

Registered number: 06574767

PARENT ACCOUNTS
AVERYS OF BRISTOL
LIMITED
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Direct Wines Holdings Limited
Annual report and financial statements
For the period ended 27 June 2014

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Direct Wines Holdings Limited

Annual report and financial statements for the period ended 27 June 2014

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Company information

Directors

A H G Laithwaite	President
B A Laithwaite	Co-Chairman
E McMeikan	Non-executive
S N McMurtne	CEO
A J Porter	Co-Chairman
HJH Laithwaite	Non-executive
WW Laithwaite	Non-executive
TAE Laithwaite	Non-executive
A White	Non-executive
E J Coombs	Interim CFO

Registered office

New Aquitaine House
Exeter Way
Theale
Reading
Berkshire
RG7 4PL

Bankers

Barclays Bank plc
3/5 King Street
Reading
Berkshire
RG1 2HD

HSBC
26 Broad Street
Reading
Berkshire
RG1 2BU

Independent auditors

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

Solicitors

Olswang LLP
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

Co-Chairmen's Statement

This year continued the period of streamlining and simplification of our operations with the sale of non-core businesses – Virgin (UK), Hong Kong, Germany and Switzerland. We are in the process of exiting from Poland. These steps will ensure that our resources and expertise can be further concentrated on our three core markets: the UK, the USA and Australia, together with franchise and distribution arrangements around the world.

In line with our 45 year tradition, the bulk of the proceeds from disposals have been re-invested in our core businesses. Operating profit is £5.3m lower this year but profits before taxation have increased from £7.7m to £10.3m.

In the UK we successfully implemented a sophisticated, new customer service system which supports further deepening and strengthening of our customer relationships.

In the USA we had another strong year of trading. During the year we moved to new offices and took the opportunity to make some improvements to our overall business model in order to ensure that our internal compliance structure provides a strong platform for sustainable long-term growth.

Our Australian business continued to grow through our key brands. Lathwaites Wine People, Virgin Wines and 'The Australian' Wine Club. As with the USA, the investment in our systems has helped ensure that our customers enjoy an expanded and appropriate wine range.

We continue to invest in wine production in Bordeaux; a source of excellent and exclusive wines for our customers, and now 33 years old. On the other side of the world, we have evolved and grown our 12 year old 'home for aspiring young wine makers' RedHeads, by moving the studio winery on, from McLaren Vale to the Barossa Valley.

As ever, our people remain dedicated and motivated to the common goal of serving our customers. By continuing to ensure that we attract, retain, and enhance our talent pool, we ensure that we provide a knowledgeable and responsive customer service, as this plus our unique wines, are our key differentiators. By nurturing these two areas of expertise, we will make sure we continue to provide ever-improving overall quality, value and service in all aspects of our wine offering.

Tony has been able to slightly increase his day-to-day involvement in wine and writing by moving from the role of Co-Chairman to a more creative role as 'President'. He remains active on the Board and Barbara is joined as Co-Chairman by the experienced non-executive Director, Angus Porter, who has been with the company for 4 years.



Barbara Lathwaite and Angus Porter
Co-Chairmen

Strategic report for the period ended 27 June 2014

The directors present their strategic report on the group for the period ended 27 June 2014

Business review and principal activities

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

The profit and loss account for the period is set out on page 9

Financial performance in the year reflected successful completion of the sale of Virgin Wines (UK) and Direct Wines Hong Kong and our continuing planned investment in our customers both in the UK and internationally as profit before tax increased by £2.6m to £10.3m.

The Sale of Virgin Wines Online and Direct Wines Hong Kong completed during the year generated a profit of £7.8m as disclosed in note 4

The US business reorganized its business model during the year. The new set up has not had a significant impact on the profitability of the group

Subsequent to the year end, we have completed the sale of certain trade and assets of our businesses in Switzerland and Germany, effective 31 July 2014. We have committed to managing an efficient closure of our Polish business

We are satisfied with the level of stability in our UK customer base

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

The directors recognise as the principal risks of our 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.

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

Regulatory risk - as we operate in several countries, we need to ensure our compliance, and monitor any legal or regulatory changes

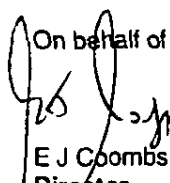
The directors meet regularly to evaluate business risks and monitor the economic climate and take appropriate action where necessary. In particular the processes and systems surrounding fraud and credit risk are continuously evaluated.

Balance sheet position remains strong with net assets of £48.6m and the current ratio 1.3 (current assets/current liabilities) has improved by 9% on last year.

The group remains focused on our English-speaking operations going forward the UK, the USA and Australia, by concentrating resources and expertise in those core markets

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

On behalf of the Board



E J Coombs
Director

16 September 2014

Directors' report for the period ended 27 June 2014

The directors present their annual report and the audited consolidated financial statements of the group and company for the period ended 27 June 2014

Results and dividends

The group profit for the financial period after taxation was £7,840,000 (2013 £693,000) The directors have recommended a final dividend of £35.24 per share (2013 final dividend £31.76 per share) A special interim dividend of £39.53 per share has been paid in the year (2013: £nil)

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
E McMeikan	Non-executive
S N McMurtre	CEO
C A Humphreys	CFO (resigned 11 July 2014)
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
E J Coombs	Interim CFO (appointed 16 June 2014)

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 and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' 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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

**Directors' report for the period ended 27 June 2014
(continued)****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 foreign exchange risk, interest rate risks, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

The group utilises forward foreign currency contracts in order to manage exchange risk. Where the forward foreign currency contracts have not been entered into, the group takes active risk management steps in order to manage the risks involved.

The group actively maintains a mixture of long term and short term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

The group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the group by regular consideration of hedging activity. No hedge accounting has been applied.

Political and charitable contributions

The group made charitable donations of £2,290, the main donation of £2,000 was to Macmillan Cancer Support (2013: £15,746, the main donation of £11,439 was to The Lords Taverners, to support their work with disadvantaged young people). No political donations were made during the period (2013: 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. Suggestions from employees aimed at improving the group's performance are welcomed.

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.

**Directors' report for the period ended 27 June 2014
(continued)**

Statement as to disclosure of information to auditors

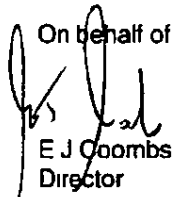
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. The directors have confirmed that they have taken all the steps that they ought to have taken 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



E J Coombs
Director

16 September 2014

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

Our opinion

In our opinion the financial statements, defined below.

- give a true and fair view of the state of the group's and of the company's affairs as at 27 June 2014 and of the group's profit and cash flows for the period 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Direct Wines Holdings Limited, comprise.

- the group and company balance sheets as at 27 June 2014,
- the group profit and loss account and statement of group total recognised gains and losses for the period then ended,
- the group cash flow statement for the period then ended,
- the group reconciliation of net cash flow to movement in net funds/(debt), 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 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.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements 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

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

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 period 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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility

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.

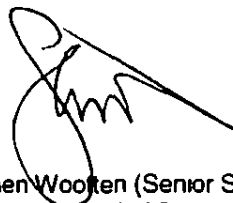
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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 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 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.



Stephen Woolfen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
16 September 2014

Group profit and loss account for the period ended 27 June 2014

	Note	52 week period ended 27 June 2014 £'000	Represented 52 week period ended 28 June 2013 £'000
Turnover including share of joint venture			
Continuing operations		279,223	298,625
Discontinued operations		5,863	44,337
		285,086	342,962
Less : share of turnover of joint venture		(274)	(243)
Group turnover	2	284,812	342,719
Cost of sales		(168,073)	(198,786)
Gross profit		116,739	143,933
Operating expenses	3	(113,672)	(135,800)
Other operating income		-	300
Operating profit			
Continuing operations		2,243	8,340
Discontinued operations		824	93
Group Operating Profit		3,067	8,433
Share of operating loss in joint venture		(163)	(234)
Total Operating profit: group and share of joint ventures		2,904	8,199
Profit on sale of subsidiaries	4	7,784	-
Interest receivable and similar income	5	132	143
Interest payable and similar charges	6	(433)	(601)
Share of net interest payable in joint venture	7	(64)	(79)
Profit on ordinary activities before taxation	8	10,323	7,662
Tax on profit on ordinary activities	11	(2,483)	(6,969)
Profit for the financial period	25	7,840	693

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial periods stated above, and their historical cost equivalents.

The comparative results for the period ended 28 June 2013 have been represented to show the split between continued and discontinued operations and the change in allocation of distribution costs between operating expenses and cost of sales, as explained in note 3.


Statement of group total recognised gains and losses

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Profit for the financial period	7,840	693
Currency translation differences on foreign currency net investments	(4,480)	1,210
Total recognised gains and losses relating to the period	3,360	1,903

Group balance sheet as at 27 June 2014

	Note	27 June 2014 £'000	28 June 2013 £'000
Fixed assets			
Intangible assets	13	17,036	23,055
Tangible assets	14	30,002	29,368
		47,038	52,423
Current assets			
Stock	16	31,354	39,671
Debtors' amounts falling due within one year	17	12,823	14,490
Debtors' amounts falling due after more than one year	17	52	1,299
Cash at bank and in hand	18	26,409	35,968
		70,638	91,428
Creditors: amounts falling due within one year	19	(54,240)	(76,759)
Net current assets		16,398	14,669
Total assets less current liabilities		63,436	67,092
Creditors: amounts falling due after more than one year	20	(12,500)	(15,900)
Provisions for liabilities	22	(1,426)	(1,568)
Provision for joint venture deficit	15	(866)	(733)
- share of gross assets		187	188
- share of gross liabilities		(1,053)	(921)
Net assets		48,644	48,891
Capital and reserves			
Called-up share capital	24	51	51
Profit and loss account	25	48,593	48,840
Total shareholders' funds	26	48,644	48,891

The financial statements on pages 9 to 31 were approved by the board of directors on 16th September 2014 and were signed on its behalf by


 B A Laithwaite
 Director
 Direct Wines Holdings Limited
 Registered number 06574767

Company balance sheet as at 27 June 2014

	Note	27 June 2014 £'000	28 June 2013 £'000
Fixed assets			
Investments	15	2,728	5,213
Current assets			
Debtors amounts falling due after more than one year	17	11,253	1,000
Cash at bank and in hand		200	43
		11,453	1,043
Creditors: amounts falling due within one year	19	-	(543)
Net current assets		11,453	500
Total assets less current liabilities		14,181	5,713
Net assets		14,181	5,713
Capital and reserves			
Called up share capital	24	51	51
Profit and loss account	25	14,130	5,662
Total shareholders' funds	26	14,181	5,713

The financial statements on pages 9 to 31 were approved by the board of directors on 16th September 2014 and were signed on its behalf by



B A Laithwaite
Director
Direct Wines Holdings Limited
Registered number 06574767

Group cash flow statement for the period ended 27 June 2014

	Note	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Net cash inflow from operating activities	27a	14,113	23,608
Net cash outflow from returns on investments and servicing of finance	27b	(386)	(544)
Taxation		(801)	(1,680)
Net cash outflow from capital expenditure and financial investment	27b	(7,199)	(7,135)
Net cash inflow from disposals/acquisitions	27b	10,875	-
Equity dividends paid to shareholders	12	(3,607)	(1,374)
Net cash inflow before use of liquid resources and financing		12,995	12,875
Net cash outflow from financing	27b	(3,400)	(5,100)
Increase in net cash in the period		9,595	7,775

Group reconciliation of net cash flow to movement in net funds/(debt)

	Note	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Increase in net cash in the period		9,595	7,775
Movement in loans and borrowings		3,400	5,100
Movement in net funds in the period resulting from cash flows		12,995	12,875
Translation differences		(1,863)	300
Movement in net funds in the period		11,132	13,175
Opening net funds/ (debt)	27c	443	(12,732)
Closing net funds	27c	11,575	443

Notes to the financial statements for the period ended 27 June 2014

1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 2006 and with applicable accounting standards in the United Kingdom. Principal accounting policies, which have been applied consistently throughout the period, are set out below.

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 52 weeks. The current accounting period is for the 52 weeks period ended 27 June 2014. The previous accounting period was for the 52 weeks ended 28 June 2013.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its interests in subsidiaries. The results of businesses acquired or disposed of in the year are consolidated from or up to the effective date of acquisition or disposal. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passed. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as goodwill and written off on a straight line basis over its estimated economic life. Provision is made for impairment where necessary. Uniform accounting policies are adopted throughout the group. Transactions and balances between subsidiaries are eliminated.

Exemption from the disclosure of a parent company profit and loss account

Direct Wines Holdings Limited, as parent company of the group has taken exemption from disclosure of its individual profit and loss account under Companies Act 2006 s408.

Exemption from audit by parent guarantee

Under Section 479A of the Companies Act 2006, exemptions from an audit of the accounts for the financial year ending 27 June 2014 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 Finance Limited	06932033
Direct Wines Europe Limited	08532287
Beer Club of Britain Limited	05277882

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.

Purchased goodwill

Goodwill representing the excess of the purchase price over the fair value of net assets acquired is capitalised and written off over 15 – 25 years as, in the opinion of the directors, this represents the period over which the goodwill is effective.

The group evaluates the carrying value of goodwill in each financial year to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Notes to the financial statements for the period ended 27 June 2014 (continued)

1 Accounting policies (continued)

Fixed asset investments

Investments are stated at cost less provision for any impairment in value.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less provision for depreciation. 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. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Freehold land	not depreciated
Freehold properties	over 50 years
Improvements to property	over 5 to 10 years
Shop premiums	the shorter of the lease life and 10 years
Computer hardware and software, and furniture and fittings	over 3 to 10 years
Motor vehicles	over 2 to 4 years
Leased assets	the shorter of the primary term of the lease and the useful life of the assets
Assets in the course of construction	not depreciated

Stock

Stock and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for selling costs. Provision is made where necessary for obsolete, slow moving and defective stock.

Production costs

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 balance sheet as work in progress.

Turnover

Turnover, which excludes value added tax, trade discounts and returns, represents the invoiced value of goods, membership subscriptions, trips and tastings provided to customers during the period. Turnover is recognised on sales when title to the product passes which is generally upon despatch. Turnover for subscriptions, trips and tastings is recognised when the service is provided.

Foreign exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Trading transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange gains or losses are included in the profit and loss account in the period in which they arise.

The results of foreign subsidiaries are translated at the average rate of exchange for the period and assets and liabilities are translated at the closing balance sheet rate. The exchange differences arising on the retranslation of opening net investments in subsidiary companies and the translation of results at average rates are taken to reserves.

Notes to the financial statements for the period ended 27 June 2014 (continued)**Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Leased assets and obligations

Assets held under finance leases, which are leases where substantially all the risks and rewards of the asset have passed to the company and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the period of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

Pension contributions

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

Related parties

FRS 8 "Related Party Disclosures" requires the disclosure of the details of material transactions between the reporting entity and related parties. However, transactions between the company and other group companies have not been disclosed in accordance with the exemption in FRS 8 as the consolidated financial statements of the group are publically available

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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

Notes to the financial statements for the period ended 27 June 2014 (continued)

2 Group Turnover

The company's turnover was all derived from its principal activity. Sales were made in the following geographical markets.

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
United Kingdom	194,406	223,085
Rest of World	90,406	119,634
	284,812	342,719

3 Operating expenses

	52 week period ended 27 June 2014 £'000	Represented 52 week period ended 28 June 2013 £'000
Distribution costs	12,835	19,555
Administration expenses	100,837	116,245
	113,672	135,800

The allocation of costs to distribution cost, administrative costs and cost of sales was reviewed during the period to 27 June 2014. The comparative results for the period ended 28 June 2013 have been represented to ensure a consistent approach. This resulted in an increase in administration expenses of £14.1m and decrease in distribution costs of £5.1m and cost of sales of £9m.

4 Profit on sale of subsidiaries

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Discontinued operations		
Profit on sale of subsidiaries	7,784	-

During the year, the group sold Virgin Wine Online Limited, a wholly-owned subsidiary, together with Warehouse Wines Ltd, for £13,650,000 in cash, generating a gain on disposal of £7,447,509. The consideration has been received in full. The transaction was effective from the commencement of the current period.

Notes to the financial statements for the period ended 27 June 2014 (continued)

4 Profit on sale of subsidiaries (continued)

Disposal of Virgin Wines

	£'000
Goodwill	2,986
Tangible fixed assets	266
Stock	3,617
Debtors	1,237
Creditors	(3,825)
Deferred Tax	713
Cash	568
	5,562
Cost of disposal	640
Profit on disposal	7,448
Cash consideration received	13,650

In addition, on 4th November 2013, the group sold its investment in Direct Wines Limited (Hong Kong), for a cash consideration of £375,885 and deferred consideration of £75,230, generating a gain on disposal of £336,594. The cash consideration has been received in full and the deferred consideration remains partly unpaid at the period end.

The results up to the date of sale of each of the above operations have been treated as discontinued operations in the profit and loss account.

No cash flows from the discontinued operations were included in the net operating cash flow, no payments were made in respect of net returns on investments and servicing of finance and or in respect of taxation.

5 Interest receivable and similar income

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
On bank deposits	132	143

6 Interest payable and similar charges

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
On bank loans and overdrafts	433	601

Notes to the financial statements for the period ended 27 June 2014 (continued)

7 Share of net interest payable in joint venture

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
On bank loans and overdrafts	64	79

8 Profit on ordinary activities before taxation

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation charge for the period		
Owned assets	6,038	5,641
Amortisation of goodwill	1,103	1,423
Profit on disposal of tangible fixed assets	2	(2)
Restructuring costs	-	315
Operating lease rentals		
Plant and machinery	66	138
Other assets	2,869	3,140
Services provided by the company's auditors		
- fees payable for audit of group undertakings	146	221
- fees payable for the audit of the company	5	5
- other services	-	20
- tax advisory services	103	99

Notes to the financial statements for the period ended 27 June 2014 (continued)

9 Employee information

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

	52 week period ended 27 June 2014	52 week period ended 28 June 2013
By activity	Number	Number
Office and management	510	578
Selling and distribution	254	433
	764	1,011

Staff costs for the above persons comprised:

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Wages and salaries	27,170	33,586
Social security costs	2,556	3,298
Other pension costs (note 31)	880	857
	30,606	37,741

In addition to the above, staff costs of £1,611,000 (2013 £1,349,000) have been capitalised into tangible fixed assets as part of the cost of development of software assets. These costs are included in Assets under the course of construction, Computer hardware and software, and furniture and fittings.

Notes to the financial statements for the period ended 27 June 2014 (continued)

10 Directors' emoluments

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Aggregate emoluments	2,305	2,569

In the current period no retirement benefits are accruing to directors. In 2013 2 directors accrued benefits under the group's defined contribution scheme. No contributions were paid in the current or prior period.

Fees paid to non-executive directors for their services during the period amounted to £89,894 (2013: £97,323)

Highest paid director

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Aggregate emoluments	1,318	1,458

11 Tax on profit on ordinary activities

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Current tax		
United Kingdom Corporation tax at 22.5% (2013: 23.75%)	-	(393)
Foreign tax		
Corporation tax	(2,437)	(2,562)
Other current tax		
Adjustment in respect of previous periods	323	1,458
Total current tax charge	(2,114)	(1,497)
Deferred tax		
Origination and reversal of timing differences		
- UK	170	(4,775)
- Foreign tax	(738)	(524)
Impact of change in tax rate	199	(173)
Total deferred tax (note 23)	(369)	(5,472)
Tax on profit on ordinary activities	(2,483)	(6,969)

Notes to the financial statements for the period ended 27 June 2014 (continued)

11 Tax on profit on ordinary activities (continued)

The tax assessed for the period is lower (2013 lower) than the standard rate of corporation tax in the UK for the period ended 27 June 2014 of 22.50% (2013 23.75%)

The differences are explained below:

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
Profit on ordinary activities before taxation	10,323	7,662
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2013: 23.75%)	2,323	1,820
Effects of		
Expenditure/(Income) not allowable for tax purposes	(1,645)	15
Difference in capital allowances and depreciation	(109)	(14)
Higher overseas tax rate	986	1,104
UK tax losses utilised	-	(321)
Overseas tax losses utilised	13	(412)
Overseas tax losses carried forward	735	675
Transfer pricing adjustment	13	-
Other timing differences	121	131
Adjustment in respect of previous periods	(323)	(1,458)
Double taxation relief	-	(43)
Total current tax	2,114	1,497

Factors affecting current and future tax charges

Changes to the UK Corporation tax system were announced in the March 2013 UK Budget Statement. The UK Finance Act 2013 received royal assent on 17 July 2013, reducing the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. The effect of these changes is included in these financial statements.

12 Dividends

	52 week period ended 27 June 2014 £'000	52 week period ended 28 June 2013 £'000
2012 Final dividend paid £27.15 per share	-	1,374
2013 Final dividend paid £31.76 per share	1,607	-
2013 Special interim dividend paid £39.53 per share	2,000	-
Total dividend paid	3,607	1,374

The directors have recommended a dividend of £1,783,144 (£35.24 per share) in respect of the period ended 27 June 2014.

Notes to the financial statements for the period ended 27 June 2014 (continued)

13 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 28 June 2013	36,549
Additions	60
Disposals	(5,539)
Translation differences	(3,026)
At 27 June 2014	28,044
Accumulated amortisation	
At 28 June 2013	13,494
Charge for the period	1,103
Disposals	(2,553)
Translation differences	(1,036)
At 27 June 2014	11,008
Net book value	
At 27 June 2014	17,036
At 28 June 2013	23,055

The company has no intangible fixed assets.

During the year the group has sold its investment in Virgin Wines Online limited and this resulted in the disposal of goodwill net book value of £2,986,000 (note 4)

Notes to the financial statements for the period ended 27 June 2014 (continued)

14 Tangible fixed assets

Group	Land and buildings		Computer hardware and software, and furniture and fittings	Assets in course of construction	Warehouse fixtures & fittings	Motor vehicles	Total
	Freehold properties	Short leasehold property improvements and shop premiums					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 28 June 2013	2,747	9,529	42,237	3,764	7,627	91	65,995
Additions	541	142	252	5,927	299	25	7,186
Disposals	-	(139)	(6,879)	-	(1,529)	(50)	(8,597)
Assets brought into use	-	73	4,633	(4,746)	40	-	-
Translation differences	(136)	(16)	(106)	-	(72)	(3)	(333)
At 27 June 2014	3,152	9,589	40,137	4,945	6,365	63	64,251
Accumulated depreciation							
At 28 June 2013	625	7,512	22,366	-	6,072	52	36,627
Charge for the period	81	591	4,667	-	687	12	6,038
Disposals	-	(113)	(6,643)	-	(1,467)	(47)	(8,270)
Translation differences	(35)	(9)	(69)	-	(33)	-	(146)
At 27 June 2014	671	7,981	20,321	-	5,259	17	34,249
Net book value							
At 27 June 2014	2,481	1,608	19,816	4,945	1,106	46	30,002
At 28 June 2013	2,122	2,017	19,871	3,764	1,555	39	29,368

The value of land included within freehold properties is not depreciated

The company has no tangible fixed assets

Notes to the financial statements for the period ended 27 June 2014 (continued)

15 Investments

	Provision for joint venture deficit
Group	£'000
At 28 June 2013	(733)
Share of loss	(227)
Foreign exchange gain	94
At 27 June 2014	(866)

	Shares in subsidiaries
Company	£'000
Cost and net book value at 28 June 2013	5,213
Disposal of investment	(2,485)
Impairment of investment	-
Net book value at 27 June 2014	2,728

The directors believe that the carrying value of investments is supported by their underlying assets and/or future cash flows.

Details of principal 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 International Limited	England & Wales	Ordinary	100%	Holding company
Direct Wines Finance Limited	England and Wales	Ordinary	100%	Financing company
Direct Wines Holdings USA Inc.	USA	Ordinary	100%*	Holding company
Direct Wines Australia Holdings Pty	Australia	Ordinary	100%*	Holding company

* Held indirectly

During the period ending 27 June 2014, the group sold its investments in Virgin Wine Online Limited and Warehouse Wines Limited (note 4)

In addition on 4th November 2013 the group has also sold its investment in Direct Wines Limited (Hong Kong) (note 4).

Notes to the financial statements for the period ended 27 June 2014 (continued)

16 Stock

Group	27 June 2014 £'000	28 June 2013 £'000
Raw materials and consumables	398	330
Finished goods and goods for resale	29,249	37,700
Work in progress	1,707	1,641
	31,354	39,671

The company holds no stock (2013. £nil)

17 Debtors

	Group		Company	
	27 June 2014 £'000	28 June 2013 £'000	27 June 2014 £'000	28 June 2013 £'000
Amounts falling due within one year				
Trade debtors	9,459	10,910	-	-
Other debtors	608	500	-	-
Prepayments and accrued income	2,756	3,080	-	-
	12,823	14,490	-	-

	Group		Company	
	27 June 2014 £'000	28 June 2013 £'000	27 June 2014 £'000	28 June 2013 £'000
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	11,253	1,000
Deferred tax asset (note 23)	52	1,299	-	-
	52	1,299	11,253	1,000

18 Cash at bank and in hand

Included in Group Cash at bank and in hand is £nil (2013. £2,206,429) relating to advance payments received from customers. The corresponding credit was included in accruals.

The company holds cash of £200,039 (2013. £43,180)

Notes to the financial statements for the period ended 27 June 2014 (continued)

19 Creditors: amounts falling due within one year

	Group		Company	
	27 June 2014	28 June 2013	27 June 2014	28 June 2013
	£'000	£'000	£'000	£'000
Bank overdrafts	2,334	19,625	-	-
Trade creditors	29,990	32,089	-	-
Amounts owed to group undertakings	-	-	-	543
Corporation tax	1,585	443	-	-
Other taxation and social security	5,431	5,162	-	-
Other creditors	1,091	1,528	-	-
Accruals and deferred income	13,809	17,912	-	-
	54,240	76,759	-	543

20 Creditors: amounts falling due after more than one year

	Group	
	27 June 2014	28 June 2013
	£'000	£'000
Loans – (note 21)	12,500	15,900
	12,500	15,900

21 Loans and other borrowings

Group		
	27 June 2014	28 June 2013
	£'000	£'000
Loans		
Bank revolving credit facility	12,500	15,900
	12,500	15,900
	27 June 2014	28 June 2013
	£'000	£'000
Maturity of loans and other borrowings		
In one year or less	-	-
In more than one year, but not more than two years	-	15,900
In more than two years, but not more than five years	12,500	-
	12,500	15,900

On 27th June 2014 the revolving credit facility was amended and restated to provide a four and a half year facility of £20,000,000. At the balance sheet date, borrowings under the revolving credit facility carry interest of 1.25% above LIBOR.

These facilities are secured on the assets of the company and the assets of the other companies in the Direct Wines Holdings Limited group.

Notes to the financial statements for the period ended 27 June 2014 (continued)

22 Provisions for liabilities

	Deferred tax provision (note 23) £'000
At 28 June 2013	1,568
Charged to the profit and loss account	(142)
At 27 June 2014	1,426

23 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	
	27 June 2014 £'000	28 June 2013 £'000	27 June 2014 £'000	28 June 2013 £'000
Accelerated capital allowances	(2,578)	(1,810)	-	428
Other timing differences	735	828	-	6
Losses	469	713	5,570	11,695
Deferred tax provision	(1,374)	(269)	5,570	12,129
Movement in period				
Net deferred tax (liability)/ asset at the beginning of the period	(269)	5,184		
Charged to the profit and loss account	(369)	(5,472)		
Disposal of Virgin Wine	(713)	-		
Foreign exchange difference	(23)	19		
Net deferred tax liability at the end of the period	(1,374)	(269)		
Comprising				
Deferred tax asset (note 17)	52	1,299		
Deferred tax liability (note 22)	(1,426)	(1,568)		
Net deferred tax liability	(1,374)	(269)		

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

Notes to the financial statements for the period ended 27 June 2014 (continued)

24 Called up share capital

	27 June 2014 £'000	28 June 2013 £'000
Group and company		
Authorised		
1,000,000 (2013: 1,000,000) ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
50,600 (2013: 50,600) ordinary shares of £1 each	51	51

25 Profit and loss account

	Group £'000	Company £'000
At 28 June 2013	48,840	5,662
Profit for the financial period	7,840	12,075
Currency translation differences on foreign currency net investments	(4,480)	-
Dividends paid (note 12)	(3,607)	(3,607)
At 27 June 2014	48,593	14,130

As permitted by Section 408 of the Companies Act 2006 the parent company's profit and loss account has not been included in these financial statements

26 Reconciliation of movements in shareholders' funds

	Group		Company	
	27 June 2014 £'000	28 June 2013 £'000	27 June 2014 £'000	28 June 2013 £'000
Profit for the financial period	7,840	693	12,075	1,374
Dividends paid	(3,607)	(1,374)	(3,607)	(1,374)
Currency translation differences on foreign currency net investments	(4,480)	1,210	-	-
Net addition to shareholders' funds	(247)	529	8,468	-
Opening shareholders' funds	48,891	48,362	5,713	5,713
Closing shareholders' funds	48,644	48,891	14,181	5,713

Notes to the financial statements for the period ended 27 June 2014 (continued)

27 Cash flow

a) Reconciliation of operating profit to net cash inflow from operating activities	Year ended 27 June 2014 £'000	Year ended 28 June 2013 £'000
Operating profit	2,904	8,199
Depreciation charges	6,038	5,641
Amortisation of goodwill and other intangible assets	1,103	1,423
Share of loss in joint venture	163	234
Profit on sale of fixed assets	2	(2)
Decrease in stocks	2,748	7,370
Increase in debtors	(196)	3,279
Increase in creditors	1,351	(2,536)
Net cash inflow from operating activities	14,113	23,608

b) Gross cash flows	Year ended 27 June 2014 £'000	Year ended 28 June 2013 £'000
Returns on investments and servicing in finance:		
Interest received	47	57
Interest paid	(433)	(601)
	(386)	(544)

Capital disposals and expenditure		
Sale of fixed assets	59	26
Purchase of tangible fixed assets	(7,258)	(7,161)
	(7,199)	(7,135)

Acquisitions and disposals		
Receipts from sale of subsidiary undertakings	14,065	-
Cash at bank and in hand transferred on sale	(2,822)	-
Other payments made in relation to sale of subsidiary undertakings	(368)	-
	10,875	-

Financing		
Repayment of borrowings	(3,400)	(5,100)
	(3,400)	(5,100)

Notes to the financial statements for the period ended 27 June 2014 (continued)

27 Cash flow (continued)

c) Analysis of changes in net funds

	At 28 June 2013 £'000	Cash flow £'000	Translation difference £'000	At 27 June 2014 £'000
Cash in hand and at bank	35,968	(7,696)	(1,863)	26,409
Bank overdraft	(19,625)	17,291	-	(2,334)
Loans	(15,900)	3,400	-	(12,500)
Total	443	12,995	(1,863)	11,575

28 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 27 June 2014 these amounted to £0.6m (2013: £0.6m).

The group has given indemnities to its bankers in respect of guarantees made by the bank on behalf of the group. At 27 June 2014 these amounted to £189,125 (2013: £150,186).

The bank overdrafts and loan of the UK group undertakings are secured by cross guarantees between the UK group companies. At 27 June 2014 the potential liability of the company was £2,125,624 (2013: £14,656,175).

29 Financial commitments

At 27 June 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 27 June 2014 £'000	Other 27 June 2014 £'000	Land and buildings 28 June 2013 £'000	Other 28 June 2013 £'000
Expiring within one year	1,004	108	91	128
Expiring in more than one year, but less than five years	372	-	629	6
Expiring after five years	1,526	-	2,462	-
	2,902	108	3,182	134

At the balance sheet date the group was committed to the following currency purchases under forward contract agreements (denominated in the respective foreign currency): Australian Dollars 5.6m, Euros 26.8m, New Zealand Dollars 0.9m.

At the balance sheet date the group was committed to the sale of the following currencies under forward contract agreements (denominated in the respective foreign currency): United States Dollars 12.1m.

Notes to the financial statements for the period ended 27 June 2014 (continued)

30 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 £880,000 (2013: £857,000). There were unpaid contributions at the period end of £75,000 (2013: £102,000).

31 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.

32 Related party disclosure

During the period ending 27 June 2014, the group purchased a property from H J H Wines SARL, a company directly owned by H J H Laithwaite, a non executive director of the group, for £415,100. The consideration has been paid in full.

33 Post balance sheet events

On 21 July 2014 Direct Wines Europe Ltd, Direct Wines GmbH and Direct Wines AG signed an Asset sale and purchase agreement with effective date 31 July 2014, in relation to certain assets and liabilities of Direct Wines GmbH and Direct Wines AG.

	Direct Wines GmbH	Direct Wines AG	Total
	£'000	£'000	£'000
Cash consideration received 1 August 2014	897	228	1,125
Fixed Assets	(5)	-	(5)
Stock	(195)	(73)	(268)
Additional selling costs	(235)	(47)	(282)
Profit on sale of assets	462	108	570

Direct Wines GmbH and Direct Wines AG have been consequently renamed as a part of the sales agreement to Laithwaites GmbH and Laithwaites AG respectively, and have ceased trade.

On 29 August 2014 Direct Wines SpA has been entered into liquidation.

As the above operations have ceased permanently within three months of the year end they have been disclosed as discontinued within the group profit and loss account.