Registered number: 06574767

Direct Wines Holdings Limited
Annual report and financial statements
For the period ended 1 July 2016

Direct Wines Holdings Limited

Annual report and financial statements for the period ended 1 July 2016

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Direct Wines Holdings Limited

Company information

Directors

A H G Laithwaite	President
B A Laithwaite	Co-Chairman
A J Porter	Co-Chairman
A Clifford-King	Non-executive
H J H Laithwaite	Non-executive
W W Laithwaite	Non-executive
T A E Laithwaite	Non-executive
D A Thatcher	CEO
J W H Weir	CFO

Registered office

One Waterside Drive
Arlington Business Park
Theale
Berkshire
RG7 4SW

Bankers

Barclays Bank plc
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

HSBC
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Solicitors

Olswang Thames Valley
2nd Floor
The Blade
Abbey Square
Reading
RG1 3BE

President and Co-Chairmen's Statement - 2016

This year has seen strong performance in all three of our core markets the UK, the USA and Australia complemented by a successful launch into New Zealand

Our focus continues to deliver success and another year where profits and customer numbers have increased in all markets Revenue was marginally down year on year to £286 1m, reflecting the inclusion of a 53rd week last year, but all operating businesses showed underlying revenue growth Profit before income tax has increased from £7 8m to £8 6m Net cash now stands at £24 7m, an increase of £10 7m on last year, highlighting the Group's strong financial position

In the UK we have continued to see strong profit growth despite additional investment in customer recruitment The continued evolution of our sophisticated personalisation system is enhancing our customers' experience in all of our channels, particularly online and on the phone, and is helping us to improve customer loyalty We have also continued to invest in our delivery capabilities, with our warehouse shipping a case of wine to our customers every 4 5 seconds, every hour of the day, 24 hours a day during our busy peak period at Christmas – a phenomenal achievement We have a number of exciting business opportunities under way that we expect will drive continued UK growth in future years

The US business continues to grow, hitting record profit numbers, and we are confident that our strategy will ensure long-term growth in this market. The benefit of having a geographically diverse business has been highlighted particularly by the volatility in currency markets following the "Brexit" vote earlier this year

Our Australian business also recorded record profits and customer numbers The highlight of the year was the successful launch in New Zealand We have also seen good growth in the Hong Kong and Taiwan franchises and are exploring other opportunities in the Asian market

We have invested further in wine production in Bordeaux, cementing our unique position as producers as well as retailers of wine In Australia we have been delighted with the first vintage from our RedHeads winemaking studio in the Barossa Valley

We recognise that exceptional service is a key part of what makes us different from our competitors, and we remain dedicated to serving our customers brilliantly By continuing to attract and retain exceptionally talented colleagues, we ensure that we provide knowledgeable and responsive customer service with a genuine focus on what individual customers will enjoy drinking

The results this year demonstrate the success of this strategy across the Group and we believe that this success can be further enhanced, despite the uncertainty around sterling exchange rates and, in particular, pressure on the cost of wine that is bought in Euros

Alan White has retired after three years as a Non Executive Director and Chair of the Audit Committee and has been replaced by Alison Clifford-King We would like to thank Alan for his invaluable contribution to the Board and we look forward to working with Alison

Tony Laithwaite	Barbara Laithwaite	Angus Porter
President	Co-Chairman	Co-Chairman
15 September 2016	15 September 2016	15 September 2016

Strategic report for the period ended 1 July 2016

The directors present their strategic report on the Group for the period ended 1 July 2016

Business review and principal activities

The principal activity of the Group is the importing and distribution of wines

The consolidated income statement for the period is set out on page 10

As the Group continues to focus on the core markets (the UK, the USA and Australia), it has once again delivered stable operating profit of £8 6m (2015 £8 6m), with Cash and Cash equivalents increasing by £10 7m to £24 7m (2015 £14 0m), despite a 53 week trading period in the prior year

The launch in New Zealand (as a new territory for our Australian business) has been a success and our Hong Kong and Taiwan franchises also continue to grow

Direct Wines sp Zoo was dissolved on 4 May 2016 and the process of closing down Laithwaites GmbH and Laithwaites AG is progressing well

After reviewing the prospects for our joint venture investment in Wine Soc of India Private Limited the board of directors agreed to start the formal process of winding down the company on 1st December 2015 The company ceased trading on 31st March 2016

The directors were pleased to see the customer base grow in all markets Overall our customer base increased 2% on last year

In addition to the customer base the business monitors several key performance indicators which include key measures on productivity, cost, sales and margin

Our gross product margin improved year on year by 0 4%pts and is now 40 1% (2015 39 7%) Our Consolidated balance sheet remains strong with net assets of £64 9m (2015 £52 2m) Included in the net assets is a fair value of the derivative financial instruments of £3 6m (2015 net liability £1 3m)

Risk management

The directors recognise following as the principal risks of the business

Technology risk

- Any significant failure of IT systems would affect our ability to trade

People risk

- The success of our business is based on employing the best people with the right capabilities

Operational risk

- The business continuity plans, in the event of an emergency incident, are key to ensure we are prepared and have a plan in place to mitigate the impact of any adverse event

Regulatory risk

- We need to ensure compliance with all local requirements and monitor any legal or regulatory changes

Economic risk

- The underlying economic environment and fiscal measures

Performance risk

- The performance against budget is tracked as any negative variance could lead to a failure to deliver the long-term goals

Financial risk

- The foreign exchange, interest rate, credit and liquidity risks are managed with appropriate financial instruments Further information is provided in the Directors' Report

Strategic report for the period ended 1 July 2016 (continued)

Risk management (continued)

The directors meet regularly to evaluate business risks and monitor the economic climate and take appropriate action where necessary In particular the processes and systems surrounding fraud and credit risk are continuously evaluated

The main objectives of the Group are to maintain a positive trajectory on profit; continue to grow the customer base through recruiting the right customers, to build long-term customer relationships and to grow digital channels

The period ended 1 July 2016 is the first year that the Group has presented its results under FRS 102 The date of transition to FRS 102 was 28 June 2014 The changes in accounting policies which reconcile profit for the financial period ended 3 July 2015 and the total equity as at 28 June 2014 and 3 July 2015 between UK GAAP as previously reported and FRS 102 are detailed in Note 29

Additional information on the Group's activities is given in the President and Co-Chairmen's Statement on page 2

On behalf of the Board

D A Thatcher
Director
15 September 2016

Directors' report for the period ended 1 July 2016

The directors present their annual report and the audited consolidated financial statements of the Direct Wines Holdings Limited Group (the "Group") and Direct Wines Holdings Limited (the "Company") for the period ended 1 July 2016

Results and dividends

The Group's profit for the financial period was £5,620,000 (2015 £4,315,000) The directors have recommended a second interim dividend of £6 07 per share (2015 Nil) An interim dividend of £31 05 per share has been paid in the year (2015 £31 90 per share) Further information is provided in Note 11

Future developments

The future developments of the Company are disclosed in the Strategic Report

Directors

The directors, who held office during the period and up to the date of signing the financial statements, except as stated otherwise, are given below

A H G Laithwaite	President
B A Laithwaite	Co-Chairman
A J Porter	Co-Chairman
H J H Laithwaite	Non-executive
W W Laithwaite	Non-executive
T A E Laithwaite	Non-executive
A White	Non-executive (resigned 31 May 2016)
A Clifford-King	Non-executive (appointed 1 August 2016)
D A Thatcher	CEO
J W H Weir	CFO

Directors' and officers' liability insurance

The Group maintains liability insurance for its directors and officers Following shareholder approval the Group has also provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 This was in force during the financial period and at the date of approval of the financial statements

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk, foreign exchange risk, interest rate risk and credit risk The Group has a risk management programme that limits the adverse effect of these financial risks on the financial performance of the Group

The risk management policies are set by the board of directors and implemented by the Group's finance department The policies provide specific guidelines to manage liquidity risk, foreign exchange risk, interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these risks

The Group is exposed to foreign exchange risk as purchases are made in a number of currencies other than Sterling The Group manages this risk through purchasing forward foreign currency via Direct Wines Finance Limited, a group company, which actively uses forward foreign currency contracts to manage the currency requirements of the Group

The Group is exposed to interest rate risk as it borrows funds at floating interest rates The risk of this and overall cash flow required for operations and planned expansions is also managed by Direct Wines Finance Limited It manages the Group's hedging and long and short term cash flow requirements on behalf of the other companies within the Group

Directors' report for the period ended 1 July 2016 (continued)

Political and charitable contributions

The Group made charitable donations of £2,542 (2015 £1,000) The main donation of £2,000 was to The Benevolent, the drinks industry charity (2015 £1,000 to The Benevolent) No political donations were made during the period (2015 Nil)

Employees

The necessity for, and the importance of, good communications and relations with all employees is well recognised and accepted throughout the Group Employees are encouraged to discuss with management factors affecting the Group and any matters about which they are concerned In addition the Board takes account of employees' interests when making decisions and employees are informed regularly of the Group's performance, both operational and financial Suggestions from employees aimed at improving the Group's performance are welcomed

All employees participate in the group's annual Management Bonus Scheme and are rewarded based on the profitability and customer growth of the business in the financial year

The Group also supports the employment of persons with disability wherever possible, through recruitment and by retention of those who suffer disability during their employment, and generally through training, career development and promotion

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Group and parent company financial statements ("the financial statements") in accordance with applicable law and regulations

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

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' report for the period ended 1 July 2016 (continued)

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware The directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it had been communicated to the auditors

This disclosure is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006

On behalf of the board

D A Thatcher
Director
15 September 2016

Independent auditors' report to the members of Direct Wines Holdings Limited

Report on the financial statements

Our opinion

In our opinion, Direct Wines Holdings Limited's Group financial statements and parent company financial statements (the "financial statements")

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 1 July 2016 and of the Group's profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise

- Consolidated balance sheet as at 1 July 2016 and Company Balance sheet as at 1 July 2016,
- Consolidated income statement and Consolidated statement of comprehensive income for the year then ended,
- Consolidated statement of cash flows for the year then ended,
- Consolidated statement of changes in equity and Company statement of changes in equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Independent auditors' report to the members of Direct Wines Holdings Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those *standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors*

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

C Maw

Christopher Maw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
15 September 2016

Consolidated income statement for the period ended 1 July 2016

	Note	52 week period ended 1 July 2016			53 week period ended 3 July 2015
		£'000	£'000	£'000	£'000
			Continuing operations	Discontinued operations	Total
Revenue	4	**286,122**	286,578	541	287,119
Cost of sales		**(171,482)**	(172,952)	(236)	(173,188)
Gross profit		**114,640**	113,626	305	113,931
Distribution costs		**(10,054)**	(10,197)	-	(10,197)
Administrative expenses		**(95,951)**	(95,064)	(85)	(95,149)
Operating profit	7	**8,635**	8,365	220	8,585
Share of loss in joint venture		-	-	(406)	(406)
Finance income	5	**64**	53	-	53
Finance costs	6	**(147)**	(422)	(1)	(423)
Profit before income tax		**8,552**	7,996	(187)	7,809
Income tax expense	10	**(2,932)**	(3,494)	-	(3,494)
Profit for the year		**5,620**	4,502	(187)	4,315

The results for the 52 week period ended 1 July 2016 are derived entirely from continuing operations The discontinued operations in the 53 week period ended 3 July 2015 relate to Laithwaites AG, Laithwates GmbH, Direct Wines Sp zoo and Wine Soc Of India Private Limited, which all ceased trading by 31 March 2016

Consolidated statement of comprehensive income For the period ended 1 July 2016

	52 week period ended 1 July 2016	53 week period ended 3 July 2015
	£'000	£'000
Profit for the financial year	**5,620**	4,315
Other comprehensive income/(expense):		
- Currency translation differences	**6,384**	2,254
- Changes in fair value of cash flow hedges	**3,888**	(478)
Other comprehensive income for the year, net of tax	**10,272**	1,776
Total comprehensive income for the year	**15,892**	6,091

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement The loss for the Company for the year was £Nil (2015 £25,000)

Consolidated balance sheet as at 1 July 2016

	Note	1 July 2016 £'000	3 July 2015 £'000
Fixed assets			
Intangible assets	12	**41,394**	39,083
Property, plant and equipment	13	**7,310**	6,938
Total fixed assets		**48,704**	46,021
Current assets			
Inventories	15	**33,983**	29,819
Trade and other receivables	16	**15,827**	12,179
Cash at bank and in hand		**30,832**	36,779
Total current assets		**80,642**	78,777
Trade and other payables	17	**(60,500)**	(70,226)
Net current assets		**20,142**	8,551
Total assets less current liabilities		**68,846**	54,572
Provisions for liabilities	18	**(3,940)**	(2,373)
Net assets		**64,906**	52,199
Capital and reserves			
Called up share capital	22	**51**	51
Hedging reserve/(deficit)		**2,996**	(892)
Retained earnings		**61,859**	53,040
Total equity		**64,906**	52,199

The financial statements on pages 10 to 47 were approved by the board of directors on 15th September 2016 and were signed on its behalf by

W W Laithwaite
Director
Direct Wines Holdings Limited
Registered number 06574767

Company balance sheet as at 1 July 2016

	Note	1 July 2016 £'000	3 July 2015 £'000
Fixed assets			
Investments	14	**2,703**	2,703
Current assets			
Trade and other receivables (all amounts falling due after one year)	16	**6,485**	9,470
Cash at bank and in hand		**-**	200
Total current assets		**6,485**	9,670
Trade and other payables	17	**-**	-
Net current assets		**6,485**	9,670
Total assets less current liabilities		**9,188**	12,373
Net assets		**9,188**	12,373
Capital and reserves			
Called up share capital	22	**51**	51
Retained earnings		**9,137**	12,322
Total shareholders' funds		**9,188**	12,373

The financial statements on pages 10 to 47 were approved by the board of directors on 15th September 2016 and were signed on its behalf by

W W Laithwaite
Director
Direct Wines Holdings Limited
Registered number 06574767

Consolidated statement of changes in equity
For the period ended 1 July 2016

	Called up share capital	Retained earnings	Hedging reserve/ (deficit)[1]	Total Equity
	£'000	£'000	£'000	£'000
Balance as at 28 June 2014	51	48,254	(414)	47,891
Profit for the year	-	4,315	-	4,315
Other comprehensive income/(expense) for the year				
- Currency translation differences on net investment in foreign operations	-	2,254	-	2,254
- Cash flow hedge	-	-	(478)	(478)
Total comprehensive income for the year	-	6,569	(478)	6,091
Dividends paid	-	(1,783)	-	(1,783)
Total transactions with owners, recognised directly in equity	-	(1,783)	-	(1,783)
Balance as at 3 July 2015	**51**	**53,040**	**(892)**	**52,199**
Profit for the year	-	**5,620**	-	**5,620**
Other comprehensive income for the year				
- *Currency translation differences on net* investment in foreign operations	-	**6,384**	-	**6,384**
- Cash flow hedge	-	-	**3,888**	**3,888**
Total comprehensive income for the year	-	**12,004**	**3,888**	**15,892**
Dividends paid	-	**(3,185)**	-	**(3,185)**
Total transactions with owners, recognised directly in equity	-	**(3,185)**	-	**(3,185)**
Balance as at 1 July 2016	**51**	**61,859**	**2,996**	**64,906**

[1] *The hedging reserve arose on the recognition of derivative financial instruments recognised at fair value* on transition to FRS 102 and accordingly at transition current liabilities of £414,617 were recognised at 28 June 2014

Company statement changes in equity
For the period ended 1 July 2016

	Called up share capital	Retained earnings	Total Equity
	£'000	£'000	£'000
Balance as at 28 June 2014	51	14,130	14,181
Loss for the year	-	(25)	(25)
Total comprehensive expense for the year	-	(25)	(25)
Dividends paid	-	(1,783)	(1,783)
Total transactions with owners, recognised directly in equity	-	(1,783)	(1,783)
Balance as at 3 July 2015	**51**	**12,322**	**12,373**
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Dividends paid	-	**(3,185)**	**(3,185)**
Total transactions with owners, recognised directly in equity	-	**(3,185)**	**(3,185)**
Balance as at 1 July 2016	**51**	**9,137**	**9,188**

Consolidated statement of cash flows for the period ended 1 July 2016

	Note	**52 week period ended 1 July 2016 £'000**	53 week period ended 3 July 2015 £'000
Net cash inflow from operating activities	23	**21,484**	14,101
Taxation paid		**(2,335)**	(3,301)
Net cash generated from operating activities		**19,149**	10,800
Cash flow from investing activities			
Interest received		**64**	53
Sale of property, plant and equipment		**151**	52
Purchase of property, plant and equipment and intangible assets		**(8,343)**	(7,008)
Net cash used in investing activities		**(8,128)**	(6,903)
Cash flow from financing activities			
Repayment of borrowings		-	(12,500)
Interest paid		**(147)**	(280)
Equity dividends paid to shareholders		**(3,185)**	(1,783)
Net cash used in financing activities		**(3,332)**	(14,563)
Net increase/(decrease) in cash and cash equivalents		**7,689**	(10,666)
Cash and cash equivalents at the beginning of the year		**13,978**	11,575
Movement in loans and borrowings		-	12,500
Exchange gains/(losses) on cash and cash equivalents		**3,037**	569
Cash and cash equivalents at the end of the year		**24,704**	13,978
Cash and cash equivalents consists of :			
Cash at bank and in hand		**30,832**	36,779
Bank overdrafts		**(6,128)**	(22,801)
Cash and cash equivalents		**24,704**	13,978

Notes to the financial statements for the period ended 1 July 2016

1 General information

Direct Wines Holdings Limited is a private company limited by shares and is incorporated in the United Kingdom The address of its registered office is One Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SW

The principal activity of the Group is the sale and distribution of wines The principal activity of the Company is that of a holding company.

2 Statement of compliance

The Group and individual financial statements of Direct Wines Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated The Company has adopted FRS 102 in these financial statements Details of the transition to FRS 102 are disclosed in note 29

(a) Basis of preparation

These consolidated and separate financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value This is the first year in which the financial statements have been prepared under FRS 102 The date of transition to FRS 102 was 28 June 2014

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(v)

Direct Wines Holdings Limited, as parent company of the Group has taken exemption from disclosure of its individual income statement and statement of comprehensive income under section 408 of the Companies Act 2006

Financial period

The financial statements are made up to the Friday nearest to 30 June each year Periodically this results in a financial period of 53 weeks The current accounting period is for the 52 weeks period ended 1 July 2016 The previous accounting period was for the 53 weeks ended 3 July 2015

(b) Going concern

The Group maintains a mix of medium-term and short-term debt facilities The Group has positive cash flows after capital expenditure and interest costs and expects to have sufficient liquidity to meet all its obligations in full including capital expenditure and distributions for the foreseeable future As at 1 July 2016 the Direct Wines Group's debt facilities amounting to £22 5m were undrawn and it held £24 7m of cash and cash equivalents

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(c) Exemption for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to the use of exemptions by the Company's shareholders A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated The Direct Wines Holdings Limited parent entity can take exemptions in its standalone financial statements

As a qualifying entity, the Company has taken advantage of the following exemptions

i) from the requirement to prepare a statement of cash flows as required by paragraph 3 17(d) of FRS 102,
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102,
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4 12(a)(iv) of FRS 102, and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33 7 of FRS 102

(d) Basis of consolidation

The Group consolidated financial statements includes the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of its joint ventures made up to 1 July 2016

(i) Investments in subsidiaries

A subsidiary is an entity controlled by the Group Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements

Investments in subsidiary undertakings are stated at cost, including those costs associated with the acquisitions, less provision for any impairment in value Where events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable, an impairment review is performed An impairment write down is recognised to the extent that the carrying amount of the asset exceeds the higher of the fair value less cost to sell and value in use

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(d) Basis of consolidation (continued)

(i) Investments in subsidiaries (continued)

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities

All intra-Group transactions, balances, income and expenses are eliminated on consolidation

(ii) Investments in joint venture

Investments in joint arrangements can take the form of jointly controlled operations, jointly controlled assets, or jointly controlled entities The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement Direct Wines Holdings Limited has a joint venture classified as a jointly controlled entity

Direct Wines Holdings Limited has invested in a jointly controlled entity (Wine Soc of India Private Limited) The Group owns 33 3% of the issued share capital

Interests in jointly controlled entities are accounted for using the equity method (mentioned below) after initially being recognised at cost in the consolidated balance sheet

Under the equity method of accounting, the investments are initially recognised at cost (including transaction costs) and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the profit or loss Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy "Impairment of non-financial assets" mentioned later in this note

The Group and the Company has taken advantage of the transition exemption under paragraph 35 10(f) FRS 102 in respect of measurement of investments in subsidiaries and joint venture on the date of transition to FRS 102 (28 June 2014) and measure investment at their existing carrying value (which can be determined to be deemed cost)

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(e) Exemption from audit by parent guarantee

Under Section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ending 1 July 2016 have been taken by companies stated below

Company Name	Registered number
Direct Wines Limited	01095091
Averys of Bristol Limited	00376920
Direct Wines International Limited	02987166
Direct Wines Europe Limited	08532287

As required, the Company guarantees all outstanding liabilities to which the subsidiary companies listed above are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Group and value added taxes

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer which is generally upon delivery, (b) the Group retains no continuing involvement or control over the goods, (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below

Revenue for subscriptions and tastings is recognised when the service is provided

Franchise fees included within revenue are recognised as they accrue under the terms of the franchise agreements

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest

(g) Employee benefits

The Group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received

(ii) Defined contribution pension scheme

The Group operates defined contribution plans for its employees A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity Once the contributions have been paid the Group has no further payment obligations The contributions are recognised as an expense when they are due Amounts not paid are shown in accruals in the consolidated balance sheet The assets of the plan are held separately from the Group in independently administered funds

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows

- Computer software - 3 to 5 years

Amortisation is charged to Administrative expenses in the consolidated income statement and commences at the earlier of when the asset is brought into use or the asset is available to use

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired

Costs associated with maintaining computer software are recognised as an expense as incurred Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met

- it is technically feasible to complete the software so that it will be available for use,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured

Other development expenditures that do not meet these criteria are recognised as an expense as incurred Development costs previously recognised as an expense are not recognised as an asset in a subsequent period

Goodwill arising on acquisition represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired

Goodwill is amortised over its expected useful life of 15 – 25 years as, in the opinion of the directors, this represents the period over which the goodwill is effective Goodwill is assessed for impairment on an annual basis and any impairment is charged to the consolidated income statement Reversals of impairment are recognised when the reasons for the impairment no longer apply

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(i) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination Where control is achieved in stages the cost is the consideration at the date of each transaction

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities

In accordance with Section 35 10(a) of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations affected prior to the date of transition

(j) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs

Depreciation is provided on all property, plant and equipment, other than freehold land, using the straight-line method, to allocate the depreciable amount to its estimated residual value over its expected useful life, as follows

Freehold land	not depreciated
Freehold properties	over 50 years
Improvements to property	over 5 to 10 years
Short leasehold property improvements and shop premiums	the shorter of the lease life or 10 years
Computer hardware and furniture and fittings	over 3 to 10 years
Motor vehicles	over 1 to 4 years
Warehouse fixtures and fittings	over 7 years
Assets in the course of construction	not depreciated until available for use

Repairs, maintenance and minor inspection cost are expensed as incurred

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in consolidated income statement

(k) Leased assets

At inception the Group assesses agreements that transfer the right to use assets The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement

(i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(k) Leased assets (continued)

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease Where the implicit rate cannot be determined the Group's incremental borrowing rate is used Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset Assets are assessed for impairment at each reporting date

The capital element of lease obligations is recorded as a liability on inception of the arrangement Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding

(ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases Rentals payable under operating leases are charged in the consolidated income statement on a straight line basis over the lease term

(iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments

Incentives received to enter into an operating lease are credited to the consolidated income statement, to reduce the lease expense, on a straight-line basis over the period of the lease

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (28 June 2014) and continues to credit such lease incentives to the consolidated income statement over the period to the first review date on which the rent is adjusted to market rates

(l) Inventories

Inventories, work in progress and raw materials are stated at the lower of cost or estimated selling price less cost to sell Inventories are recognised as an expense in the period in which the related revenue is recognised

Cost is determined using the weighted average method Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition

At the end of each reporting period inventories are assessed for impairment If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the consolidated income statement Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the consolidated income statement

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(m) Foreign currency

(i) Functional and presentation currency

The Group and Company financial statements are presented in Pound Sterling and rounded to thousands

The Group and Company's functional currency is Pound Sterling

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions

At each period end foreign currency monetary items are translated using the closing rate Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in 'other Comprehensive Income'

(iii) Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'

(n) Production cost

Wine production costs borne directly by the Group are allocated to specific products and are added to the direct costs of the wine when it is purchased Costs relating to products not delivered by the period end are carried forward in the consolidated balance sheet as work in progress

(o) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity date of three months or less, held for the purpose of meeting short-term cash commitments and bank overdrafts Bank overdrafts, when applicable, are shown within borrowings in current liabilities

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(q) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity In this case tax is also recognised in other comprehensive income or directly in equity respectively

Current or deferred taxation assets and liabilities are not discounted

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference

(r) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount An impairment loss is recognised in the consolidated income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation Thereafter any excess is recognised in the consolidated income statement

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods A reversal of an impairment loss is recognised in the consolidated income statement

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(s) Provisions and contingencies

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably

(ii) Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote

(t) Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest

Such assets are subsequently carried at amortised cost using the effective interest method

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate The impairment loss is recognised in the consolidated income statement

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised The impairment reversal is recognised in consolidated income statement

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(t) Financial instruments (continued)

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers Trade payable are classified as current liabilities if payment is due within one year or less If not, they are presented as non-current liabilities Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously

(iv) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value Subject to the paragraph below 'Hedging arrangements', changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate All derivatives are included in assets when their value is positive and liabilities when their fair value is negative after taking account of any master netting agreements in place

(v) Hedging arrangements

The Group applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated

Notes to the financial statements for the period ended 1 July 2016

3 Summary of significant accounting policies (continued)

(u) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements

(v) Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

(i) Critical judgements in applying the company's accounting policies

a) Derivative financial instruments

Judgement is exercised when determining the key assumptions used in valuing the forward foreign currency purchase and sale contracts Management have decided to value derivative financial instruments at the forward market values of purchase and sale contracts The key assumptions used in valuing the forward purchase and sale contracts are the closing exchange rates on the London foreign exchange markets and independent third party pricing services

b) Provisions

Provision is made for dilapidations and contingencies These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement

(ii) Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below

a) Inventory provisioning

The Group distributes wine and is subject to changing consumer demands As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods See note 15 for the net carrying amount of the inventory and associated provision

b) Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value This requires estimation of the future cash flows and also selection of appropriate discount rates in order to calculate the net present value of those cash flows

Notes to the financial statements for the period ended 1 July 2016

(v) Critical accounting judgements and estimation uncertainty (continued)

c) *Impairment of receivables*

The Group makes an estimate of the recoverable value of trade and other debtors When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience See note 16 for the net carrying amount of the debtors and associated impairment provision

d) *Useful economic lives of tangible assets and intangible assets*

The annual depreciation and amortisation charge for tangible and intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets The useful economic lives and residual values are re-assessed annually They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets See note 12 for the carrying amount of the intangible assets, note 13 for the carrying amount of the property plant and equipment, and notes 3(h) and 3(j) for the useful economic lives for each class of assets

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

(w) Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes in EU directives and UK Companies Regulation The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015 Entities will have to adopt and comply with all amendments if they elect to early adopt the Amendments to FRS 102 (issued in July 2015) The Company and the Group has not chosen to early adopt these amendments None of these are expected to have a significant effect on the financial statements of the Group

Notes to the financial statements for the period ended 1 July 2016 (continued)

4. Revenue

The Group's revenue was all derived from its principal activity Sales were made in the following geographical markets

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
United Kingdom	**199,606**	202,695
United States of America	**61,659**	57,914
Rest of World	**24,857**	26,510
	286,122	287,119

5. Finance income

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
On bank deposits	**64**	53

6. Finance cost

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
On bank loans and overdrafts	**147**	423

Notes to the financial statements for the period ended 1 July 2016 (continued)

7. Operating profit

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Operating profit is stated after charging/(crediting).		
Depreciation charge for the period		
Owned assets	**1,720**	1,783
Leased assets	**107**	53
Amortisation of goodwill	**1,102**	1,066
Amortisation of other intangible assets	**5,698**	4,883
Loss/(Profit) on disposal of property, plant and equipment	**(127)**	5
Inventory recognised as an expense (included in 'cost of sales')	**110,833**	112,497
Impairment of inventory (included in 'cost of sales')	**(65)**	563
Operating lease rentals	**2,784**	3,545
Services provided by the company's auditors		
- fees payable for audit of group undertakings	**172**	147
- fees payable for the audit of the Company	**5**	5
- tax advisory services	**121**	33
- other services	**61**	5

8. Employee information

The average monthly number of persons (including the executive directors) employed by the Group during the period was

	52 week period ended 1 July 2016	53 week period ended 3 July 2015
By activity	**Number**	Number
Office and management	**378**	368
Selling and distribution	**455**	456
	833	824

Notes to the financial statements for the period ended 1 July 2016 (continued)

8. Employee information (continued)

Staff costs for the above persons comprised

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Wages and salaries	**27,807**	27,668
Social security costs	**2,554**	2,534
Other pension costs (note 26)	**989**	1,061
	31,350	31,263

In addition to the above, staff costs of £2,317,084 (2015 £1,736,074) have been capitalised into intangible assets as part of the cost of development of software assets These costs are included in "Software under construction" and "Computer software"

9. Directors' emoluments

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Aggregate emoluments	**2,318**	2,008

In the current period retirement benefits are accruing to 1 director (2015 1) under the Group's defined contribution scheme The contribution paid was £26,000 (2015 £11,000)

Highest paid director

The highest paid director's emoluments were as follows

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Aggregate emoluments	**1,254**	832

Notes to the financial statements for the period ended 1 July 2016 (continued)

9. Directors' emoluments (continued)

Key management compensation

Key management includes the directors and members of senior management The compensation paid or payable to key management for employee services is shown below

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Salaries and other short-term benefits	3,612	3,122
Post-employment benefits	30	15
	3,642	3,137

10. Income tax expense

(a) Tax expense included in profit or loss

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Current tax		
- UK Corporation tax on profits for the year	(357)	(326)
- Foreign corporation tax on profits for the year	(2,625)	(2,417)
- Adjustments in respect of prior periods	409	673
Total current tax	(2,573)	(2,070)
Deferred tax		
Origination and reversal of timing differences		
- UK	290	(260)
- Foreign tax	(542)	(659)
Adjustments in respect of prior periods	(295)	(505)
Impact of change in tax rate	188	-
Total deferred tax (Note 19)	(359)	(1,424)
Income tax expense	(2,932)	(3,494)

Notes to the financial statements for the period ended 1 July 2016 (continued)

10. Income tax expense (continued)

(b) Tax income/(expense) included in other comprehensive income

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Deferred tax		
- Origination and reversal of timing differences	**(910)**	370
- Impact of change in tax rate	**(37)**	-
Total tax income/(expense) included in other comprehensive income	**(947)**	370

(c) Reconciliation of tax charge

The tax assessed for the period is higher (2015 higher) than the standard rate of corporation tax in the UK for the period ended 1 July 2016 of 20% (2015 20 75%)

The differences are explained below

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
Profit before income tax	**8,552**	7,809
Profit multiplied by standard rate of corporation tax in the UK of 20% (2015 20 75%)	**1,710**	1,620
Effects of		
Expenditure not allowable for tax purposes	**111**	527
Income not taxable	**(34)**	(70)
Fixed assets ineligible for capital allowance	**61**	59
Higher overseas tax rate	**1,545**	1,479
Overseas tax losses utilised	**(193)**	(95)
Overseas tax losses carried forward	-	102
Overseas tax losses unrelieved/expired	-	126
Other differences	-	12
Adjustments in respect of prior periods	**(113)**	(256)
Adjustment to closing deferred tax rate	**(155)**	(10)
Income tax expense	**2,932**	3,494

Notes to the financial statements for the period ended 1 July 2016 (continued)

10. Income tax expense (continued)

(d) Tax rate changes

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 Accordingly the Company's (loss)/profit for this accounting year is taxed at a rate of 20%

In addition to the changes in corporation tax disclosed above, further changes to the UK corporation tax rates were announced in the Finance (No 2) Bill 2015 These include proposals to reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020 These further changes were substantively enacted on 26 October 2015 and therefore have been included in the financial statements as the latest substantively enacted corporation tax rate at the balance sheet date

11. Dividends

	52 week period ended 1 July 2016 £'000	53 week period ended 3 July 2015 £'000
2014 Interim dividend paid £35 24 per share	-	1,783
2015 Interim dividend paid £31 90 per share	**1,614**	-
2016 Interim dividend paid £31 05 per share	**1,571**	-
Total dividend paid	**3,185**	1,783

The directors have recommended a second interim dividend of £307,142 (£6 07 per share) in respect of the period ended 1 July 2016 which is expected to be paid in October 2016

Notes to the financial statements for the period ended 1 July 2016 (continued)

12. Intangible assets

Group	*Goodwill on acquisition* £'000	Other Intangible Assets £'000	Software under construction £'000	*Computer Software* £'000	Total £'000
Cost					
At 4 July 2015	30,140	108	2,354	37,917	70,519
Additions	-	6	6,625	-	6,631
Disposals	(1,648)	-	-	-	(1,648)
Assets brought into use	-	-	(2,886)	2,886	-
Translation differences	4,598	19	-	-	4,617
At 1 July 2016	**33,090**	**133**	**6,093**	**40,803**	**80,119**
Accumulated amortisation and impairment					
At 4 July 2015	14,171	47	-	17,218	31,436
Amortisation charge for the period	1,102	23	-	5,675	6,800
Disposals	(1,648)	-	-	-	(1,648)
Translation differences	2,126	11	-	-	2,137
At 1 July 2016	**15,751**	**81**	**-**	**22,893**	**38,725**
Net book value					
At 1 July 2016	**17,339**	**52**	**6,093**	**17,910**	**41,394**
At 4 July 2015	15,969	61	2,354	20,699	39,083

The Company has no intangible assets

In the current period, the Group has disposed of goodwill previously fully written off in respect of Wine Soc of India Private Limited, following the decision taken by the directors of the Wine Soc of India Private Limited to cease trading

Notes to the financial statements for the period ended 1 July 2016 (continued)

13. Property, plant and equipment

Group	Land and buildings: Freehold properties £'000	Land and buildings: Short leasehold property improvements and shop premiums £'000	Computer hardware and furniture and fittings £'000	Assets in course of construction £'000	Warehouse fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost							
At 4 July 2015	2,892	7,474	6,084	754	5,885	54	23,143
Additions	50	93	287	25	1,363	6	1,824
Disposals	(132)	(39)	(43)	(21)	(749)	(9)	(993)
Assets brought into use	42	114	421	(619)	42	-	-
Translation differences	407	36	231	41	163	7	885
At 1 July 2016	**3,259**	**7,678**	**6,980**	**180**	**6,704**	**58**	**24,859**
Accumulated depreciation							
At 4 July 2015	705	5,196	5,555	-	4,724	25	16,205
Charge for the period	106	717	388	-	601	15	1,827
Disposals	(130)	(28)	(43)	-	(749)	(7)	(957)
Translation differences	110	25	201	-	134	4	474
At 1 July 2016	**791**	**5,910**	**6,101**	-	**4,710**	**37**	**17,549**
Net book value							
At 1 July 2016	**2,468**	**1,768**	**879**	**180**	**1,994**	**21**	**7,310**
At 4 July 2015	2,187	2,278	529	754	1,161	29	6,938

The cost of land included within freehold properties is not depreciated

The Company has no property, plant and equipment

14. Investments

Company	Shares in subsidiaries £'000
Cost and net book value at 3 July 2015 and 1 July 2016	**2,703**

Notes to the financial statements for the period ended 1 July 2016 (continued)

14. Investments (continued)

Details of all subsidiary undertakings are as follows

Subsidiary	Country of incorporation or registration	Class of holding	Proportion held	Nature of business
Direct Wines Limited	England & Wales	Ordinary	100%	Sale of wine
Averys of Bristol Limited	England & Wales	Ordinary	100%	Sale of wine
Direct Wines Finance Limited	England & Wales	Ordinary	100%	Financing company
Direct Wines International Limited	England & Wales	Ordinary	100%	Holding company
DW USA Holdings Inc	USA	Ordinary	100%*	Holding company
SLJ Group Inc	USA	Ordinary	100%*	Sale of wine
Archway Partnerships Inc	USA	Ordinary	100%*	Business Services
Direct Wines Australia Holdings Pty Limited	Australia	Ordinary	100%*	Holding company
St Andrews Vineyard Pty Limited	Australia	Ordinary	100%*	Production of wine
Handcrafted Wines Limited	Australia	Ordinary	100%*	Production of wine
Wine People Pty Limited	Australia	Ordinary	100%*	Sale of wine
Direct Wines Source Australia Pty Ltd	Australia	Ordinary	100%*	Production of wine
Direct Wines France Holdings SARL	France	Ordinary	100%*	Holding company
Direct Wines Le Chai au Quai SARL	France	Ordinary	100%*	Production of wine
Direct Wines (Castillon) SARL	France	Ordinary	100%*	Production of wine
SCI de Colombe	France	Ordinary	100%*	Production of wine
SCEA du domaine de Colombe	France	Ordinary	100%*	Production of wine
SCEA du domaine du Bois	France	Ordinary	100%*	Production of wine
Direct Wines Cyprus Limited	Cyprus	Ordinary	100%*	Holding Company
Redgrape Businesses Services Private Limited	India	Ordinary	100%*	IT Services
Direct Wines Europe Limited	England & Wales	Ordinary	100%*	Holding Company
Laithwaites AG	Switzerland	Ordinary	100%*	Sale of wine
Laithwaites GmbH	Germany	Ordinary	100%*	Sale of wine
Direct Wines Sp zoo	Poland	Ordinary	100%*	Sale of wine
Bordeaux Direct Limited	England & Wales	Ordinary	100%*	Dormant
Direct Wines (Windsor) Limited	England & Wales	Ordinary	100%*	Dormant
Laithwaites Limited	England & Wales	Ordinary	100%*	Dormant
Laithwaites Wine Limited	England & Wales	Ordinary	100%*	Dormant

* held indirectly

Notes to the financial statements for the period ended 1 July 2016 (continued)

14. Investments (continued)

The Company also has an investment in the following joint venture

Undertaking	Country of incorporation or registration	Class of holding	Proportion held	Nature of business
Wine Soc of India Private Limited	India	Ordinary	33 3%*	Sale of wine

* held indirectly

Given the underlying net liability position of the joint venture, the carrying value of the Group's interest is £Nil (2015 £Nil)

15. Inventories

Group	1 July 2016 £'000	3 July 2015 £'000
Raw materials and consumables	**480**	394
Work in progress	**4,616**	3,126
Finished goods and goods for resale	**28,887**	26,299
	33,983	29,819

The amount of inventories recognised as an expense during the year was £110,833,080 (2015 £112,497,000)

Inventories are stated after provisions for impairment of £886,357 (2015 £935,277)

The difference between the carrying amount of inventory and the replacement cost was £193,000 (2015 no material difference)

The Company holds no inventory (2015 £Nil)

16. Trade and other receivables

	Group		Company	
	1 July 2016	3 July 2015	**1 July 2016**	3 July 2015
Amounts falling due within one year	**£'000**	£'000	**£'000**	£'000
Trade receivables	**8,095**	8,780	-	-
Other receivables	**774**	696	-	-
Derivative financial instruments (note 20)	**4,630**	286	-	-
Prepayments and accrued income	**2,328**	2,417	-	-
	15,827	12,179	-	-

Trade and other receivables are stated after provisions for impairment of £284,389 (2015 £1,497,149)

Notes to the financial statements for the period ended 1 July 2016 (continued)

16. Trade and other receivables (continued)

	Group		Company	
	1 July 2016	3 July 2015	**1 July 2016**	3 July 2015
Amounts falling due after more than one year	**£'000**	£'000	**£'000**	£'000
Amounts owed by group undertakings	-	-	**6,485**	9,470

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand but have been confirmed as long term in nature with the associated group undertakings

17. Trade and other payables

	Group		Company	
	1 July 2016	3 July 2015	**1 July 2016**	3 July 2015
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**6,128**	22,801	-	-
Trade payables	**23,848**	23,035	-	-
Corporation tax	**874**	488	-	-
Other taxation and social security	**4,722**	4,328	-	-
Other payables	**3,192**	1,592	-	-
Derivative financial instruments (note 20)	**1,057**	1,548	-	-
Accruals and deferred income	**20,679**	16,434	-	-
	60,500	70,226	-	-

The Direct Wines Group operates a cross-border, cross-currency cash pool as part of its cash management operations Any overdrawn accounts are offset by credit balances maintained on other accounts within the cash pool and there is no net overdraft limit assigned to this facility Under the terms of the cross-border, cross-currency cash pool, gross overdraft balances are repayable on demand As at the reporting date, the total gross overdrawn balance within this cash pool was £3 2m

The Group also operates a UK domestic cross-currency cash pool as part of its cash management operations Any overdrawn accounts are offset by credit balances held on other accounts within the cash pool Under the terms of the UK domestic cross-currency cash pool, gross overdraft balances are repayable on demand As at the reporting date the total gross overdrawn balance within this cash pool was £2 9m There is a £1 25m net overdraft limit assigned to the UK domestic cash pool As at the reporting date there was £nil utilisation of the net overdraft facility

18. Provisions for liabilities

	Deferred tax provision (Note 19) £'000
At 3 July 2015	2,373
Charged to the income statement	359
Charged to the other comprehensive income	947
Translation differences	261
At 1 July 2016	**3,940**

19. Deferred taxation

Deferred taxation recognised in the financial statements and the amount not recognised of the total potential assets are as follows

Group	Recognised		Not recognised	
	1 July 2016 £'000	3 July 2015 £'000	**1 July 2016 £'000**	3 July 2015 £'000
The effect of timing differences because of:				
Accelerated capital allowances	**(3,811)**	(3,282)	-	-
Other timing differences	**397**	281	-	-
Tax losses carried forward	**51**	259	**3,336**	3,024
Deferred tax on derivative financial liabilities	**(577)**	369	-	-
Deferred tax provision	**(3,940)**	(2,373)	**3,336**	3,024

The unrecognised deferred tax asset would be recognised in the event that its recovery was considered to be more likely than not

The net deferred tax liability expected to reverse in 2016 is £297,000 This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation and on derivatives, offset by expected tax deductions

The Company had no deferred tax provision at 1 July 2016 (2015 £nil)

Notes to the financial statements for the period ended 1 July 2016 (continued)

20. Financial instruments

The Group has the following financial instruments

	Note	1 July 2016	3 July 2015
		£'000	£'000
Financial assets at fair value through profit or loss·			
Derivative financial instruments		4,630	286
		4,630	286
Financial assets that are debt instruments measured at amortised cost:			
Trade receivables	16	8,095	8,780
Other receivables	16	774	696
		8,869	9,476
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments		1,057	1,548
		1,057	1,548
Financial liabilities measured at amortised cost			
Bank loans and overdraft	17	6,128	22,801
Trade payables	17	23,848	23,035
Other payables	17	3,192	1,592
		33,168	47,428

Derivative financial instruments – Forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables In accordance with Board-approved Treasury policies, foreign exchange contracts in the current period include foreign exchange forwards, vanilla foreign exchange options and foreign exchange swaps and are arranged with approved market counterparties. At 1 July 2016, the outstanding contracts all mature within 12 months (2015 12 months) of the year end

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs The key inputs used in valuing the derivatives are the forward exchange rates for GBP USD and GBP EUR The fair value of the forward-foreign currency contracts is a net asset £3,573,000 (2015· liability £1,262,000) During the year, a net hedging gain of £4,835,095 (2015 loss of £848,505) was recognised in other comprehensive income for changes in the fair value of cash flow hedges

The notional principal amounts of the outstanding forward foreign exchange contracts at 1 July 2016 were £68,982,497 (2015 £53,560,846)

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 1 July 2016 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement This is generally within 12 months of the end of the reporting period.

Notes to the financial statements for the period ended 1 July 2016 (continued)

21. *Financial risk management*

Risk Management

The Board approves prudent treasury policies and delegates certain responsibilities including changes to treasury policies and the implementation of risk strategy to the Audit Committee Senior management directly control day-to-day treasury operations on a centralised basis The treasury function is not permitted to speculate in financial instruments Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Direct Wines Group's business operations To do this, the Group can enter into a range of financial instruments including foreign exchange contracts and interest rate swaps to protect against currency and interest rate risk

The primary treasury-related financial risks faced by the Direct Wines Group are

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Australian dollar and Euros Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates The Group can use interest rate swaps to hedge borrowings under its floating rate Revolving Credit Facility In the current period, no interest rate risk hedging activity has been applied

(b) Credit risk

The Direct Wines Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments Board-approved investment policies and relevant debt facility agreements provide counterparty investment limits to mitigate against counterparty credit risk The Group maintains a prudent split of cash and cash equivalents across market counterparties, operating within counterparty investment limits The Group monitors counterparty credit ratings on a daily basis

Notes to the financial statements for the period ended 1 July 2016 (continued)

22. Called up share capital

Group and company	1 July 2016 £'000	3 July 2015 £'000
Authorised		
1,000,000 (2015 1,000,000) ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid		
50,600 (2015 50,600) ordinary shares of £1 each	**51**	51

There is a single class of ordinary shares There are no restrictions on the distribution of dividends and the repayment of capital

23. Net cash inflow from operating activities

	Year ended 1 July 2016 £'000	Year ended 3 July 2015 £'000
Operating profit for the year	**8,635**	8,585
Adjustments for		
Depreciation of property, plant and equipment	**1,826**	1,836
Amortisation of goodwill	**1,102**	1,066
Amortisation of other intangible assets	**5,698**	4,883
Loss/(Profit) on sale of property, plant and equipment	**(127)**	5
Working capital movements		
- (Increase)/decrease in inventories	**(1,834)**	3,739
- (Increase)/decrease in trade and other receivables	**1,577**	2,253
- Increase/(decrease) in trade and other payables	**4,607**	(8,266)
Net cash inflow from operating activities	**21,484**	14,101

24. Contingent liabilities

The Group has given indemnities to its bankers in respect of duty deferment guarantees made by the bank on behalf of the Group At 1 July 2016 these amounted to £0 6m (2015 £ 0 6m)

The Group has given indemnities to its bankers in respect of other guarantees made by the bank on behalf of the Group At 1 July 2016 these amounted to £140,861 (2015 £120,639)

The bank overdrafts and loan of the UK group undertakings are secured by cross guarantees between the UK group companies At 1 July 2016 the potential liability of the Company was £6,064,775 (2015 £23,588,043) Included in this amount is HSBC's Global Liquidity Solution, a cross-border, cross-currency cash pooling facility of £3,200,389 (2015 £17,733,477)

In addition as disclosed in note 3(e) the Company has given guarantees in respect of the liabilities of certain subsidiary companies

Notes to the financial statements for the period ended 1 July 2016 (continued)

25. Financial commitments

At 1 July 2016 the Group had future minimum lease payments under non-cancellable operating leases for each of the following period

	1 July 2016	3 July 2015
	£'000	£'000
Not later than one year	**2,645**	2,491
Later than one year but not later than five years	**9,489**	9,637
Later than five years	**425**	2,445
	12,559	14,573

The Company had no capital or other commitments at 1 July 2016 (2015 £nil)

26. Pension commitments

The Group companies operate defined contribution pension schemes whose assets are held separately from those of the companies in independently administered funds The pension cost charge represents contributions payable by the Group and amounted to £989,000 (2015 £1,061,000) There were unpaid contributions at the period end of £143,000 (2015 £129,000)

27. Related party transactions

See note 9 for disclosure of the directors' emoluments and key management compensation

28. Ultimate controlling party

The directors regard the Laithwaite family as the ultimate controlling party of the Company by virtue of their interest in the share capital of the Company

Notes to the financial statements for the period ended 1 July 2016 (continued)

29. Transition to FRS 102

This is the first year that the Group and Company have presented their results under FRS 102 The last financial statements under previous UK GAAP were for the 53 weeks ended 3 July 2015 The date of transition to FRS 102 was 28 June 2014 Set out below are the changes in accounting policies which reconcile profit for the financial period ended 3 July 2015 and the total equity as at 28 June 2014 and 3 July 2015 between UK GAAP as previously reported and FRS 102

Transition exemptions

The Group and the Company have taken the following transition exemptions in preparing their first financial statements under FRS 102

(i) The Group and the Company have taken advantage of the exemptions under paragraph 35 10(f) of FRS 102 in respect of investment in subsidiaries and jointly controlled entities on the date of transition to FRS 102 (28 June 2014) and measured investments at their existing carrying value (which can be determined to be deemed cost)

(ii) The Group and the Company have taken advantage of the exemption under paragraph 35 10(p) of FRS 102 in respect of lease incentives on leases in existence on the date of transition (28 June 2014) to FRS 102 and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates

(iii) In accordance with Section 35 10(a) of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition

Reconciliations

In accordance with the requirements of FRS 102, a reconciliation of prior year profit and opening balances is provided below

Reconciliation of profit for the year	Note	Group 3 July 2015 £'000	Company 3 July 2015 £'000
Profit/(loss) for the year as previously reported under UK GAAP		3,484	(25)
- Foreign currency translation of non-monetary assets	(i)	580	-
- Net liability relating to investment in joint venture	(ii)	529	-
- Deferred taxation recognition	(iv)	(278)	
Profit/(loss) for the year as reported under FRS 102		4,315	(25)

Reconciliation of other comprehensive income for the year	Note	Group 3 July 2015 £'000	Company 3 July 2015 £'000
Other comprehensive income for year as previously reported under UK GAAP		2,254	-
- Recognition of derivative financial instruments	(iii)	(848)	-
- Deferred taxation	(iv)	370	
Other comprehensive income for year reported under FRS 102		**1,776**	-

Notes to the financial statements for the period ended 1 July 2016 (continued)

29. Transition to FRS 102 (continued)

Reconciliations

Reconciliation of equity for the year	Note	Group 28 June 2014 £'000	3 July 2015 £'000
Total equity previously reported under UK GAAP		48,222	52,177
- Foreign currency translation of non-monetary assets	(i)	-	580
- Net liability relating to investment in joint venture	(ii)	-	529
- Recognition of derivative financial instruments	(iii)	(414)	(1,262)
- *Deferred taxation*	(iv)	83	175
Total equity reported under FRS 102		**47,891**	**52,199**

Reconciliation of equity for the year	Company 28 June 2014 £'000	3 July 2015 £'000
Total equity previously reported under UK GAAP	14,181	12,373
Total equity reported under **FRS 102**	**14,181**	**12,373**

Notes to the reconciliations

(i) **Translation of foreign currency non-monetary items**

Under previous UK GAAP, trade payables and accruals for goods received but not yet invoiced were translated using the associated forward contract rate Paragraph 30 9 of FRS 102 requires foreign *currency monetary items to be translated using the exchange rate at the date of the transaction and* retranslated at the year-end spot rate Accordingly, at 3 July 2015 a translation gain of £580,012 has been recognised in consolidated income statement with a decrease of £148,359 in inventories and a decrease of £728,372 in creditors

(ii) ***Net liability relating to investment in joint venture***

Direct Wines Holdings Limited has invested in a jointly controlled entity (Wine Soc of India Private Limited) Losses incurred by the Wine Soc of India Private Limited were in excess of the investment in the joint venture resulting in a net liability of £1,119,400 previously being recognised in the balance sheet. *Under FRS 102, if an investor's share of losses of a joint venture equals or exceeds the carrying* amount of its investment in the joint venture, the investor shall discontinue recognising its share of further losses After the investor's interest is reduced to zero, the investor shall recognise additional losses by a provision only to the extent that the investor has incurred legal or constructive obligations Accordingly, this has resulted in the revising of the share of liabilities previously recognised of *£1,119,400 from the balance sheet to £nil with an equivalent credit in the income statement. The entity* has also recognised provision for constructive obligation of £100,000 in the balance sheet with an equivalent charge in the income statement

Group companies previously held receivable balances due from the Wine Soc of India Private Limited including £348,225 included in trade debtors and £142,005 included in accrued income Within the Group financial statements these balances were previously offset by the share of liabilities of the Wine Soc of India Private Limited which was previously recognised on the balance sheet. Following the adoption of FRS 102 this share of liabilities is no longer recognised and consequently these receivable balances totalling £490,230 have been written off

Notes to the financial statements for the period ended 1 July 2016 (continued)

29. Transition to FRS 102 (continued)

Notes to the reconciliations (continued)

(iii) **Recognition of derivative financial instruments**

FRS 102 requires derivative financial instruments to be recognised at fair value Previously under UK GAAP the Group did not recognise these instruments in the financial statements On transition to FRS 102 the Group has adopted cash flow hedging to manage its exposure to foreign exchange risk Accordingly at transition current liabilities of £413,617 were recognised and a pre-tax loss of £848,505 was recognised in other comprehensive income for the year ended 3 July 2015 Current liabilities of £1,547,988 and current assets of £ 285,866 were recognised at 3 July 2015

(iv) **Deferred taxation**

The Group has accounted for deferred taxation on transition as follows

Translation of foreign currency monetary items
The Group has recognised in the year ended 3 July 2015 a charge in income statement of £277,924 in respect of the revaluation of foreign currency monetary assets

Derivative financial instruments
In the year ended 3 July 2015 the Group has recognised a credit of £369,802 in the other comprehensive income in respect of the change in the value of derivative liabilities recognised in other comprehensive income and a credit of £82,723 in respect of the change in the value of derivative liabilities in prior period

Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit for the financial year, the following adjustment have arisen which have had no effect on net assets or consolidated income statement but which have affected the presentation of these items in the financial statements

Computer software, with a net book value of £23,053,403 at 3 July 2015, has been reclassified from property, plant and equipment to intangible assets as required under FRS 102 This has no effect on the Group's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortization

Statement of cash flows

The Group's statement of cash flows reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1 In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the statement of cash flows reconciled to cash Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand' The FRS 1 definition is more restrictive

Company

There were no adjustments impacting the equity of the Company with total equity as of 28 June 2014 of £14,181,000 and total equity as of 3 July 2015 of £12,373,000 remaining consistent with that previously reported under UK GAAP