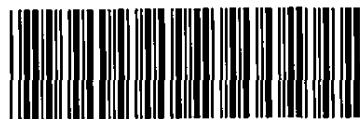


Registered number 00376920

**Averys of Bristol Limited**  
**Annual report and financial statements**  
**For the period ended 1 July 2016**

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# **Averys of Bristol Limited**

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

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# **Averys of Bristol Limited**

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## **Company information**

### **Directors**

J W H Weir  
D A Thatcher

### **Registered office**

9A Culver Street  
Bristol  
BS1 5LD

### **Bankers**

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

### **Solicitors**

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

## Strategic report for the period ended 1 July 2016

The directors present their strategic report of the Company for the period ended 1 July 2016

### Business review and principal activities

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

The income statement for the period is set out on page 6

Financial performance of the Company in the year exceeded the directors' expectation. The exit from the Telegraph contract was very well managed.

Sales were down 6.5% on prior year due to the loss of the Telegraph contract and the 53<sup>rd</sup> week last year. Excluding the impact of the Telegraph transfer sales were up 20% on last year.

The profit before income tax for the year was £258,884 (2015: £411,725). The reduction is driven by the increase in depreciation charges as investment in the shop starts to be depreciated and the loss of contribution from The Telegraph customers.

Improvements have been made in working capital management. As a result the quick ratio improved from 0.11 last year to 0.49 and cash conversion improved by 21% year on year.

The customer base improved, ending the period at 17,000. Excluding The Telegraph customers, year on year growth was 11%.

On 27 May 2016 the Company entered into an agreement with Direct Wines Finance Limited, its fellow Direct Wines Holdings group subsidiary, for Direct Wines Finance Limited to act as an agent and provide foreign currency with all the economic benefits and burdens of the external hedging agreements arranged to hedge the foregoing currency risks of the Company transferring from Direct Wines Finance Limited to the Company.

### Risk Management

The directors recognise the 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.

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

Financial risk

- The foreign exchange, interest rate, credit and liquidity risks which are managed with appropriate financial instruments

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 objective is to maintain a positive trajectory on profit and to grow customer base through recruiting the right customers and building customer relationships. The Company remains focused on retaining and growing market share post Telegraph exit.

The period ended 1 July 2016 is the first year that the Company 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 set out in the Note 23.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'DA Thatcher', with a stylized flourish at the end.

D A Thatcher  
Director  
15 September 2016

## Directors' report for the period ended 1 July 2016

The directors present their annual report and the financial statements of the Company for the period ended 1 July 2016

### Results and dividends

The financial result for the period amounted to a profit £183,047 (2015 £318,000) The directors have not recommended the payment of a dividend (2015 £Nil)

### Future developments

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

### Directors

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

D A Thatcher  
J W H Weir

### Directors' and Officers' liability insurance

The Company maintains liability insurance covering the directors and officers of the Company

### Financial risk management

The Company'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 Company has a risk management programme that limits the adverse effect of these financial risks on the financial performance of the Company

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

The Company is exposed to foreign exchange risk as purchases are made in a number of currencies other than Sterling The Company managed this risk through forward purchasing foreign currency

### Political and charitable contributions

The Company made no charitable donations (2015 Nil) 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 Company Employees are encouraged to discuss with management factors affecting the Company 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 Company's performance Suggestions from employees aimed at improving the Company's performance are welcomed

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

The Company 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

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

### Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and 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 Company and of the profit or loss 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 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 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 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.

On behalf of the Board



D A Thatcher  
Director

15 September 2016

# Income Statement for the period ended 1 July 2016

	Note	52 week period ended 1 July 2016 £	53 week period ended 3 July 2015 £
Revenue	4	12,607,869	13,483,893
Cost of sales		(8,798,073)	(8,743,532)
Gross profit		3,809,796	4,740,361
Administrative expenses		(3,550,912)	(4,328,636)
Operating profit	5	258,884	411,725
Profit before income tax		258,884	411,725
Income tax expense	8	(75,837)	(93,725)
Profit for the year		183,047	318,000

# 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 £
Profit for the year	183,047	318,000
Other comprehensive income:		
- Changes in fair value of cash flow hedges	368,192	(142,269)
- Deferred taxation	(69,120)	28,454
Other comprehensive income/(expense) for the year, net of tax	299,072	(113,815)
Total comprehensive income for the year	482,119	204,185

The results for the periods shown above are derived entirely from continuing activities



# Averys of Bristol Limited

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## Balance sheet as at 1 July 2016

	Note	1 July 2016 £	3 July 2015 £
<b>Fixed assets</b>			
Property, plant and equipment	9	599,329	636,554
<b>Total fixed assets</b>		<b>599,329</b>	<b>636,554</b>
<b>Current assets</b>			
Inventories	10	3,842,742	4,893,742
Trade and other receivables	11	856,379	467,751
Cash at bank and in hand		1,504,783	49,719
<b>Total current assets</b>		<b>6,203,904</b>	<b>5,411,212</b>
<b>Trade and other payables due within one year</b>	12	<b>(4,881,498)</b>	<b>(4,605,858)</b>
<b>Net current assets</b>		<b>1,322,406</b>	<b>805,354</b>
<b>Total assets less current liabilities</b>		<b>1,921,735</b>	<b>1,441,908</b>
<b>Trade and other payables due after more than one year</b>	13	<b>(5,582,339)</b>	<b>(5,595,547)</b>
Provision for liabilities	14	(77,506)	(66,590)
<b>Net liabilities</b>		<b>(3,738,110)</b>	<b>(4,220,229)</b>
<b>Capital and reserves</b>			
Called up share capital	18	1,500,000	1,500,000
Hedging reserve		185,257	(113,815)
Accumulated deficit		(5,423,367)	(5,606,414)
<b>Total Shareholders deficit</b>		<b>(3,738,110)</b>	<b>(4,220,229)</b>

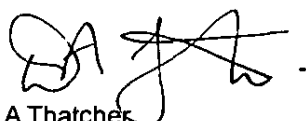
For the year ending 1 July 2016 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

The members have not required the Company to obtain an audit of its accounts for this year in accordance with section 476 of the Act

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts

The notes on pages 9 to 28 are an integral part of these financial statements

The financial statements on pages 6 to 28 were authorised for issue by the board of directors on 15<sup>th</sup> September 2016 and were signed on its behalf by



D A Thatcher  
Director  
Averys of Bristol Limited  
Registered number 00376920

Statement changes in equity for the period ended 1 July 2016

	Called up share capital	Accumulated deficit	Hedging reserve	Total Shareholders deficit
	£	£	£	£
<b>Balance as at 28 June 2014</b>	<b>1,500,000</b>	<b>(5,924,414)</b>	<b>-</b>	<b>(4,424,414)</b>
Profit for the year	-	318,000	-	318,000
Other comprehensive income for the year				
- Changes in fair value of cash flow hedges	-	-	(113,815)	(113,815)
	-	318,000	(113,815)	204,185
Total comprehensive income for the year				
	<b>1,500,000</b>	<b>(5,606,414)</b>	<b>(113,815)</b>	<b>(4,220,229)</b>
<b>Balance as at 3 July 2015</b>				
Profit for the year	-	183,047	-	183,047
Other comprehensive income for the year				
- Changes in fair value of cash flow hedges	-	-	299,072	299,072
Total comprehensive income for the year	-	183,047	299,072	482,119
<b>Balance as at 1 July 2016</b>	<b>1,500,000</b>	<b>(5,423,367)</b>	<b>185,257</b>	<b>(3,738,110)</b>

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

### 1 General information

Averys of Bristol Limited is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 9A Culver Street, Bristol, BS1 5LD.

The principal activity of the Company is the sale and distribution of wines.

### 2 Statement of compliance

The financial statements of Averys of Bristol 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 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 23.

#### (a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by 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 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(q).

#### 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 30 June 2016. The previous accounting period was for the 53 weeks ended 3 July 2015.

#### (b) Going Concern

The Company is dependent on the ongoing support of its parent company, Direct Wines Holdings Limited, to continue to trade. Direct Wines Holdings Limited has indicated its intention to provide such ongoing financial support as is necessary for the Company to continue in operation and to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

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

**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. Direct Wines Holdings Limited is the group entity in which these financial statements are consolidated.

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) 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 has been taken by Company.

**(e) 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 Company and value added taxes.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer which is generally upon delivery, (b) the Company 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 Company's sales channels have been met, as described below.

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

The Company bases its estimate of goods returned on historic results, taking into consideration the type of customer, the type of transaction and specifics of each arrangement.

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.

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

### 3 Summary of significant accounting policies (continued)

#### (f) Employee benefits

The Company 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 Company operates defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### (g) 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 down to its estimated residual value over its expected useful life, as follows:

Improvements to property	over 5 to 10 years
Shop premiums	the shorter of the lease life and 10 years
Computer hardware and furniture and fittings	over 3 to 10 years
Motor vehicles	over 1 to 4 years
Leased assets	the shorter of the primary term of the lease and the useful life of the assets

Repairs, maintenance and minor inspection costs 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 the income statement.

#### (h) Leased assets

At inception the Company assesses the agreements to which it is a party, 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) 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 to the income statement on a straight line basis over the lease term.

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

**3 Summary of significant accounting policies (continued)**

**(h) Leased assets (continued)**

*(ii) Lease incentives*

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

The Company 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 income statement over the period to the first review date on which the rent is adjusted to market rates

**(i) Inventories**

Inventories, work in progress and raw materials are stated at the lower of cost and 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 and duties and 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 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 income statement.

**(j) Foreign currencies**

*(i) Functional and presentation currency*

The Company's financial statements are presented in 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 income statement except when deferred in 'other Comprehensive Income'.

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

**3 Summary of significant accounting policies (continued)**

**(k) 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.

**(l) Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the 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.

**(m) Provisions and contingencies**

**(i) Provisions**

Provisions are recognised when the Company 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.

**(n) Financial instruments**

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

**Notes to the financial statements for the period ended  
1 July 2016 (continued)****3 Summary of significant accounting policies (continued)****(n) Financial instruments (continued)***(i) Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, 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 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 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.

*(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 payables 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.



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

**3 Summary of significant accounting policies (continued)**

**(n) Financial instruments (continued)**

*(v) Hedging arrangements*

The Company 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.

**(o) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Related party transactions**

The Company 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 financial statements.

**(q) 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 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 commercial knowledge of local markets traded.

*(a) 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.

**Notes to the financial statements for the period ended  
1 July 2016 (continued)****3 Summary of significant accounting policies (continued)****(q) Critical accounting judgements and estimation uncertainty (continued)***(ii) Key accounting estimates and assumptions*

The Company 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 Company 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 10 for the net carrying amount of the inventory and associated provision.

*(b) Impairment of receivables*

The Company 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 11 for the net carrying amount of the debtors and associated impairment provision.

*(c) Useful economic lives of tangible assets*

The annual depreciation charge for tangible 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 9 for the carrying amount of the property, plant and equipment, and note 3(g) 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.

**(r) Future amendments to FRS 102**

Amendments to FRS 102 were issued in July 2015 as a result of changes in the 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 has not chosen to early adopt these amendments. None of these are expected to have a significant effect on the financial statements of the Company.

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

### 4 Revenue

The Company's revenue was all derived from its principal activity and arises solely within the United Kingdom

### 5 Operating Profit

	52 week period ended 1 July 2016 £	53 week period ended 3 July 2015 £
<b>Operating Profit is stated after stated after charging /crediting:</b>		
Staff costs (Note 6)	1,445,592	1,458,232
Depreciation charge for the period		
Owned assets	16,439	12,288
Leased assets	101,067	40,929
Inventory recognised as an expense	4,607,791	5,372,245
Impairment of inventory (included in 'cost of sales')	-	27,332
Operating lease charges	41,733	97,118

### 6 Employee information

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

	53 week period ended 1 July 2016 Number	52 week period ended 3 July 2015 Number
<b>By activity</b>		
Office and management	3	3
Selling and distribution	35	33
	38	36

Staff costs for the above persons comprised

	52 week period ended 1 July 2016 £	53 week period ended 3 July 2015 £
Wages and salaries	1,294,611	1,283,860
Social security costs	98,984	126,447
Other pension costs (Note 20)	51,997	47,925
	1,445,592	1,458,232

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

## 7 Directors' remuneration

The directors are remunerated by fellow Direct Wines Holdings Limited group subsidiary Direct Wines Limited. No recharge is made to the Company for these costs and none of their remuneration is in respect of their services to the Company.

## 8 Income tax expense

### (a) Tax expense included in profit or loss

	53 week period ended 1 July 2016 £	52 week period ended 3 July 2015 £
<b>Current tax:</b>		
United Kingdom corporation tax on profits for the year	71,512	-
<b>Other current tax</b>		
Adjustment in respect of prior periods	-	45,417
<b>Total current tax</b>	<b>71,512</b>	<b>45,417</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(4,322)	48,308
Adjustments in respect of prior periods	9,303	
Impact of change in tax rate	(656)	-
<b>Total deferred tax (Note 15)</b>	<b>4,325</b>	<b>48,308</b>
<b>Income tax expense</b>	<b>75,837</b>	<b>93,725</b>

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

	52 week period ended 1 July 2016 £	53 week period ended 3 July 2015 £
<b>Deferred tax</b>		
- Cash flow hedge fair value	66,275	(28,454)
- Impact of change in tax rate	2,845	-
<b>Total tax expense/(income) included in other comprehensive income</b>	<b>69,120</b>	<b>(28,454)</b>

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

**(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 20% (2015: 20.75%)

The differences are explained below

	<b>53 week period ended 1 July 2016</b>	<b>52 week period ended 3 July 2015</b>
	<b>£</b>	<b>£</b>
Profit before income tax	<b>258,884</b>	411,725
Profit before income tax multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.75%)	<b>51,777</b>	85,435
Effects of		
~Fixed assets ineligible for capital allowances	<b>14,685</b>	6,659
Expenditure not allowable for tax purposes	<b>275</b>	320
Group relief surrendered /(received)	<b>(27)</b>	2,899
Adjustment to in respect of prior periods	<b>9,303</b>	45,417
Additional tax deduction for land remediation	-	(2,671)
Adjustment in respect of revenue recognition	-	(53,183)
Other adjustments	-	10,662
Adjustment to closing deferred tax rate	<b>(175)</b>	(1,813)
Tax charge for the year	<b>75,838</b>	93,725

**(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 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.

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

### 9 Property, plant and equipment

	Computer hardware and furniture and fittings £	Motor vehicles £	Leased assets £	Total £
<b>Cost</b>				
At 3 July 2015	384,424	7,580	639,842	1,031,846
Additions	10,242	-	70,039	80,281
Disposals	-	-	-	-
<b>At 1 July 2016</b>	<b>394,666</b>	<b>7,580</b>	<b>709,881</b>	<b>1,112,127</b>
<b>Accumulated depreciation</b>				
At 3 July 2015	345,300	5,053	44,939	395,292
Charge for the period	14,544	1,895	101,067	117,506
Disposals	-	-	-	-
<b>At 1 July 2016</b>	<b>359,844</b>	<b>6,948</b>	<b>146,006</b>	<b>512,798</b>
<b>Net book value</b>				
<b>At 1 July 2016</b>	<b>34,822</b>	<b>632</b>	<b>563,875</b>	<b>599,329</b>
At 3 July 2015	39,124	2,527	594,903	636,554

Included within the net book value is £709,881 (2015 £639,842) relating to assets held under operating lease agreements. The depreciation charged during the period in respect of such assets amounted to £101,067 (2015 £40,929).

### 10 Inventories

	1 July 2016 £	3 July 2015 £
Goods for resale	3,842,742	4,893,742

The amount of inventories recognised as an expense during the year was £4,607,791 (2015 £5,372,245).

Inventories are stated after provisions for impairment of £135,243 (2015 £202,848).

There is no material difference between the carrying amount of inventory and the replacement cost (2015 Not material).

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

### 11 Trade and other receivables

	1 July 2016 £	3 July 2015 £
<b>Amounts falling due within one year</b>		
Trade receivables	493,617	389,753
Prepayments and accrued income	27,234	75,397
Derivative financial instruments (Note 16)	278,821	-
Amounts owed by group undertakings	56,707	2,601
	<b>856,379</b>	<b>467,751</b>

Trade receivables are stated after provision for impairment of £31,668 (2015 £32,202)

### 12 Trade and other payables due within one year

	1 July 2016 £	3 July 2015 £
Trade payables	743,858	838,877
Other taxation and social security costs	364,792	426,122
Derivative financial instruments (Note 16)	62,091	142,269
Corporation tax	71,512	-
Accruals and deferred income	3,639,245	3,198,590
	<b>4,881,498</b>	<b>4,605,858</b>

The Company's bank borrowings are secured by a cross guarantee with the Direct Wines Holdings Limited group

### 13 Trade and other payables due after more than one year

	1 July 2016 £	3 July 2015 £
Amounts owed to group undertakings	5,582,339	5,595,547

Amounts owed to group undertakings represent amounts owed to Direct Wines Finance Limited which are unsecured, and have no set date for repayment. They have been categorised as falling due after more than one year as the directors have received confirmation that this group undertaking will not require payment of these amounts due for at least 12 months from the balance sheet date.

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

### 14 Provisions for liabilities

	Dilapidations Provision	Receivables Provision	Deferred tax provision/ (asset)	Total
	£	£	£	£
At 3 July 2015	91,292	6,500	(31,202)	66,590
Transferred from Accruals	-	4,471	-	4,471
Charged to the income statement	6,000	-	4,325	10,325
Utilised during the year	(73,000)	-	-	(73,000)
Charge to the other comprehensive income	-	-	66,275	66,275
Rate change charged to other comprehensive income	-	-	2,845	2,845
<b>At 1 July 2016</b>	<b>24,292</b>	<b>10,971</b>	<b>42,243</b>	<b>77,506</b>

#### Dilapidations

During the year ending 1 July 2016 the dilapidations provision for the Nailsea office was released

A dilapidations provision has been made for the Bristol shop. This provision will be built up over the life of the lease.

### 15 Deferred taxation

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

Deferred taxation recognised in the financial statements is as follows

	1 July 2016	3 July 2015
	£	£
Tax effect of timing differences because of		
Accelerated capital allowances	(17,891)	(9,615)
Other timing difference	16,314	12,363
Cash flow hedge fair value	(40,666)	28,454
Deferred tax provision	(42,243)	31,202

The net deferred tax asset expected to reverse in 2016 is £12,300. This primarily relates to the short term timing differences.



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

### 16 Financial instruments

The Company has the following financial instruments

	Note	1 July 2016 £'000	3 July 2015 £'000
<b>Financial assets at fair value through profit or loss:</b>			
Derivative financial instruments		278,821	-
		<b>278,821</b>	-
<b>Financial assets that are debt instruments measured at amortised cost:</b>			
Trade receivables	11	493,617	389,753
Amount owed by group undertaking	11	56,707	2,601
		<b>550,324</b>	392,354
<b>Financial liabilities measured at fair value through profit or loss:</b>			
Derivative financial instruments		62,091	142,269
		<b>62,091</b>	142,269
<b>Financial liabilities measured at amortised cost</b>			
Trade payables	12	743,858	838,877
Amount owed by group undertaking	13	5,582,339	5,595,547
		<b>6,326,197</b>	6,434,424

**Notes to the financial statements for the period ended  
1 July 2016 (continued)****16 Financial instruments (continued)****Derivative financial instruments – Forward contracts**

The Company 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: 6 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 £216,730 (2015: liability £142,269). During the year, a net hedging gain of £368,192 (2015: loss of £142,269) was recognised in other comprehensive income for changes in the fair value of cash flows hedges.

The notional principal amounts of the outstanding forward foreign exchange contracts at 1 July 2016 were £3,632,351 (2015: £1,918,322).

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.

**17 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 Company's business operations. To do this, the Company 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 Company are

**(a) Market risk***(i) Foreign exchange risk*

The Company 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 the Company to manage its foreign exchange risk against the functional currency. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company uses 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.

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

### 17 Financial risk management (continued)

#### (b) Credit risk

The Company 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 Company maintains a prudent split of cash and cash equivalents across market counterparties, operating within counterparty investment limits. The Company monitors counterparty credit ratings regularly.

### 18 Called up share capital

	1 July 2016 £	3 July 2015 £
<b>Authorised</b>		
1,500,000 (2015 1,500,000) ordinary shares of £1 each	1,500,000	1,500,000
<b>Allotted, called up and fully paid</b>		
1,500,000 (2015 1,500,000) ordinary shares of £1 each	1,500,000	1,500,000

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

### 19 Financial commitments

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

	1 July 2016 £	3 July 2015 £
Not later than one year	27,463	37,112
Later than one year but not later than five years	187,645	189,324
Later than five years	-	25,964
	<b>215,288</b>	<b>252,400</b>

### 20 Pension commitments

The Company operates defined contribution pension schemes whose assets are held separately from those of the Company in independently administered funds. The pension cost charge representing contributions payable by the Company amounted to £51,997 (2015 £47,925). There were no unpaid contributions at the period end (2015 £Nil).

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

### **21 Related party transactions**

The Company has taken up an exemption from the requirement to disclose the key management personnel compensation in total as required by paragraph 33 7 of FRS 102

The Company is also exempt from disclosing other related party transactions as they are with other companies that are wholly owned within Direct Wines Holdings Limited group

### **22 Ultimate parent company and controlling party**

The immediate and ultimate parent company is Direct Wines Holdings Limited According to the register kept by the Company, Direct Wines Holdings Limited had a 100% interest in the equity capital of Averys of Bristol Limited at 1 July 2016 and is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 1 July 2016 Copies of the parent's consolidated financial statements may be obtained from Direct Wines Holdings Limited, One Waterside Drive, Arlington Business Park, Theale, Reading, Berkshire, RG7 4SW

The directors regard the Lathwaite family as the ultimate controlling party by virtue of their interest in the share capital of Direct Wines Holdings Limited

### **23 Transition to FRS102**

This is the first year that the Company has presented its 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 Company has taken the following transition exemptions in preparing its first financial statements under FRS 102

- (i) The Company has 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 measures investment at their existing carrying value (which can be determined to be deemed cost)
- (ii) The Company has 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

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

### 23 Transition to FRS102 (continued)

#### 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	3 July 2015 £
Profit for the year as previously reported under UK GAAP		293,952
- Foreign currency translation of monetary assets	(i)	30,060
- Deferred taxation	(iii)	(6,012)
Profit for the year as reported under FRS 102		318,000

#### Reconciliation of other comprehensive income for the year

	Note	3 July 2015 £
Other comprehensive income for year as previously reported under UK GAAP		-
- Recognition of derivative financial instruments	(ii)	(142,269)
- Deferred taxation	(iii)	28,454
Other comprehensive expense for year as reported under FRS 102		(113,815)

#### Reconciliation of shareholders deficit

	Note	28 June 2014 £	3 July 2015 £
Shareholders deficit previously reported under UK GAAP		(4,424,414)	(4,130,462)
- Foreign currency translation of monetary assets	(i)	-	30,060
- Recognition of derivative financial instruments	(ii)	-	(142,269)
- Deferred taxation	(iii)	-	22,442
Total shareholders deficit reported under FRS 102		(4,424,414)	(4,220,229)

#### Notes to the reconciliations

##### (i) Translation of foreign currency monetary items

Under previous UK GAAP, trade payables and goods received but not yet invoiced were translated using the accompanying 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 £30,060 has been recognised in the income statement with a decrease of £30,060 in creditors.

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

**23 Transition to FRS102 (continued)**

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

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the Company did not recognise these instruments in the financial statements. On transition to FRS 102 the Company has adopted cash flow hedging to manage its exposure to foreign exchange risk. Accordingly at transition current liabilities of £nil were recognised and a pre-tax loss of £142,269 was recognised in other comprehensive income for the year ended 3 July 2015. Current liabilities of £142,269 were recognised at 3 July 2015.

**(iii) Deferred taxation**

The Company has accounted for deferred taxation on transition as follows:

**Translation of foreign currency monetary items** – The Company has recognized in the year ended 3 July 2015 a charge of £6,012 in respect of the revaluation of foreign currency monetary assets.

**Derivative financial instruments** – In the year ended 3 July 2015 the Company has recognized a credit of £28,454 in the other comprehensive income in respect of the change in the value of derivative liabilities recognized in the other comprehensive income.