

# Averys of Bristol Limited

## FINANCIAL STATEMENTS

for the period ended

30 June 2006

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# Averys of Bristol Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

F J Avery  
A J Bentham  
O C Garland  
D Hamilton  
D G Snook

### SECRETARY

M Jones

### REGISTERED OFFICE

4 High Street  
Nailsea  
Bristol  
BS48 1BT

### AUDITORS

Baker Tilly  
Chartered Accountants  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BP

# Averys of Bristol Limited

## DIRECTORS' REPORT

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The Directors submit their report and the financial statements of the company for the period ended 30 June 2006.

### PRINCIPAL ACTIVITY

The principal activity of the company during the period was the importing and distribution of wines.

### REVIEW OF THE BUSINESS

The Directors are satisfied with the performance of the company during the period and will continue to invest heavily in the client base in order to achieve future goals.

The principal risks and uncertainty to the business are fluctuations in currency exchange rates; this risk is controlled by hedging future foreign currency needs.

### AWARENESS OF RELEVANT AUDIT INFORMATION

As far as each of the directors is aware at the time the report is approved:

There is no relevant audit information of which the auditors are unaware; and that they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

### DIRECTORS

The following directors have held office during the period:

F J Avery  
A J Bentham  
O C Garland  
D Hamilton  
M Jones (appointed 19 July 2006)  
D G Snook

During the period none of the directors had a beneficial interest in the shares of the company.

Interests of the directors in the ultimate holding company, Direct Wines Limited, are disclosed in the accounts of that company.

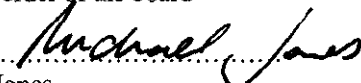
### POLITICAL AND CHARITABLE CONTRIBUTIONS

The company did not make any donations in the period.

### AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

.....  
M Jones  
Company Secretary

26 September 2006

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# Averys of Bristol Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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*The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom generally accepted accounting practice.*

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVERYS OF BRISTOL LIMITED

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 30 June 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Bake Tilly*

Registered Auditor  
Chartered Accountants  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BP

*26 September 2006*

# Averys of Bristol Limited

## PROFIT AND LOSS ACCOUNT

for the period ended 30 June 2006

		Period ending 30 June 06 £	Period ending 1 July 05 £
	<i>Notes</i>		
TURNOVER		12,715,785	8,536,886
Cost of sales		(8,317,561)	(5,804,884)
GROSS PROFIT		4,398,224	2,732,002
Other operating expenses	2	(4,798,049)	(3,415,476)
OPERATING LOSS		(399,825)	(683,474)
Interest payable	3	(1,350)	(7)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	4	(401,175)	(683,481)
Taxation	5	(44,855)	-
LOSS FOR THE FINANCIAL YEAR	15	(446,030)	(683,481)
Dividends		-	-
RETAINED LOSS FOR THE YEAR		(446,030)	(683,481)

The operating loss for the period arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

# Averys of Bristol Limited

## BALANCE SHEET

30 June 2006

	Notes	30 June 2006 £	1 July 2005 £
<b>FIXED ASSETS</b>			
Tangible assets	7	372,241	473,244
Fixed asset investment	8	2	2
		<u>372,243</u>	<u>473,246</u>
<b>CURRENT ASSETS</b>			
Stocks	9	3,222,036	1,726,193
Debtors due within one year	10	921,405	381,887
Cash at bank and in hand		233,701	303,679
		<u>4,377,142</u>	<u>2,411,759</u>
<b>CREDITORS</b>			
Amounts falling due within one year	11	(5,048,191)	(2,676,200)
<b>NET CURRENT LIABILITIES</b>		<u>(671,049)</u>	<u>(264,441)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(298,806)</u>	<u>208,805</u>
<b>CREDITORS</b>			
Amounts falling due after one year	12	(2,221,105)	(2,282,686)
		<u>(2,519,911)</u>	<u>(2,073,881)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,500,000	1,500,000
Profit and loss account	15	(4,019,911)	(3,573,881)
Equity shareholders' (deficiency)	16	<u>(2,519,911)</u>	<u>(2,073,881)</u>

Approved and authorised for issue by the Board on

26 September 2006



Director

# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

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### ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The financial statements are for the period ended 30 June 2006.

The company is dependent on the ongoing support of its parent company, Direct Wines Limited to continue to trade. Direct Wines Limited have confirmed that they do not intend to demand repayment of the amount due to them in the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

The accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by section 248 of the companies act 1985 not to prepare group accounts.

#### CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is a subsidiary with more than 90% of the voting rights controlled within the group, and their cashflows are included in a consolidated cashflow in the accounts of the parent company.

#### TANGIBLE FIXED ASSETS

Depreciation is provided on all fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold property	over the life of the lease
Office furniture and equipment	25%
Motor vehicles	25%
Computer equipment	20%

#### STOCKS

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items.

#### FOREIGN EXCHANGE

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

#### OPERATING LEASES

The annual rentals on operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### PENSION CONTRIBUTIONS

The company operates defined contribution pension schemes and the pension charge represents the amounts payable by the company to the funds in respect of the period.

#### DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.



# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

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### ACCOUNTING POLICIES (continued)

#### DEFERRED TAX (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable, taxable profits from which the future reversal of the underlying timing differences can be deducted

#### TURNOVER

Turnover represents sales to external customers at invoiced amounts less value added tax.

# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

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### 1 TURNOVER

The company's turnover was all derived from its principal activity and arises solely within the United Kingdom.

### 2 OTHER OPERATING EXPENSES (NET)

	2006	2005
	£	£
Distribution costs	1,095,071	996,281
Administration expenses	3,702,978	2,419,195
	<u>4,798,049</u>	<u>3,415,476</u>

### 3 INTEREST PAYABLE

	2006	2005
	£	£
On bank loans, overdrafts and other loans repayable within five years	<u>1,350</u>	<u>7</u>

### 4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging/ (crediting):

	2006	2005
	£	£
Depreciation and amounts written off tangible fixed assets:		
Charged for the period		
Owned assets	131,793	130,728
Profit on disposals	(2,700)	-
Operating lease rentals:		
Plant and machinery	-	-
Other assets	245,266	154,119
Net (profit) on foreign currency translation	(4,202)	(172)
Auditors' remuneration - audit services	8,900	8,550
	<u></u>	<u></u>

# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

### 5 TAXATION

	2006	2005
	£	£
Current tax:		
Total current tax	-	-
Deferred tax:		
Reversal of timing differences	44,855	-
Tax on loss on ordinary activities	<u>44,855</u>	<u>-</u>
Factors effecting tax charge for the period		
The tax assessed for the period is lower than the standard rate of corporation tax (19%) as explained below:		
Loss on ordinary activity before tax	(401,175)	(683,481)
Profit on ordinary activities multiplied by the standard rate of corporation tax (19%)	(76,223)	(129,861)
Effects of:		
Expenses not deductible for tax purposes	264	8,445
Capital allowances in excess of depreciation	4,059	(1,932)
Tax losses group relieved		-
Tax losses for the current year carried forward	79,474	123,348
Short term timing differences	(7,574)	-
	<u>-</u>	<u>-</u>

The company have trading losses available to carry forward amounting to £779,000 (2005: £779,000)

### 6 EMPLOYEES

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

	2006	2005
	No.	No.
Office and management	8	8
Selling and distribution	41	33
	<u>49</u>	<u>41</u>

Staff costs for the above persons:

	2006	2005
	£	£
Wages and salaries	1,177,894	969,677
Social Security costs	117,334	152,988
Other pension costs	26,679	25,988
	<u>1,321,907</u>	<u>1,148,653</u>

### DIRECTORS' REMUNERATION IN RESPECT OF SERVICES TO THIS COMPANY

	2006	2005
	£	£
Aggregate emoluments	<u>165,065</u>	<u>168,273</u>
Company pension contributions to money purchase schemes	<u>34,650</u>	<u>21,759</u>

Retirement benefits are accruing to 2 directors (2005: 2) under money purchase pension schemes

# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

### 7 TANGIBLE FIXED ASSETS

	Property improvements and shop premiums £	Office furniture and equipment £	Motor vehicles £	Total £
Cost				
1 July 2005	11,423	798,264	86,266	895,953
Additions	-	20,790	10,000	30,790
Disposals	-	(74,338)	(44,650)	(118,988)
30 June 2006	<u>11,423</u>	<u>744,716</u>	<u>51,616</u>	<u>807,755</u>
Depreciation				
1 July 2005	9,004	327,439	86,266	422,709
Charged in the period	879	130,497	417	131,793
Disposals	-	(74,338)	(44,650)	(118,988)
30 June 2006	<u>9,883</u>	<u>383,598</u>	<u>42,033</u>	<u>435,514</u>
Net book value				
30 June 2006	<u>1,540</u>	<u>361,118</u>	<u>9,583</u>	<u>372,241</u>
1 July 2005	<u>2,419</u>	<u>470,825</u>	<u>-</u>	<u>473,244</u>

### 8 FIXED ASSET INVESTMENTS

	2006 £	2005 £
Investment in subsidiaries – at cost	<u>2</u>	<u>2</u>

The company owns 100% of the issued ordinary share capital of New World Vintners Limited which is incorporated in England and Wales. The company is non-trading.

### 9 STOCKS

	2006 £	2005 £
Goods for resale	<u>3,222,036</u>	<u>1,726,193</u>

### 10 DEBTORS

	2006 £	2005 £
Due within one year:		
Trade debtors	345,987	194,527
Other debtors	249,312	44,855
Amounts due from parent company	25,042	-
Prepayments and accrued income	301,064	142,505
	<u>921,405</u>	<u>381,887</u>

Included within other debtors is deferred taxation of £nil (2005: £44,855)

# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

### 11 CREDITORS: Amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	1,999,458	867,681
Trade creditors	1,262,874	1,202,510
Other taxation and social security costs	405,468	407,395
Other creditors	-	14,583
Accruals and deferred income	1,380,391	184,031
	<u>5,048,191</u>	<u>2,676,200</u>

The company's bank borrowings are secured by a cross guarantee with Direct Wines Limited, The Warehouse Wine Company Limited and Tough Developments Limited.

### 12 CREDITORS: Amounts falling due in more than one year

	2006	2005
	£	£
Amounts owed to parent company	<u>2,221,105</u>	<u>2,282,686</u>

Amounts owed to parent company represents amounts owed to Direct Wines Limited, who have indicated they will not seek repayment prior to June 2007.

### 13 DEFERRED TAXATION

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable, taxable profits from which the future reversal of the underlying timing differences can be deducted

No deferred tax asset has been included in the accounts with respect to taxable trading losses carried forward, as there is insufficient evidence of recovery in the foreseeable future. At 30 June 2006 the potential deferred tax asset in respect of these losses amounted to £234,000 (2005: £271,000)

### 14 SHARE CAPITAL

	2006	2005
	£	£
Authorised:		
1,500,000 Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>
Allotted, called up and fully paid:		
1,500,000 Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>

### 15 RESERVES

	Profit and loss account £
At 1 July 2005	(3,573,881)
Loss for the financial period	<u>(446,030)</u>
At 30 June 2006	<u>(4,019,911)</u>

# Averys of Bristol Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 June 2006

### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
Loss after taxation	(446,030)	(683,481)
Opening shareholders' deficit	(2,073,881)	(1,390,400)
Closing shareholders' deficit	<u>(2,519,911)</u>	<u>(2,073,881)</u>

### 17 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2006 the company had annual commitments under non-cancellable operating leases as follows:-

	2006	2005
	£	£
Land and buildings:		
Expiring in the second to fifth year	<u>198,464</u>	<u>163,429</u>

### 18 PENSION COMMITMENTS

The company operates defined contribution pension schemes whose assets are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company and amounted to £47,707 (2005: £25,988). At 30 June 2006 there was a pension creditor of £nil (2005: £14,583).

### 19 RELATED PARTY TRANSACTIONS

#### *Ultimate parent company*

The directors regard Direct Wines Limited, a company registered in England and Wales, as the ultimate parent company. According to the register kept by the company, Direct Wines Limited had a 100% interest in the equity capital of Averys of Bristol Limited at 30 June 2006.

#### *Related party transactions and balances*

During the period the company made purchases of £39,054 (2005: £284,086) from its parent company, Direct Wines Limited. The balance owed to the company at the period end was £2,196,064 (2005: £2,282,686). The largest and smallest group in which the results of the company are consolidated is that headed by Direct Wines Limited. Copies of the financial statements of Direct Wines can be obtained from New Aquataine House, Exeter Way, Theale, RG7 4PL

F J Avery, a Director, made purchases of £18,852 (2005: £11,182) from the company during the period. The balance owed to the company at the period end was £8,948 (2005: £7,094).

### 20 GOING CONCERN

The company is dependent on the ongoing support of Direct Wines Limited to continue to trade. Direct Wines Limited have confirmed that they do not intend to demand repayment of the amount due to them in the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

**Averys of Bristol Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 30 June 2006

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The following pages do not form part of the statutory financial statements  
which are the subject of the independent auditors' report on page 4.

# Averys of Bristol Limited

## PROFIT AND LOSS ACCOUNT

for the period ended 30 June 2006

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	2006 £	2005 £
TURNOVER	12,715,785	8,536,886
Cost of sales	8,317,561	5,804,884
GROSS PROFIT	4,398,224	2,732,002
Selling and distribution costs	1,095,071	996,281
	3,303,153	1,735,721
Promotion costs	1,673,254	986,598
Administration expenses	1,469,412	909,229
Office expenses	231,513	222,659
Property expenses	328,799	300,709
OVERHEAD COSTS	3,702,978	2,419,195
OPERATING LOSS	(399,825)	(683,474)
INTEREST PAYABLE	(1,350)	(7)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(401,175)	(683,481)
TAX CHARGE ON ORDINARY ACTIVITIES	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(401,175)	(683,481)
PROPOSED DIVIDEND	-	-
LOSS FOR THE FINANCIAL PERIOD	(401,175)	(683,481)

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# Averys of Bristol Limited

## PROFIT AND LOSS ACCOUNT

for the period ended 30 June 2006

	2006 £	2005 £
SALES		
Sales of wine	12,715,785	8,536,886
	<u>12,715,785</u>	<u>8,536,886</u>
Cost of sales	8,317,561	5,804,884
	<u>8,317,561</u>	<u>5,804,884</u>
GROSS PROFIT	4,398,224	2,732,002
SELLING AND DISTRIBUTION COSTS		
Cartons and packaging	127,988	66,073
Samples and breakages	-	5,580
Carriage outwards	512,332	436,732
Tastings	(52,443)	5,963
Other commission	49,531	84,443
Warehouse and shops wages	441,531	378,169
Motor vehicle running costs	16,132	19,321
	<u>1,095,071</u>	<u>996,281</u>
PROMOTION COSTS		
Travel, subsistence and entertaining	42,382	19,592
Advertising and publicity	1,630,872	967,006
	<u>1,673,254</u>	<u>986,598</u>
ADMINISTRATION EXPENSES		
Office wages and payroll	1,338,825	804,495
Pension costs	26,680	25,853
Postage and stationery	24,428	9,261
Insurance	26,635	17,228
Bank charges	10,732	9,762
Professional fees	15,382	10,803
Audit fees	8,900	8,550
Training	8,342	10,968
Office furniture, equipment and shop depreciation	9,071	12,175
Vehicle depreciation	417	134
	<u>1,469,412</u>	<u>909,229</u>
OFFICE EXPENSES		
Telephone	34,760	25,861
Equipment repair and hire	15,860	12,680
Sundries	899	3,495
Subscriptions and donations	2,933	6,720
Computer costs	41,879	43,215
Light and heat	13,756	14,231
Computer equipment depreciation	121,426	116,457
	<u>231,513</u>	<u>222,659</u>

# Averys of Bristol Limited

## PROFIT AND LOSS ACCOUNT

for the period ended 30 June 2006 (*continued*)

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	2006	2005
	£	£
PROPERTY EXPENSES		
Rent and rates	316,743	284,231
Cleaning	13,347	14,591
Security	530	1,011
Loss on disposal of fixed asset	(2,700)	-
Property depreciation	879	876
	<u>328,799</u>	<u>300,709</u>
OPERATING LOSS	<u>(399,825)</u>	<u>(683,474)</u>