we already have a very strong pipeline of exciting new products for launch in 2015.

People
I would firstly like to thank all of our employees for their considerable support during 2014. They remain one of our strongest assets in the Group with their professionalism, energy and enthusiasm even when the trading environment has proven to be very difficult. They have remained focused on executing our strategy and growing value ahead of volume.

2014 has also been a year of change from a management perspective, with Marek Malinowski, former Managing Director of our Polish business, agreeing to re-join Stock on a temporary basis to guide our Czech and Slovakian businesses to their next phase. More recently, Ian Croxford, our very experienced COO, has taken on the additional role of acting Managing Director in Poland pending the appointment of a permanent successor to Mariusz Borowiak, and, following the departure of our Italian Managing Director, Claudio Riva, Steve Smith has taken responsibility for Italy in addition to his role as Managing Director, International.

Production
During 2014 we moved the remaining production at the small Slovakian production site to the Czech Republic. In addition we have invested over €3m to upgrade the storage facilities in Poland to enable the business to remain low cost and responsive to future growth opportunities. We believe we have the best in class production facilities in Poland and the Czech Republic, in addition to the small distillery and production unit in the Czech Republic, and the ethanol distillery in Germany. These facilities continue to provide the business with low cost, consistently high quality products.

Outlook
Following the disruption in Poland during 2014 we expect this to continue into early 2015, but remain very encouraged by the consumer trends and fully expect more normal trading patterns to emerge as the year unfolds.

In all of our markets we will further strengthen our core brands and launch a number of new products to meet consumer needs. Having embedded the third party distribution brands in Poland and the Czech Republic, we can accelerate the development of our premium offering. Whilst we have been unable to complete an acquisition in 2014 we continue to evaluate a number of acquisition opportunities with a view to deliver further growth.

I believe that we are well positioned to take our business forward in 2015.

Chief Financial Officer's Review
Lesley Jackson

Our underlying results for both revenue and EBITDA have been impacted by the Polish duty increase. On 1 January 2014 the Polish government increased excise duty on strong alcohol by 15%. This resulted in a number of customers buying ahead of the duty increase and thereby increasing Net sales revenue and EBITDA in 2013 at the expense of Net sales revenue and EBITDA in 2014. We estimate that the impact of the duty buy in was 6% increase in sales volumes for Poland and €5m increase in EBITDA in 2013. This impact reversed in 2014. We expected consumer demand to show some deterioration as a consequence of the increased shelf prices, ,but there has however been a significant amount of disruption in the customers' supply chain as inventory levels have reduced following the buy in and price increases have been passed through to customers and consumers. As the year unfolded it became clear that the level of disruption was far greater than we had anticipated and this resulted in us having to revise our full year EBITDA expectations lower in November 2014.

Net sales revenue of €292.7m has reduced from 2013 (€340.5m) resulting from lower volumes in Poland, as a consequence of the destock of inventory following the Polish excise duty increase, and some loss of volumes in Italy, due to the increases that have been passed through to consumers for both excise duty increases and the uplift in the cost of wine distillate. An increase in the average price per case of 4% driven by modest price increases and the introduction of new products has assisted in mitigating some of the impact of the volume reduction.

The final transfer of production from the Slovakian production unit to the Czech Republic and continuing careful management of production costs has helped to offset the impact of the increase in wine distillate resulting in the cost of goods per case remaining broadly in line with 2013.

In 2013, other operating expenses included €11.6m of non-recurring expenses, which are detailed in note 6 of the preliminary announcement, and 2014 obviously reflects the non-recurrence of these costs.

As a result, operating profit has increased to €53.6m from €47.7m in 2013 and reported profit from €8.9m to €35.8m.

Given the very significant impact of exceptional costs and non-recurring expenses associated with the IPO and other activities in 2013, the results have also been presented on an adjusted basis to provide transparency of the underlying results for comparative purposes.

For internal purposes, the Group uses adjusted EBITDA to measure the performance of the business, and it is more closely aligned to cash flow which is also a key measure of performance. The adjusted EBITDA for the Group for the full year 2014 is €66.4m, against an adjusted EBITDA of €83.7m in 2013 (see note 6 of the preliminary announcement).

The measures imposed in late 2013 by the Czech National bank to devalue the Czech currency in order to manage deflationary influences, have continued throughout 2014 and impacted our results. We expect these devaluation measures to remain in place during 2015.

On a constant currency basis with 2013, using weighted average exchange rates across the year, net sales revenue would have been €295.5m and adjusted EBITDA €68.1m

Non-recurring and Exceptional Costs

In 2013, we reported within other operating expenses a number of costs which were non-recurring, €11.6m, and exceptional items of €15.1m. These costs were primarily related to the activities involved in transitioning from a private equity owned business to a public company (see notes 6 and 7 of the preliminary announcement).

As expected, these costs have reduced significantly and in 2014 non-recurring costs were €0.6m and exceptional items amounted to €1.1m with the key items being associated with the impairment of the Slovakian production site prior to disposal, amendments to our bank facilities and further costs incurred on the corporate restructuring we have undertaken since IPO, and which were detailed in the IPO prospectus.

The reported EBITDA has been adjusted to remove the impact of these costs and a reconciliation is shown in note 6 of the preliminary announcement.

Finance Revenue and Costs

Finance income of €7.7m (2013: €1.8m) included a gain on foreign exchange of €6.5m arising on intercompany loans and the impact from the devaluation of the currencies that these loans are denominated in.

Finance costs shown within the consolidated income statement of €12.3m (2013: €58.2m) primarily reflect the cost of third party bank debt and the amortisation of bank charges associated with the establishment of the current debt facilities, which are being amortised over the life of the loans.

In 2013, the finance costs reflected the previous capital structure prior to the IPO and consisted of senior unsecured debt instruments which attracted interest annually and were capitalised and not paid out in cash.

The Group undertook an extensive capital restructuring exercise prior to the IPO, which resulted in the senior unsecured debt instruments being partially repaid and the remaining balance converted to a single class of equity shares.

Taxation

The increase in the tax charge in 2014 to €13.2m versus a credit last year of €17.6m reflects the non-recurrence of the significant deferred tax credit that arose in 2013 as a result of the post IPO corporate restructuring. In addition, further provision has been made against potential tax risks as detailed in note 9 of the preliminary announcement.

Cash flow

The Group's cash flow is impacted by both the underlying profit performance and the timing of sales in the fourth quarter. In 2014, cash flow was affected by the increase in working capital at the year end arising from sales occurring during the month of December. This has resulted in a delay in the cash being generated during the year and will result in a higher cash flow in early 2015. Adjusted net free cash flow was €29.3m and our free cash flow conversion was 44.2%.

The Group has also commenced the payment of dividends in line with the policy set out at IPO. Accordingly, an interim dividend of €0.0125 (£0.01) per share was paid in September 2014, following the announcement of our half year results.

The cash flow also includes a one-off payment of €40.3m relating to VAT which was paid in January 2014, which arose from the legal restructuring following the IPO. This was purely a timing impact, with the corresponding receipt of VAT having been received at the end of 2013.

Net Debt and Financing

Net debt at the end of December 2014 was €82.4m, an increase of €36.1m versus December 2013, giving a year end net leverage of 1.24 versus 0.55 in 2013. Adjusting for the one-off VAT payment, as discussed above, net debt at the end of 2013 would have been €86.6m with a closing leverage of 1.03 at the end of 2013.

Ahead of the IPO in 2013, a partial refinancing was undertaken to bring our debt facilities to terms more aligned to a public company. In 2014, we negotiated additional changes to a number of clauses and covenants, in addition to reducing the margins that the banks charge on our debt. These changes were effective from July 2014, and reduced margins on all our debt at all leverage levels by 150 basis points. The Group has also benefitted from reductions in underlying interest rates for debt, and by expiration of the fixed interest rates charged on a proportion of its debt.

There remains sufficient headroom within the current bank facilities to support both our organic and inorganic growth opportunities. All debt is drawn in local currency to provide flexibility in facilities and a natural hedge for cash flow and balance sheet protection.

During the year, the hedging that was previously in place to cover a portion of the finance expense in Italy and the Czech Republic with a fixed interest rate, and to provide a cap on the level of the central bank lending rate in Poland, expired and, following a review, has not been renewed.

Debt maturity profile

The Group's bank facilities consist of long term loans of €164.8m provided by a club of eight banks, together with a revolving credit facility (RCF) of €70m.

The RCF is utilised to back excise duty guarantees in a number of our markets. This utilisation reduces the available balance of the RCF but does not constitute drawings against the facility and, as such, this utilisation is not disclosed as a liability in the balance sheet.

At 31 December 2014 there were no drawings against the RCF and the level of RCF used to back excise duty guarantees was €6.5m.

The Group did not utilise its factoring facilities in Poland at the year end.

Foreign Exchange

The Group is exposed to the impact of foreign currency exchange, with the major currencies being the Polish Złoty and the Czech Koruna. The Group, where possible, aims to match currency cash flows, liabilities and assets through normal commercial business arrangements. An example of this is that all external third party debt is drawn in local currency. There are no hedging instruments in place to manage transaction exposure, where this arises.

The Group will continue to monitor its foreign currency exposures and, where necessary to manage risk appropriately, will implement hedging arrangements.

In early 2015, there has been some devaluation of the Polish Złoty and the Czech Koruna as a result of the removal of the fixed Swiss Franc exchange rate mechanism with the Euro, by the Swiss National Bank. It is currently unclear if this devaluation will remain longer term and therefore this currently represents a risk to our performance in 2015.

	Dec 2014 closing rate	Average rate
Polish Złoty	4.29	4.18
Czech Koruna	27.74	27.55

The average rate above is the weighted average of the monthly average rates calculated on Group monthly revenue.

Equity Structure

There has been no change to the equity structure of the business in 2014 and there remain 200 million shares in issue with a nominal value of £0.10 each.

Earnings per share

On a fully diluted basis, the adjusted earnings per share at the end of December 2014 was €0.18 per share versus €0.05 per share in 2013. Excluding foreign exchange gains in finance revenue of €6.5m in 2014, and foreign exchange losses in finance costs of €12.6m in 2013, adjusted earnings per share would have been €0.14 per share in 2014 and €0.12 per share in 2013.

Extract from the Audit Committee Report

During the second half of the year, Polish management found evidence of transactions which did not comply with Group policies relating to marketing support and sales agency contracts. Our internal audit team and external advisors were appointed to investigate the evidence and to recommend remedial action. The investigation has shown evidence of alleged fraudulent payments having been made within the Polish business in the current year, which may amount to €1.2million in 2014, and similar amounts in each of the four preceding years. The amounts are not material in the context of Group's financial performance and no restatement of prior periods was deemed appropriate. Adequate provision has been recorded in the financial statements for the costs and related taxation connected with this matter. The necessary actions and internal control improvements that were identified are in the process of being implemented.

Directors' responsibility statement

Each of the Directors, whose names and functions are listed below, confirms that:

To the best of their knowledge, the consolidated financial statements and the Company financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company on a consolidated and individual basis; and to the best of their knowledge, the announcement includes a *fair summary of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces.*

Directors

Jack Keenan	Chairman
Chris Heath	Chief Executive Officer
Lesley Jackson	Chief Financial Officer
Andrew Cripps	Independent Non-Executive Director
David Maloney	Senior independent Non-Executive Director
John Nicolson	Independent Non-Executive Director

12 March 2015

Consolidated income statement

for the year ended 31 December 2014

	Notes	2014 €000	Restated 2013 €000
Revenue	4	292,680	340,538
Cost of goods sold		(138,752)	(166,962)
Gross profit		153,928	173,576
Selling expenses		(65,393)	(68,094)
Other operating expenses		(33,776)	(42,715)
Operating profit before exceptional items		54,759	62,767
Exceptional items	7	(1,111)	(15,088)
Operating profit		53,648	47,679
Finance revenue	8	7,714	1,847
Finance costs	8	(12,324)	(58,206)
Profit/(loss) before tax		49,038	(8,680)
Income tax (expense)/credit	9	(13,201)	17,573
Profit for the year		35,837	8,893
Attributable to:			
Equity holders of the Parent		35,837	8,893
Earnings per share, (Euros), attributable to equity holders of the Parent			
Basic and diluted	10	0.18	0.05

Consolidated statement of financial position

as at 31 December 2014

	Notes	31 December 2014 €000	Restated 31 December 2013 €000	Restated 1 January 2013 €000
Non-current assets				
Intangible assets - goodwill		60,366	60,366	60,303
Intangible assets - other		288,214	291,686	310,819
Property, plant and equipment		62,152	66,439	57,515
Deferred tax assets	9	21,543	21,974	9,240
Other assets		4,404	4,467	9,826
		436,679	444,932	447,703
Current assets				
Inventories		27,400	26,944	30,826
Trade and other receivables		176,298	166,776	129,722
Other assets		-	1	250
Current tax assets	9	5,461	1,795	1,629
Assets classified as held for sale		120	-	4,200
Cash and cash equivalents	13	82,914	129,610	138,718
		292,193	325,126	305,345
Total assets		728,872	770,058	753,048
Non-current liabilities				
Financial liabilities		152,579	163,275	155,922
Other financial liabilities		357	229	1,448
Deferred tax liabilities	9	44,136	44,377	62,287
Provisions		1,167	1,086	5,295
Trade and other payables		201	-	-
		198,440	208,967	224,952
Current liabilities				
Trade and other payables		53,727	74,017	58,744
Financial liabilities		7,027	5,841	8,119
Loans from shareholder	11	-	215	264,640
Other financial liabilities		227	712	242
Income tax payable	9	12,247	8,513	8,870
Indirect tax payable		111,936	149,910	74,986
Provisions		1,764	3,577	109
		186,928	242,785	415,710
Total liabilities		385,368	451,752	640,662
Net assets		343,504	318,306	112,386

Consolidated statement of financial position

as at 31 December 2014

	31 December 2014 €000	Restated 31 December 2013 €000	Restated 1 January 2013 €000
Capital and reserves			
Issued capital	23,625	23,625	15,246
Share premium	183,541	183,541	-
Merger reserve	99,033	99,033	-
Consolidation reserve	5,130	5,130	5,130
Other reserve	8,160	7,507	-
Foreign currency translation reserve	6,413	15,239	16,929
Retained earnings	17,602	(15,769)	19,303
Equity attributable to equity holders of the parent	343,504	318,306	56,608
Non-controlling interests	-	-	55,778
Total equity	343,504	318,306	112,386
Total equity and liabilities	728,872	770,058	753,048

Consolidated statement of cash flows

for the year ended 31 December 2014

	Notes	2014 €000	2013 €000
Operating activities			
Profit for the year		35,837	8,893
Adjustments to reconcile profit for the year to net cash flows:			
Income tax expense/(credit) recognised in income statement	9	13,201	(17,573)
Interest expense and bank commissions		12,324	45,604
Loss on assets classified as held for sale		547	-
Loss on disposal of tangible assets		393	548
Other financial income		(1,181)	(1,847)
Depreciation and impairment of property, plant and equipment		9,055	7,557
Amortisation of intangible assets		1,931	1,697
Net foreign exchange (gain)/loss		(6,533)	12,602
Share-based compensation		653	6,740
Movement in provisions		(1,732)	(741)
		64,495	63,480
Working capital adjustments			
Increase in trade receivables and other assets		(9,458)	(31,446)
(Increase)/decrease in inventories		(456)	3,882
(Decrease)/increase in trade payables and other liabilities		(58,063)	90,197
		(67,977)	62,633
Cash generated by operations		(3,482)	126,113
Income tax paid	9	(13,405)	(10,660)
Net cash flows from operating activities		(16,887)	115,453
Investing activities			
Interest received	8	685	1,171
Payments to acquire intangible assets		(1,146)	(1,463)
Purchase of property, plant and equipment		(7,140)	(19,411)
Proceeds from asset previously classified as held for sale		-	4,200
Net cash flow from investing activities		(7,601)	(15,503)
Financing activities			
Repayment of borrowings		(7,240)	(57,057)
Repayment of PECs and CECs	11	(215)	(162,185)
New borrowings raised		-	70,000
Interest paid		(11,145)	(14,635)
Other financial costs		-	(55)
Proceeds from shares issued		-	61,426
Share issue costs		-	(3,663)
Dividends paid to equity holders of the parent		(2,512)	-
Net cash flow from financing activities		(21,112)	(106,169)
Net decrease in cash and cash equivalents		(45,600)	(6,219)
Cash and cash equivalents at the start of the year		129,610	138,718
Effect of exchange rates on cash and cash equivalents		(1,096)	(2,889)
Cash and cash equivalents at the end of the year	13	82,914	129,610

		2014 €000	2013 €000
Exceptional costs included in cash flow above			
Exceptional costs relating to the IPO included in cash flow from operating activities		142	7,100
Exceptional costs relating to the IPO included in financing activities		-	3,663
Other exceptional costs		969	7,988
Total exceptional costs		1,111	18,751

Notes to the Preliminary Announcement

at 31 December 2014

1. Corporate information

The preliminary statement of results was approved by the Board of Directors of Stock Spirits Group PLC (the "Company") on 12 March 2015. The financial information for the year ended 31 December 2014 contained in this statement does not constitute the Group's statutory financial statements for the year ended 31 December 2014 or 2013 but is derived from the Group's 2014 financial statements. Those financial statements will be delivered to the Registrar of Companies on 8 April 2015. The audit report was unqualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The Company was incorporated on 12 September 2013 under the laws of England and Wales with the registered number 08687223 as Stock Spirits (UK) Limited. The Company was re-named Stock Spirits Group Limited on 2 October 2013 and was re-registered as a public limited company on 7 October 2013 with the name Stock Spirits Group PLC. The Company's registered office is at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of OCM Luxembourg Spirits Holdings S.à.r.l. on 21 October 2013, the Company became a new parent entity of OCM Luxembourg Spirits Holdings S.à.r.l., a private limited company registered in Luxembourg in 2006. OCM Luxembourg Spirits Holdings S.à.r.l. was liquidated on 5 December 2014. Prior to liquidation OCM Luxembourg Spirits Holdings S.à.r.l. was a holding company which owned companies involved in the production and distribution of spirits.

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

2. Basis of preparation

These financial statements are consistent with the consolidated financial statements of the Group for the year ended 31 December 2014.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union. International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future.

3. Prior year adjustment

A prior year adjustment has been made to write off the value of certain agency contracts. These were previously capitalised and included within intangible assets when the Group was formed in 2007 and were deemed to have a useful life of four years. Therefore these assets should have been fully amortised by 31 December 2012. However, in 2014 it was discovered that no amortisation had been charged. An adjustment to correct this error has been made as at 1 January 2013 to reduce intangible assets as at 1 January 2013 by €2,183,000, and release the related deferred tax liability totalling €417,000. The net impact of this adjustment of €1,766,000 has been recognised within retained earnings at 1 January 2013.

3. Prior year adjustment (continued)

On the reorganisation being completed in October 2013 the net book value of OCM Luxembourg Spirits Holdings S.à.r.l. was used to determine the amount which was credited to the merger reserve. This adjustment reduced the net book value of OCM Luxembourg Spirits Holdings S.à.r.l. by €1,766,000, and therefore the amount credited to the merger reserve has been reduced to €99,033,000.

A classification error has also been identified impacting the 2013 financial statements, relating to the inclusion of software amortisation expense within selling expenses. It is considered that this is more appropriately classified as other operating expenses. This reclassification does not impact EBITDA, the balance sheet or cash flow.

4. Revenue

An analysis of the Group's revenue is set out below:

	2014	*2013*
	€000	*€000*
Revenue from the sale of spirits	869,222	980,589
Other sales	4,777	5,649
Excise taxes	(581,319)	(645,700)
Net revenue	292,680	340,538

5. Segmental analysis

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

Each of these operating segments is managed separately as each of these geographic areas requires 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, exceptional items and non-recurring expenses.

The Group has presented a reconciliation from profit/(loss) before tax per the consolidated income statement to adjusted EBITDA below:

Notes to the Preliminary Announcement

at 31 December 2014

5. Segmental analysis (continued)

	2014	2013
	€000	€000
Profit/(loss) before tax	49,038	(8,680)
Net finance charges	4,610	56,359
Operating profit	53,648	47,679
Depreciation and amortisation	10,986	9,254
Exceptional items (note 7)	1,111	15,088
EBITDA before exceptionals	65,745	72,021
Non-recurring expenses (note 6)	613	11,648
Adjusted EBITDA	66,358	83,669

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

	Poland	*Czech*	*Italy*	*Other Operational*	*Corporate*	*Total*
2014	*€000*	*€000*	*€000*	*€000*	*€000*	*€000*
External revenue	168,000	59,470	35,252	29,958	-	292,680
EBITDA before exceptionals	53,069	16,270	8,916	2,872	(15,382)	65,745
Non-recurring expenses/(income)	55	-	(630)	1,188	-	613
Adjusted EBITDA	53,124	16,270	8,286	4,060	(15,382)	66,358

	Poland	*Czech*	*Italy*	*Other Operational*	*Corporate*	*Total*
2013	*€000*	*€000*	*€000*	*€000*	*€000*	*€000*
External revenue	206,244	63,203	36,688	34,403	-	340,538
EBITDA before exceptionals	65,531	17,835	8,058	2,480	(21,883)	72,021
Non-recurring expenses	2,788	410	663	119	7,668	11,648
Adjusted EBITDA	68,319	18,245	8,721	2,599	(14,215)	83,669

6. Adjusted EBITDA, Adjusted EBIT and Free Cash Flow Bridges

The Group defines adjusted EBIT as operating profit before exceptional items and non-recurring expenses, and adjusted EBITDA as operating profit before depreciation and amortisation, exceptional items and non-recurring expenses. Adjusted EBIT and adjusted EBITDA are supplemental measures of the Group's performance and liquidity that are not required to be presented in accordance with IFRS.

	2014	2013
	€000	€000
Operating profit	53,648	47,679
Exceptional items (note 7)	1,111	15,088
Non recurring expenses*	613	11,648
Adjusted EBIT	55,372	74,415
Depreciation and amortisation	10,986	9,254
Adjusted EBITDA	66,358	83,669
Adjusted EBITDA margin	22.7%	24.6%

*Non-recurring expenses in 2014 relate to profits or losses on disposal and impairment of fixed assets. In 2013 non-recurring expenses constituted OCM management fee, share-based payments, charges relating to the long-term incentive plan and profits or losses relating to disposals of fixed assets. Following admission to the London Stock Exchange in 2013 the Group no longer pays management fees to Oaktree. In addition shares of OCM Luxembourg Spirits Holdings S.à r.l issued under the share-based payments and commitments to grant options over share of OCM Luxembourg Spirits Holdings S.à r.l were exchanged in 2013 for Ordinary Shares and options to acquire Ordinary Shares respectively, upon the corporate reorganisation. The long-term incentive plan which existed prior to admission was amended so that 50% - 70% of accrued awards crystallised upon admission, being paid out in cash. All remaining awards became exercisable in October 2014. At the company's discretion these options can be satisfied in cash and consequently these have been accounted for as cash-settled share-based compensation under IFRS 2.

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 or generated from investing activities (excluding interest received, net cash paid for acquisitions and net proceeds from the sale of subsidiaries).

6. Adjusted EBITDA, Adjusted EBIT and Free Cash Flow Bridges (continued)

	2014	2013
	€000	€000
Net cash flows from operating activities	(16,887)	115,453
Income tax paid	13,405	10,660
IPO costs included within cash flow from operating activities	142	7,100
Net cash pre investing and financing activities	(3,340)	133,213
Net cash generated from investing activities	(7,601)	(15,503)
Interest received	(685)	(1,171)
Cash flow pre financing activities	(11,626)	116,539
Proceeds from asset previously classified as held for sale	-	(4,200)
Cash impact of IPO costs included within financing activities	-	3,663
Cash impact of non-IPO exceptional items	658	7,628
Free cash flow	(10,968)	123,630
Free cash flow as a percentage of adjusted EBITDA	(16.5)%	147.8%
Polish VAT (due to timing of payment)	40,306	(40,306)
Adjusted free cash flow	29,338	83,324
Adjusted free cash flow as a percentage of adjusted EBITDA	44.2%	99.6%

7. Exceptional items

	2014	*2013*
	€000	*€000*
Restructuring of Italian business[(1)]	-	(112)
Costs associated with the IPO[(2)]	142	7,100
Costs associated with potential disposal of the Group by majority shareholder[(3)]	-	460
Refinancing costs[(4)]	529	4,091
Czech alcohol ban[(5)]	-	73
Restructuring and merger of Slovakian businesses[(6)]	59	810
Corporate restructuring[(7)]	381	1,391
Other[(8)]	-	1,168
Disposal of US operations and brands[(9)]	-	107
Total exceptional items	1,111	15,088

(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 credit for 2013 includes release of accruals previously made for redundancy costs and site restoration which were no longer required, offset by costs associated with the disposal of the property at Trieste.

(2) Advisory and legal costs including unrecoverable VAT in connection with the IPO. These costs represent the portion of costs incurred which were not capitalised. €3,663,000 of costs which were incurred in 2013 represented those costs capitalised in relation to the issue of new ordinary shares in Stock Spirits Group PLC, and were therefore attributable directly to the IPO.

(3) Costs in 2013 represented advisory and legal costs including unrecoverable VAT in connection with the potential disposal of the Group by the majority shareholder.

7. Exceptional items (continued)

(4) Legal and advisory costs including unrecoverable VAT in connection with the refinancing of the Group completed in 2013 and revision to the facility agreement in 2014 which do not meet the criteria for capitalisation.

(5) Costs associated with the re-launch of products following the lifting of the Czech alcohol ban in September and October 2012.

(6) 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.

(7) Restructuring costs in connection with the IPO. This includes restructuring of IP arrangements in Poland, representing the internal transfer of Trademarks from Stock Wodka Polska S.A. to Stock Polska Sp. z.o.o.

(8) Costs in 2013 included reorganisation of the Group's operations function, including termination payments, outsourcing of sales in Slovenia to a third party distributor and costs associated with the corresponding liquidation of Slovenian entity Stock Trade d.o.o., Ljubljana, costs relating to the acquisition and integration of Baltic Distillery GmbH and a provision for historic unrecoverable VAT in certain of the Group's subsidiaries.

(9) The charge in 2013 relates to the write off of Gran Gala labels and legal costs associated with the disposal of the US operations and brands.

8. Finance revenue and costs

	2014	*2013*
	€000	*€000*
Finance revenue:		
Foreign currency exchange gain	6,533	-
Interest rate swap instruments	496	676
Interest income	685	1,171
Total finance revenue	7,714	1,847
Finance costs:		
Interest payable on bank overdrafts and loans	7,917	10,506
Coupon interest on PECs	-	12,055
Interest payable on CECs	-	1,007
Interest payable on PECs	-	18,823
Foreign currency exchange loss	-	12,602
Bank commissions, guarantees and other payable	2,571	2,950
Other interest expense	1,836	263
Total finance costs	12,324	58,206
Net finance costs	4,610	56,359

Notes to the Preliminary Announcement

at 31 December 2014

9. Income taxes

(a) Income tax recognised in profit or loss:

	2014	2013
	€000	€000
Tax expense/(credit) comprises:		
Current tax expense	10,554	4,565
Tax expense relating to prior year	2,872	2,589
Deferred tax credit	(241)	(27,041)
Other taxes	16	2,314
Total tax expense/(credit)	13,201	(17,573)
Consolidated statement of OCI		
Net gain/(loss) on actuarial gains and losses	-	-
Income tax charged/(credited) to OCI	13,201	(17,573)

Reconciliation of total tax expense

	2014	2013
	€000	€000
Profit/(loss) before tax	49,038	(8,680)
Accounting profit/(loss) multiplied by United Kingdom combined rate of corporation tax of 21.5% (2013: 23.25%)	10,543	(2,018)
Expenses not deductible for tax purposes	2,794	8,922
Effect of difference in tax rates	(1,287)	(3,180)
Impact of post-IPO corporate restructuring	(1,737)	(26,200)
Tax charge relating to prior year	2,872	2,589
Other taxes	16	2,314
Total tax expense/(credit) reported in the income statement	13,201	(17,573)
Effective tax rate	26.9%	(202.5)%

9. Income taxes (continued)

(a) Income tax recognised in profit or loss (continued)

Current tax liability:

	2014	*2013*
	€000	*€000*
Tax prepayments as of 1 January	1,795	1,629
Tax liability as of 1 January	(8,513)	(8,870)
Tax charge relating to prior year	(2,872)	(2,589)
Payments in year	13,405	10,660
Current tax expense	(10,554)	(4,565)
Other taxes	(16)	(2,314)
Provision for historic unrecoverable VAT	-	(810)
Foreign exchange adjustment	(31)	141
Net current tax liability	(6,786)	(6,718)
Analysed as:		
Tax prepayment	5,461	1,795
Current tax liability	(12,247)	(8,513)
	(6,786)	(6,718)

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 inspection

The Italian tax authorities have an open enquiry in the Italian subsidiary, Stock S.r.l., covering the years 2006 - 2009. Adequate provisions are included within the Group accounts to cover any future settlement.

b) Unrecognised tax losses

The Group has tax losses which arose in the UK of €21,444,000 as at 31 December 2014 (2013: €40,000,000) 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 31 December 2014, there were €15,185,000 (2013: €15,697,000) of unprovided deferred tax liabilities in respect of taxable temporary differences in certain Group subsidiaries. The amounts are unprovided as the Group has determined that the payments which would crystallise the tax liability will not be made.

9. Income taxes (continued)

(d) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

2014	*1 January 2014* *€000*	*(Charged)/ Credited to income* *€000*	*Translation difference* *€000*	*31 December 2014* *€000*
Temporary differences:				
Brands	(25,414)	(3,635)	(314)	(29,363)
Other assets and liabilities	3,011	3,876	(117)	6,770
	(22,403)	241	(431)	(22,593)
Deferred tax asset	21,974	274	(705)	21,543
Deferred tax liability	(44,377)	(33)	274	(44,136)
	(22,403)	241	(431)	(22,593)

Restated *2013*	*Balance at 1 January 2013, as reported*	*Prior year adjustment*	*Balance at 1 January 2013, as adjusted*	*Credited to income* *€000*	*Translation difference* *€000*	*Transfer* *€000*	*31 December 2013* *€000*
Temporary differences:							
Brands	(52,639)	-	(52,639)	23,800	3,425	-	(25,414)
Other assets and liabilities	(825)	417	(408)	3,241	178	-	3,011
	(53,464)	417	(53,047)	27,041	3,603	-	(22,403)
Deferred tax asset	9,240	-	9,240	19,101	1,152	(7,519)	21,974
Deferred tax liability	(62,704)	417	(62,287)	7,940	2,451	7,519	(44,377)
	(53,464)	417	(53,047)	27,041	3,603	-	(22,403)

Corporate restructuring

Post-IPO the Group completed corporate restructuring transactions which have given rise to a significant deferred tax asset which will be amortised over a five year period.

10. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The dilutive effect of the convertible equity certificates (CECs) over shares in OCM Luxembourg Spirits Holdings S.à r.l. was considered in 2013. However the impact of the CECs is anti-dilutive and was therefore excluded from the calculation of diluted EPS.

Details of the earnings per share are set out below:

	2014	*2013*
Basic earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	35,837	8,893
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	200,000	181,944
Basic earnings per share (€)	0.18	0.05
Diluted earnings per share		
Profit attributable to the equity shareholders of the Company (€'000)	35,778	8,893
Weighted average number of diluted ordinary shares adjusted for the effect of dilution ('000)	203,631	183,488
Diluted earnings per share (€)	0.18	0.05

Excluding foreign exchange gains in finance revenue of €6.5m in 2014, and foreign exchange losses in finance costs of €12.6m in 2013, adjusted basic earnings per share would have been €0.15 per share in 2014 and €0.12 per share in 2013, and adjusted diluted earnings per share would have been €0.14 per share in 2014 and €0.12 per share in 2013.

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

11. Loans from shareholder

	Current 2014 €000	*Non-Current 2014 €000*	*Current 2013 €000*	*Non-Current 2013 €000*
Unsecured – at amortised cost				
PECs (i)	-	-	215	-
	-	-	215	-

11. Loans from shareholder (continued)

(i) PECs: Preferred Equity Certificate. In November 2006, July 2007, March 2008 and June 2010, OCM Luxembourg Spirits Holdings S.à.r.l issued Preferred Equity Certificates totalling €172,037,029. These were redeemable after 49 years from the date of issue, if not previously redeemed by the holder. The PECs were not secured and carried interest at rates between 6% and 8.375%.

In April 2013 OCM Luxembourg Spirits Holdings S.à.r.l redeemed a portion of PECs totalling €80,000,000. In August 2013 OCM Luxembourg Spirits Holdings S.à.r.l redeemed additional PECs totalling €82,185,000. The payment on redemption was made to PEC Holders. These repayments were permitted distributions under the Group's ING loan facility and no events of default in relation to borrowing covenants have or will occur as a result of this transaction.

Immediately prior to admission to the London Stock Exchange in October 2013 the residual PEC payable balance, including accrued interest, were redeemed to 40,457,392 ordinary shares in Stock Spirits Group PLC. As at 31 December 2013 the PEC payable balance was fully paid with the exception of €215,000, which was subsequently settled in full in March 2014.

12. Risk management

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.

The table below details the Group's total net debt at the relevant balance sheet dates.

	2014 *€000*	2013 *€000*
Cash and cash equivalents (note 13)	82,914	129,610
Floating rate loans and borrowings	(164,760)	(175,449)
Finance leases	(584)	(443)

Total net debt	(82,430)	(46,282)

13. 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 statement of financial position as follows:

	2014	*2013*
	€000	*€000*
Cash and bank balances	82,914	129,610

Cash and cash equivalents are denominated in the following currencies:

	2014	*2013*
	€000	*€000*
Sterling	23,303	8,667
Euro	20,859	21,052
US dollar	356	346
Czech Koruna	20,458	11,136
Polish Zloty	14,944	84,158
Other currencies	2,994	4,251
Total	82,914	129,610

14. Principal Risks

Stock Spirits Group believes the following to be the principal risks facing its business and the steps we take to manage and mitigate these risks. If any of these risks occur, Stock Spirits Group's business, financial condition and performance might suffer and the trading price and liquidity of the shares may decline. Not all of these risks are within our control and this list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing business environment.

Economic and Political Change

The Group's results are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets. The Group's operations are primarily in Central and Eastern European markets where there is a risk of economic and regulatory uncertainty. In the Group's experience, the local laws and regulations in the region where it operates are not always fully transparent, can be difficult to interpret and may be applied and enforced inconsistently. 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.

How we manage and mitigate

We monitor and analyse economic indicators and consumer consumption trends, which in turn influences our product portfolio and new product development. The majority of countries that we currently operate in are part of the European Union, and therefore are subject to EU regulation. We monitor the economic conditions within each market and review our product portfolio, route to market and adjust our position accordingly.

Taxes

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

14. Principal Risks (continued)

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. As indicated in last year's Annual Report, on 1 January 2014 the Polish government implemented a 15% increase in the excise duty on spirits and we highlighted the risk, which has now materialised as discussed elsewhere in this report, that such an increase may adversely impact the Group's sales volumes in Poland.

The Group may be exposed to tax liabilities resulting from tax audits: the Group has in the past faced, currently faces and may in the future face, audits and other challenges brought by tax authorities. 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.

How we manage and mitigate
Through our membership of local market spirits associations we seek to engage with local tax and customs authorities as well as government representatives and, where appropriate, provide informed input to the unintended consequences of excise increases e.g. growth of illicit alcohol and potential harm to consumers.

The Group engages the services of a professional global firm of tax advisors and undertakes regular audits of our own tax processes, documentation and compliance. We aim to operate the business in a tax efficient and compliant manner at all times.

Strategic Transactions

Key objectives of the Group are: (i) the development of new products and variants; and (ii) expansion, in the Central and Eastern European region, through the acquisition of additional businesses. Unsuccessful launches or failure by the Group to fulfil its expansion plans or integrate completed acquisitions could have a material adverse effect on the Group's growth potential and performance.

How we manage and mitigate
We have a robust new product development process which has delivered highly successful innovations and which we continuously seek to improve. We seek to maintain a pipeline of potential acquisition targets and have an experienced management team capable of exploring, pursuing and executing transaction opportunities swiftly and diligently, however the owners of target businesses may have price expectations that are beyond the valuation that we can place on their business.

Consumer Preferences

Shifts in consumer preferences may adversely affect the demand for the Group's products and weaken the Group's competitive position. A decline in the social acceptability of the Group's products may also lead to a decrease in the Group's revenue. In some countries in Europe, the consumption of beverages with higher alcohol content has declined due to changing social attitudes towards drinking.

How we manage and mitigate
The Group undertakes extensive consumer research and has a track record of successful new product development to constantly meet changing consumer needs. We have developed a range of lower alcohol

products and feel confident that we have the expertise to continue to develop products that meet and satisfy consumer needs.

14. Principal Risks (continued)

Talent

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 and FMCG industries 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. The Group may also not be successful in attracting and retaining such individuals in the future.

How we manage and mitigate
The Group operates a competitive remuneration policy that aims to retain, motivate and, where necessary, attract key individuals. We have developed a formal succession planning process to mitigate the risk of losing key personnel.

Marketplace and Competition

Stock Spirits Group operates in a highly competitive environment and faces competitive pressures from both local and international spirits producers, which may result in pressure on prices and loss of market share.

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

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, or may be unable to collect payments from some customers, which will lead to an impact in its financial condition.

The Group is also dependent on a few key products in a limited number of markets which contribute a significant portion of its revenue.

How we manage and mitigate
Stock Spirits Group has mechanisms and strategies in place to mitigate the damage of profit erosion but there is no assurance they may work in such economies and competitive environments.

We constantly review our distribution channels and our customer relationships. We understand the changing nature of the trade channels and customers positions within those channels. We trade across all channels and actively manage our profit mix within both channel and customer.

Exchange Rates

The Group's business operations and results reported in Euros 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.

Additionally, the Group's financial covenants 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.

How we manage and mitigate
The Group aims to hedge transaction risk by matching cash flows, assets and liabilities through normal commercial activities where possible. For example all debt is currently drawn in local currency by market. We monitor currency exposure as an integral part of our monthly review process and, where appropriate, will implement hedging instruments.

14. Principal Risks (continued)

Disruption to Operations or Systems

The Group's operating results may be adversely affected by disruption to its production and storage facilities, in particular its main production facilities in Poland and the Czech Republic, or by a breakdown of its information or management control systems.

How we manage and mitigate
In addition to holding appropriate insurance cover to protect the business in the event of a production disruption or other business interruption, our two primary bottling sites offer sufficient flexibility that each site is capable of bottling all of our core SKUs. We also have well established and tested Business Continuity and Disaster Recovery policies. Our information and management control systems are subject to internal audit following a risk-based methodology.

Laws and Regulations

The Group is subject to extensive laws and regulations limiting advertising, promotions and access to its products, as well as laws and regulations relating to its operations, such as health, safety and environmental laws. These regulations and any changes to these regulations could limit its business activities or increase costs.

The Group may be affected by litigation directed at the alcoholic beverages industry and other litigation such as intellectual property disputes, product liability claims, product labelling disputes and administrative claims. The Group may be exposed to civil or criminal liabilities under anti-bribery laws and any violation of such laws could have a material adverse effect on its reputation and business.

How we manage and mitigate
The Group has established clear processes and controls to monitor compliance with laws and regulations, and changes to them, and also any litigation action. We operate a detailed anti-bribery and anti-corruption policy and process. Regular update training is conducted across the business and we undertake regular reviews to assess the adequacy and effectiveness of our policy and processes.

Supply of Raw Materials

Changes in the prices or availability of supplies and raw materials could have a material adverse effect on the Group's business. 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. The Group may not be able to pass on increases in the costs of raw materials to its customers and, 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.

How we manage and mitigate
Where possible the Group will negotiate term contracts for the supply of core raw materials and services on competitive terms to manage pricing fluctuations.

Funding and Liquidity

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, including adverse capital and credit market conditions.

Higher interest rates and more stringent borrowing requirements could increase the Group's financing charges and reduce profitability.

14. Principal Risks (continued)

How we manage and mitigate
The Group maintains a strong focus on cash, our future requirements for funding and the overall external market for financing. We undertake regular and detailed reviews of both short term and longer term liquidity requirements by market, including our growth ambitions. We are confident that we have the appropriate processes and relationships in place to respond to any unexpected liquidity needs and have placed ourselves in the best position to access funding in the longer term.

12 March 2015